

# Banco Cooperativo Espanol, S.A.

Update

## Key Rating Drivers

**Important Role Within Group:** Banco Cooperativo Espanol, S.A.'s (BCE) ratings reflect its low-margin, but stable and low-risk, business model focused on providing treasury and other services for credit cooperatives in Asociacion Espanola de Cajas Rurales (AECR). The bank's healthy asset quality and solid funding profile are rating strengths.

**Part of Institutional Protection Scheme:** BCE is a member of the Institutional Protection Scheme of the AECR, which, in Fitch Ratings' opinion, contributes to the cohesion of its members. Fitch does not assign a group rating as there is not yet sufficient evidence that the support mechanism is cohesive enough to substantially equalise the default risk of group members. Further maturing of the mutual support mechanism could result in increased cohesion, which might eventually result in Fitch assigning group ratings.

**Business Focused on Credit Cooperatives:** BCE's market footprint is weak, but its business model benefits from being the central treasurer of AECR's members, which translates into recurring income from its members. We view BCE's role as necessary for the adequate performance of the group, especially for smaller cooperatives, by helping them to improve their operating efficiency and to access larger corporate customers.

**Low-Risk Appetite:** BCE's balance sheet is mainly composed of its large securities portfolio and ECB deposits funded by interbank placements from AECR members. The securities portfolio is dominated by Spanish sovereign bonds, which result in a large concentration – at around 25% of assets at end-2024. Operational losses have been limited, and the bank has effective internal control systems.

**Strong Asset Quality:** Our asset-quality assessment mainly reflects non-loan assets because the bank's loan book represented only about 10% of assets at end-2024. It mostly comprises exposures to good-quality corporates, which result in a low impaired loan ratio of only 0.5% at end-2024 and largely negligible credit losses. The securities portfolio is of high credit quality, dominated by investment-grade issuers.

**Modest but Stable Profitability:** Profitability has generally been stable over the cycle and is highly dependent on net interest income (NII), which depends directly on business volumes from AECR members. Cost efficiency is satisfactory and supported by adequate control of expenses. BCE's profitability improved in 2024, and we expect it to remain sound in 2025, supported by higher business volumes and good cost control.

**Solid Capitalisation:** BCE's robust common equity Tier 1 ratio of 35.8% at end-2024 benefitted from low risk-weight densities given the high share of capital-light assets. Risk-weighted assets represented only 16% of assets at end-2024. We expect capital ratios to remain strong on earnings retention.

**Stable Funding and Liquidity:** BCE is mainly funded by deposits placed by AECR members, and, to a lesser extent, by other customer deposits and repos. The bank's funding lacks diversification compared with larger domestic peers', and access to capital markets remains untested. However, this is not a rating weakness given the bank's low loans/deposit ratio and ample liquidity.

## Ratings

### Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F2

Viability Rating	bbb
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Government Support Rating	ns
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### Sovereign Risk (Spain)

Long-Term Foreign-Currency IDR	A-
Long-Term Local-Currency IDR	A-
Country Ceiling	AAA

### Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Local-Currency IDR	Positive

## Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

## Applicable Criteria

[Bank Rating Criteria \(March 2025\)](#)

## Related Research

[Banco Cooperativo Espanol, S.A. \(October 2024\)](#)

[Business Conditions Support Spanish Banks' Improved Operating Environment \(December 2024\)](#)

[Fitch Revises Spain's Outlook to Positive; Affirms IDR at 'A-' \(November 2024\)](#)

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## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

BCE's ratings could be downgraded if its importance within the AECR group diminishes, or if the size of the group decreases materially, as this could reduce business volumes and cast uncertainty on BCE's role in the Spanish cooperative sector. However, we view this unlikely given the presence of a cross-support mechanism.

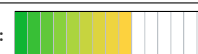
### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

In the long term, continued strong relationships with AECR banks, supporting internal capital generation and strengthening the equity base, combined with an improvement of the aggregate business and financial profile of AECR member banks, could support an upgrade.

## Ratings Navigator

### Banco Cooperativo Espanol, S.A.

ESG Relevance:

Banks  
Ratings Navigator

Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Government Support	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%				
aaa							aaa	aaa	aaa	AAA
aa+							aa+	aa+	aa+	AA+
aa							aa	aa	aa	AA
aa-							aa-	aa-	aa-	AA-
a+							a+	a+	a+	A+
a							a	a	a	A
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB Sta
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+
bb							bb	bb	bb	BB
bb-							bb-	bb-	bb-	BB-
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

## VR - Adjustments to Key Rating Drivers

Fitch revised the OE score to 'a-/stable' on improved business conditions, better medium-term economic growth potential and positive labour market trends in Spain. This recent change is not reflected yet in the implied category scores shown in the Rating Navigator nor the VR adjustments included below.

The operating environment (OE) score of 'bbb+' is below the 'a' category implied score due to the following adjustment reason: economic performance (negative).

The business profile score of 'bbb' is above the 'b' category implied score due to the following adjustment reason: group benefits and risks (positive).

The asset quality score of 'bbb+' is below the 'a' category implied score due to the following adjustment reason: concentrations (negative).

The capitalisation & leverage score of 'bbb' is below the 'a' category implied score due to the following adjustment reason: risk profile and business model (negative).

