

Ratings Raised On Seven Spanish Mortgage Covered Bond Programs After Similar Action On Spain; Outlooks Remain Positive

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OVERVIEW

- On March 23, 2018, we raised our unsolicited long-term sovereign credit rating on Spain to 'A-' from 'BBB+'.
- Following this upgrade and the application of our criteria, we have raised our ratings on seven Spanish mortgage covered bond programs.
- The positive outlook on our ratings on all of these programs reflects the outlook on our unsolicited long-term rating on Spain.

MADRID (S&P Global Ratings) March 27, 2018--S&P Global Ratings today raised its credit ratings on seven Spanish mortgage covered bond programs and related issuances ("cédulas hipotecarias"; see list below).

Today's upgrades follow our March 23, 2018 upgrade of Spain (see "Spain Long-Term Ratings Raised To 'A-' On Economic Growth And Budgetary Consolidation; Outlook Positive").

Our ratings reflect the application of our covered bonds criteria and structured finance ratings above the sovereign (RAS) criteria (see "Covered Bonds Criteria," published on Dec. 9, 2014 and "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016).

Our ratings on these programs have unused notches for jurisdictional support, when determining the jurisdiction-supported rating level (JRL) under our covered bonds criteria. Some are constrained by the application of our RAS criteria or are affected by both of these factors.

Under our RAS criteria, we consider covered bonds backed by mortgage assets to have moderate sensitivity to country risk. This means that the number of notches of uplift above the sovereign rating is limited to three for programs that do not benefit from 12 months of liquidity support, which is the case for all Spanish mortgage covered bond programs that we rate.

Therefore, all other things being equal, a rating action on the sovereign would result in corresponding rating actions on these Spanish mortgage covered bond programs that we rate. Consequently, we have raised by one notch our ratings on these seven Spanish mortgage covered bond programs and related issuances.

The positive outlooks on our ratings on these covered bond programs reflect the positive outlook on our unsolicited long-term rating on Spain.

POTENTIAL EFFECTS OF PROPOSED CRITERIA CHANGES

Our ratings are based on our applicable criteria, including our "Covered Bonds Criteria," published on Dec. 9, 2014.

However, the resolution regime analysis section of these criteria is under review (see "Request For Comment: Methodology For Incorporating The Effect Of Resolution Regimes Into Covered Bond Ratings," and "Request for Comment: Methodology For Assigning Financial Institution Resolution Counterparty Ratings ," both published on Jan. 31, 2017).

As a result of this review, we may amend certain paragraphs of our covered bonds criteria. This change may affect the ratings on the outstanding covered bonds issued under these covered bond programs. Until this time, we will continue to rate and surveil these covered bonds using our existing criteria (see "Related Criteria").

RELATED CRITERIA

- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Aug. 4, 2017
- Criteria - Structured Finance - General: Foreign Exchange Risk In Structured Finance--Methodology And Assumptions, April 21, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - Covered Bonds: Counterparty Risk Analysis

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In Covered Bonds, Dec. 21, 2015

- Criteria - Structured Finance - Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Criteria - Structured Finance - Covered Bonds: Methodology And Assumptions: Analyzing European Commercial Real Estate Collateral In European Covered Bonds, March 31, 2015
- Criteria - Structured Finance - Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

RELATED RESEARCH

- Spain Long-Term Ratings Raised To 'A-' On Economic Growth And Budgetary Consolidation; Outlook Positive, March 23, 2018
- Spanish RMBS Index Report Q4 2017, March 1, 2018
- Global Covered Bond Characteristics And Rating Summary Q4 2017, Jan. 24, 2018
- Hope Overcomes Fears As The Fundamentals Propel Europe Forward, Dec. 5, 2017
- Outlook Assumptions For The Spanish Residential Mortgage Market, Dec. 27, 2017
- Eurozone Growth Momentum Stays Solid, Nov 30, 2017
- Assessments For Target Asset Spreads According To Our Covered Bonds Criteria, Nov. 3, 2017
- Assessments For Jurisdictional Support According To Our Covered Bonds Criteria, Nov. 3, 2017
- Request For Comment: Methodology For Incorporating The Effect Of Resolution Regimes Into Covered Bond Ratings, Jan. 31, 2017
- Request for Comment: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, Jan. 31, 2017

RATINGS LIST

Class	Rating	To	From
Ratings Raised			
Mortgage Covered Bonds (Cédulas Hipotecarias)			
Banco Bilbao Vizcaya Argentaria S.A.			
	AA-/Positive		A+/Positive
Bankia S.A.			
	AA-/Positive		A+/Positive

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Bankinter S.A.

AA-/Positive A+/Positive

CaixaBank S.A.

AA-/Positive A+/Positive

Ibercaja Banco S.A.

AA-/Positive A+/Positive

Kutxabank S.A.

AA-/Positive A+/Positive

Deutsche Bank, S.A.E.

A+/Positive A/Positive

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