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COMUNICACIÓN DE HECHO RELEVANTE

MADRID CONSUMO1, FONDO DE TITULIZACIÓN DE ACTIVOS
Bajada de Calificación de Standard & Poor´s a Bankinter

Titulización de Activos, Sociedad Gestora de Fondos de Titulización, S.A. comunica el siguiente Hecho Relevante:

I. Respecto al Fondo arriba mencionado y de acuerdo con la información publicada por Standard & Poor´s el día 11 de octubre, el rating de la entidad Bankinter, ha sido rebajado a largo plazo de A/Negative a A-/Negative y a corto plazo de A-1 a A-2.
Este hecho afecta al Contrato de Servicios Financieros suscrito entre Bankia, Bankinter y el Fondo. Por lo tanto, y al objeto de mantener la calificación de los bonos emitidos por el Fondo, se iniciarán los procesos necesarios de acuerdo a los criterios de la agencia de calificación.

II. Adjuntamos nota de prensa de Standard & Poor´s, por la que se comunican a esta Sociedad Gestora la bajada de calificación de la mencionada entidad.

En Madrid a 17 de octubre de 2011

Ramón Pérez Hernández
Director General

STANDARD &POOR'S

Global Credit Portal®
RatingsDirect®

October 11, 2011

Spain's Slowing Economy And Depressed Real Estate Market Prompt Negative Rating Actions On 15 Spanish Banks

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- In our view, Spain's economy faces dimming growth prospects in the near term, real estate market activity remains depressed, and turbulence in the capital markets has heightened.
- We believe the correction of imbalances in Spain will continue negatively affecting the financial profiles of Spain's banks in the next 15-18 months.
- We have revised down our Banking Industry Country Risk Assessment for the Spanish banking system to Group 4 from Group 3.
- We are lowering by one notch our long-term counterparty credit ratings on 10 Spanish financial institutions, including the country's largest banks, Banco Santander S.A. and Banco Bilbao Vizcaya Argentaria S.A.
- We are also affirming the ratings on four banks, revising the outlooks to negative from stable on four banks, placing one bank on CreditWatch negative, and lowering our stand-alone credit profile assessments for two banks.
- The outlooks on all Spanish financial institutions we rate are negative, reflecting the possibility that we could downgrade some banks further if the economy deteriorates more than we anticipate in our base-case scenario or the adverse impact on banks' financial profiles is greater than our current expectations.

MADRID (Standard & Poor's) Oct. 11, 2011--Standard & Poor's Ratings Services said today that it took negative rating actions on 15 Spanish banks. The ratings actions followed its revision today of the Banking Industry Country

Risk Assessment of Spain's banking system (see "Spain Banking Industry Country Risk Assessment Revised To Group 4 From Group 3 On Heightened Economic Risk," published Oct. 11, 2011).

DOWNGRADES

- We lowered our long-term counterparty credit rating on Banco Santander S.A. (Santander) to 'AA-' from 'AA' and assigned a negative outlook to it. The 'A-1+' short-term rating on Santander was affirmed. Because of this rating action, we lowered the long-term counterparty credit ratings and affirmed the short-term ratings on those core subsidiaries whose ratings we equalize with those on the parent, Santander, namely Spanish subsidiaries Banco Español de Crédito S.A. (Banesto), Santander Consumer Finance, S.A. (SCF), and U.K. subsidiary Santander UK PLC.
- We lowered our long-term counterparty credit rating on Banco Bilbao Vizcaya Argentaria S.A. (BBVA) to 'AA-' from 'AA' and assigned a negative outlook to it. We affirmed the 'A-1+' short-term rating on BBVA.
- We lowered our long- and short-term counterparty credit ratings on savings bank Confederación Española de Cajas de Ahorros (CECA) to 'A-/A-2' from 'A/A-1'. The outlook is negative.
- We lowered our long- and short-term counterparty credit ratings on savings bank Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (IberCaja) to 'A-/A-2' from 'A/A-1'. The outlook is negative. We assigned our 'A-/A-2' long- and short-term counterparty credit ratings to Ibercaja Banco S.A., a newly created commercial bank following the transfer by IberCaja to Ibercaja Banco of all IberCaja's banking assets and liabilities. The outlook is negative. We subsequently withdrew our 'A-/A-2' ratings on IberCaja, on its request.
- We lowered our long- and short-term counterparty credit ratings on savings banks Caja de Ahorros y Monte de Piedad de Gipuzkoa y San Sebastian (Kutxa) and Bilbao Bizkaia Kutxa (BBK) to 'A-/A-2' from 'A/A-1'. We then changed the CreditWatch placements of the long-term ratings on both Kutxa and BBK to negative from developing and removed the short-term ratings from CreditWatch negative. The long-term rating on Kutxa was originally placed on CreditWatch with developing implications on July 5th, 2011. The ratings on BBK were placed on CreditWatch developing when first assigned on July 28, 2011.
- We lowered our long- and short-term counterparty credit ratings on Bankinter S.A. to 'A-/A-2' from 'A/A-1'. The outlook is negative.
- We lowered our long- and short-term counterparty credit ratings on Banco de Sabadell S.A. to 'A-/A-2' from 'A/A-1'. The outlook is negative. We revised downward our assessment of Sabadell's stand-alone credit profile (SACP) to 'bbb' from 'a-'.

