

Outlook On Spain-Based BBVA And Santander Consumer Finance Revised To Positive Following Action On Sovereign

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OVERVIEW

- On March 31, 2017 we revised our outlook on our long-term sovereign credit rating on Spain to positive from stable.
- If we raised the sovereign rating, Spain's creditworthiness would no longer prevent a potential improvement in Banco Bilbao Vizcaya Argentaria S.A. (BBVA) and Santander Consumer Finance S.A.'s (SCF) creditworthiness, translating into higher long-term ratings.
- We are therefore revising our outlooks on our long-term ratings on BBVA and its core subsidiary BBVA Global Markets B.V. and SCF and its core subsidiary Santander Consumer Bank AG to positive from stable.
- The positive outlook on BBVA reflects the possibility of an upgrade in the next 12-24 months, if Spain's economic and operating environment becomes more supportive, provided that emerging risks in other markets of operation--namely Turkey and Mexico--remain under control, and Spain is upgraded.
- The positive outlook on SCF reflects the possibility of an upgrade in the next 12-24 months if we raised the ratings on both SCF's parent company, Banco Santander S.A., and Spain.

MADRID (S&P Global Ratings) April 3, 2017--S&P Global Ratings today said that it has revised to positive from stable its outlook on the long-term ratings on Spain-based Banco Bilbao Vizcaya Argentaria S.A. (BBVA) and its core

subsidiary BBVA Global Markets B.V. At the same time, we affirmed our long- and short-term counterparty credit ratings on both entities at 'BBB+/A-2'.

We also revised to positive from stable our outlook on the long-term ratings on Santander Consumer Finance S.A. (SCF), a highly strategic subsidiary of Banco Santander S.A., and that of its German-based core subsidiary Santander Consumer Bank AG (SCB). We also affirmed our long- and short-term counterparty credit ratings on both entities at 'BBB+/A-2'.

RATIONALE

BBVA AND BBVA GLOBAL MARKETS

The rating action follows our positive outlook revision on Spain on March 31, 2017. A strengthening of Spain's sovereign creditworthiness would mean that, if BBVA's stand-alone creditworthiness improved, we could raise the long-term rating on BBVA as it would not be constrained by our assessment of Spain's creditworthiness.

In turn, the outlook revision on BBVA results in the same action on core subsidiary BBVA Global Markets, whose ratings are equalized to and move in tandem with those on its parent.

At present, our stand-alone credit profile (SACP) for BBVA stands at 'bbb+', reflecting the bank's strong and geographically diversified retail banking profile, sound and resilient operating profitability, and solid capitalization compared to its risk profile. These strengths are balanced by the higher-than-average economic risk of the countries in which BBVA operates, as well as by the still-weak profitability of its Spanish operations, which account for about half of its asset base.

In our view, BBVA's SACP could improve if risks in the domestic environment were to ease, while emerging risks in other markets--namely Turkey and Mexico--remain under control, or if we were to improve our assessment of industry risks in the Spanish banking system. Our assessment of both the Spanish banking system's economic and industry risks currently carry positive trends. The materialization of any of these positive trends would very likely lead, all other things being equal, to an improvement in BBVA's anchor to 'bbb' and thus to a stronger SACP for the bank.

Until now, we had a stable outlook on BBVA because, in our view, despite acknowledging that the bank's creditworthiness could improve in the context of a potentially more supportive economic and operating environment in Spain, BBVA's high business concentration in the country--which accounts for almost half of its loan book--means it would be unlikely that the bank would continue to meet its obligations in a timely manner in the hypothetical event of a Spanish sovereign default.

Our outlook on BBVA's U.S. intermediate holding company, BBVA Compass Bancshares, Inc. (BBB+/A-2), remains stable and is not affected by BBVA's

outlook revision to positive. We would not upgrade BBVA Compass if its parent was upgraded to 'A-' because, as a highly strategic subsidiary, we would still cap BBVA Compass' rating at its unsupported group credit profile of 'bbb+'. This assessment reflects BBVA Compass' solid market position as a Texas-based regional banking company with \$87 billion in assets, its strong capital ratios, and our expectation that its asset quality will continue to stabilize because of reduced energy loan exposures and the improved energy pricing environment.

SCF AND SCB

The outlook revision on SCF follows a similar revision on the outlook on Spain. A potential strengthening of Spain's sovereign creditworthiness would facilitate an upgrade of SCF if its parent company, Banco Santander was also upgraded.