## Financials

## Summary Financials

	31 Dec 24		31 Dec 23	31 Dec 22	31 Dec 21
	Year end (USDm)	Year end (EURm)	Year end (EURm)	Year end (EURm)	Year end (EURm)
<b>Summary income statement</b>					
Net interest and dividend income	99	95.3	67.3	62.1	58.6
Net fees and commissions	19	17.9	16.5	15.9	14.3
Other operating income	24	23.2	12.2	11.5	6.6
Total operating income	142	136.4	96.0	89.5	79.5
Operating costs	42	40.0	34.5	32.7	30.6
Pre-impairment operating profit	100	96.4	61.5	56.8	48.9
Loan and other impairment charges	11	10.4	-1.7	-1.1	-1.7
Operating profit	89	86.0	63.2	57.9	50.6
Other non-operating items (net)	0	0.0	-0.3	0.2	-0.1
Tax	22	20.8	15.7	14.2	12.4
Net income	68	65.2	47.2	43.9	38.1
<b>Summary balance sheet</b>					
<b>Assets</b>					
Gross loans	1,429	1,375.4	1,352.2	994.6	1,842.7
- Of which impaired	6	6.2	3.9	2.1	2.4
Loan loss allowances	17	16.8	12.6	15.9	17.4
Net loans	1,412	1,358.6	1,339.6	978.7	1,825.3
Interbank	1,479	1,422.7	1,658.8	2,420.1	2,980.8
Derivatives	1,849	1,779.3	1,845.2	1,842.7	1,716.1
Other securities and earning assets	6,026	5,798.3	5,534.9	6,995.5	5,505.3
Total earning assets	10,766	10,358.9	10,378.5	12,237.0	12,027.5
Cash and due from banks	3,015	2,900.7	3,289.4	263.4	5,911.2
Other assets	80	76.9	36.3	97.6	55.5
Total assets	13,861	13,336.5	13,704.2	12,598.0	17,994.2
<b>Liabilities</b>					
Customer deposits	2,200	2,116.6	1,756.6	1,465.1	1,251.7
Interbank and other short-term funding	6,956	6,693.3	7,379.0	5,736.3	10,782.0
Other long-term funding	187	179.8	84.9	897.4	1,084.4
Trading liabilities and derivatives	2,459	2,365.6	2,468.9	2,474.1	2,625.7
Total funding and derivatives	11,802	11,355.3	11,689.4	10,572.9	15,743.8
Other liabilities	1,238	1,191.6	1,296.5	1,374.8	1,613.2
Total equity	821	789.6	718.3	650.3	637.2
Total liabilities and equity	13,861	13,336.5	13,704.2	12,598.0	17,994.2
Exchange rate		USD1 = EUR0.962186	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, BCE.

## Key Ratios

	31 Dec 24	31 Dec 23	31 Dec 22	31 Dec 21
<b>Ratios (annualised as appropriate)</b>				
<b>Profitability</b>				
Operating profit/risk-weighted assets	4.0	3.3	3.1	2.9
Net interest income/average earning assets	0.9	0.6	0.5	0.5
Non-interest expense/gross revenue	29.3	35.9	36.5	38.5
Net income/average equity	8.7	6.9	7.0	6.2
<b>Asset quality</b>				
Impaired loans ratio	0.5	0.3	0.2	0.1
Growth in gross loans	1.7	36.0	-46.0	23.2
Loan loss allowances/impaired loans	271.0	323.1	757.1	725.0
Loan impairment charges/average gross loans	0.5	-0.2	-0.1	-0.1
<b>Capitalisation</b>				
Common equity Tier 1 ratio	35.8	37.2	34.0	34.0
Basel leverage ratio	8.0	7.3	6.6	6.7
Net impaired loans/common equity Tier 1	-1.4	-1.2	-2.1	-2.6
<b>Funding and liquidity</b>				
Gross loans/customer deposits	65.0	77.0	67.9	147.2
Liquidity coverage ratio	253.9	256.8	197.4	297.9
Customer deposits/total non-equity funding	23.5	19.1	18.1	9.5
Net stable funding ratio	288.3	224.2	192.3	274.8
Source: Fitch Ratings, Fitch Solutions, BCE.				

## Support Assessment

## Commercial Banks: Government Support

Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bbb+ or bbb
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns

## Government ability to support D-SIBs

Sovereign Rating	A-/ Stable
Size of banking system	Negative
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Neutral

## Government propensity to support D-SIBs

Resolution legislation	Negative
Support stance	Neutral

## Government propensity to support bank

Systemic importance	Negative
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence

BCE's Government Support Rating (GSR) of 'no support' reflects our view that, although external extraordinary sovereign support is possible, it cannot be relied on. This is because senior creditors can no longer expect to receive full extraordinary support from the sovereign in the event that the bank becomes non-viable.

## Environmental, Social and Governance Considerations

## Credit-Relevant ESG Derivation

Banco Cooperativo Espanol, S.A. has 5 ESG potential rating drivers			key driver	0	issues	5	
➡ Banco Cooperativo Espanol, S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.			driver	0	issues	4	
➡ Governance is minimally relevant to the rating and is not currently a driver.			potential driver	5	issues	3	
			not a rating driver	4	issues	2	
				5	issues	1	

## Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1 n.a.	n.a.		5
Energy Management	1 n.a.	n.a.		4
Water & Wastewater Management	1 n.a.	n.a.		3
Waste & Hazardous Materials Management; Ecological Impacts	1 n.a.	n.a.		2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

**How to Read This Page**  
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

**The Environmental (E), Social (S) and Governance (G) tables** break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

**The Credit-Relevant ESG Derivation table's far right column** is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Scores of 3, 4 or 5) and provides a brief explanation for the score.

## Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1 n.a.	n.a.		2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

## Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance	CREDIT-RELEVANT ESG SCALE
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5	5 Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4	4 Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3	3 Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	2 Irrelevant to the entity rating but relevant to the sector.
				1	1 Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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