SCF is a highly strategic subsidiary of Banco Santander and, as such, the ratings on SCF stand one notch below the parent's 'a-' group credit profile (GCP). In our view, there is potential for the ratings on Banco Santander and its GCP to improve as the bank progresses with its plan to build a large buffer of instruments eligible to absorb losses in resolution. If that were the case, SCF would also be eligible for an upgrade, but for that to happen the sovereign credit ratings on Spain would also have to be raised. That is because, based on group support, we would not rate noncore subsidiaries above the sovereign ratings on the country where they are based, unless they have less than 10% exposure to that jurisdiction which SCF moderately exceeds. The outlook revision on Spain therefore increases the likelihood that we could raise the long-term rating on SCF in the next 12-24 months.

The outlook revision of SCB mirrors the action on its parent SCF. We see SCB as a core subsidiary of SCF and, as such, we expect the ratings to move in tandem with those on its parent.

OUTLOOK

BBVA

The positive outlook on BBVA reflects the possibility that we could raise the long-term rating over the next 12-24 months if these two conditions are met:

- The bank's creditworthiness strengthens, driven either by a more supportive economic environment at home, while emerging risks in other markets--namely Turkey and Mexico--remain under control; or by an improvement of our assessment of Spain's banking system industry risks, most likely because of lower funding risks; and
- Spain is upgraded.

Conversely, the outlook could be revised back to stable if we no longer see the two positive developments cited above materializing.

SCF

The positive outlook on SCF mirrors the outlook on its parent, Banco Santander, as well as the positive outlook on Spain. It therefore reflects the possibility that we could raise the long-term rating on SCF in the next 12-24 months if the ratings on its parent and Spain were raised.

The outlook could be revised back to stable if we perceive that either Banco Santander or Spain were unlikely to be upgraded.

SCB

The positive outlook on SCB mirrors that on its parent SCF. If we were to upgrade SCF, we would also likely upgrade SCB as we expect it to remain a core subsidiary for its parent. The outlook could be revised to stable if a similar action was taken on SCF.

RELATED CRITERIA

- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria - Financial Institutions - Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 01, 2012
- Criteria - Financial Institutions - Banks: Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 09, 2011
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 09, 2011
- Criteria - Financial Institutions - Banks: Bank Capital Methodology And Assumptions, Dec. 06, 2010
- Criteria - Financial Institutions - Banks: Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks, May 04, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks,

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March 23, 2004

RELATED RESEARCH

- Kingdom Of Spain Outlook Revised To Positive On Strong And Balanced Economic Performance; 'BBB+/A-2' Ratings Affirmed, March 31, 2017
- German Credit Institution Santander Consumer Bank Assigned 'BBB+/A-2' Ratings; Outlook Stable, March 30, 2017
- Mostly Positive Rating Actions on Spanish Banks on Largely completed provisioning of Legacy Problem Assets, Feb. 9, 2017

RATINGS LIST

Ratings Affirmed; Outlook Action

	To	From
BBVA Global Markets B.V.		
Banco Bilbao Vizcaya Argentaria S.A.		
Santander Consumer Bank AG		
Santander Consumer Finance S.A.		
Counterparty Credit Rating	BBB+/Positive/A-2	BBB+/Stable/A-2

Ratings Affirmed

Banco Bilbao Vizcaya Argentaria S.A.	
Senior Unsecured	BBB+
Subordinated	BBB-
Certificate Of Deposit	A-2
Commercial Paper	A-2
Certificate Of Deposit	BBB+/A-2

BBVA Global Markets B.V.	
Senior Unsecured [1]	BBB+
Senior Unsecured [1]	BBB+p

B.B.V. Finance (DE) Inc.	
Commercial Paper [1]	A-2

BBVA Capital Finance, S.A. Unipersonal	
Preferred Stock [1]	BB-
Preference Stock [1]	BB-

BBVA Commercial Paper Ltd.	
Commercial Paper [1]	A-2

BBVA Global Finance Ltd.	
Senior Unsecured [1]	BBB+
Subordinated [1]	BBB-

BBVA International Ltd.	
Preference Stock [1]	BB-

BBVA International Preferred, S.A. Unipersonal
Preferred Stock [1] BB-

BBVA Senior Finance, S.A. Unipersonal
Senior Unsecured [1] BBB+
Senior Unsecured [1] BBB+p

BBVA Subordinated Capital, S.A. Unipersonal
Subordinated [1] BBB-

BBVA U.S. Senior, S.A. Unipersonal
Commercial Paper [1] A-2

Bex America Finance Inc.
Commercial Paper [1] A-2

Santander Consumer Finance S.A.
Senior Unsecured BBB+
Commercial Paper A-2

Santander Consumer Bank AS
Senior Unsecured [2] BBB+

[1] Guaranteed by Banco Bilbao Vizcaya Argentaria S.A.

[2] Guaranteed by Santander Consumer Finance S.A.

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