OUTLOOK REVISIONS TO NEGATIVE FROM STABLE AND RATING AFFIRMATIONS

- We revised our outlook to negative from stable on the 'A+' long-term counterparty credit rating on CaixaBank S.A. and on the 'A-' long-term rating on the parent company, Caja de Ahorros y Pensiones de Barcelona (la Caixa). We affirmed the 'A+/A-1' long- and short-term ratings on Caixa Bank and the 'A-/A-2' ratings on la Caixa.
- We revised our outlook to negative from stable on the 'A-' long-term

counterparty credit rating on Bankia S.A. and on the 'BBB-' long term rating on its parent company Banco Financiero y de Ahorros S.A. (BFA). We affirmed the 'A-/A-2' ratings on Bankia and the 'BBB-/A-3' ratings on BFA. Our assessment of Bankia's SACP remains at 'bbb'.

CREDITWATCH NEGATIVE PLACEMENT AND LOWERING OF SACP

- We placed our 'A-' long-term counterparty credit ratings on Banco Popular Espanol S.A. on CreditWatch with negative implications and affirmed our 'A-2' short-term ratings. We lowered our assessment of Popular's SACP to 'bbb' from 'bbb+'.

Today's rating actions result from our revised view of the negative implications for Spain's banking system and the banks we rate of the tougher-than-previously-anticipated macroeconomic and financial environment in Spain. The rating actions follow our revised BICRA for the Spanish banking system.

In our view, rated Spanish banks have generally demonstrated resilience through the downturn, but over time their financial profiles have weakened. The banks have accumulated high levels of problematic assets and exhausted most of the financial cushions they had built up previously. Consequently, their earnings and, in turn, their ability to absorb losses has deteriorated. The banks also face mounting funding challenges, which we see as stemming more from the prevailing fragile levels of investor confidence than from the banks' funding strategies, given that over the past couple of years banks' limited access to wholesale funding and focus on attracting retail deposits have contributed to better balancing their funding profiles. On a positive note, Spanish banks have also generally strengthened capital. Overall, however, we believe that their ratings prior to today's downgrades had little room to accommodate another year of weak financial performance.

Our opinion on Spain's increasingly challenging conditions stems from:

- Our recent downward revision of our 2011-2012 macroeconomic expectations for Spain (see "The Specter Of A Double Dip In Europe Looms Larger," published Oct. 4, 2011), which points to a milder recovery than we previously expected. We have cut our Spanish GDP growth forecast for 2012 to just 1% from 1.5%, suggesting a longer process of adjustment and potentially higher downside risks.
- The still very depressed levels of activity we see in the Spanish real estate market. Quarterly new housing transactions are continuing to decline, representing at end-March 2011 slightly less than one-fourth the levels recorded at the 2006-2007 cyclical peak.
- Our expectation that it will take time until the capital market's current turbulence abates and therefore until the availability and cost of wholesale funding improves.

Consequently, we no longer see 2012 as a turnaround year for Spanish banks. We now expect that the correction of imbalances in Spain will continue to adversely affect banks' financial profiles in the next 15-18 months, potentially continuing into early 2013.

We now expect:

- Problematic assets to continue accumulating during 2012 and potentially into the first months of early 2013. This will extend the adverse effect of the downturn on banks' asset quality beyond the three years that we originally contemplated in our stress test exercise for Spanish banks conducted on Sept. 15, 2009, and updated on June 21, 2010 (see "S&P Increases Its Estimate Of Loan Losses For The Spanish Financial System Under The Weight Of Real Estate,," published June 21, 2010). We expect most problematic assets to continue to stem from the troubled real estate and construction sectors.
- Access to market funding to remain scarce and expensive, in a year in which the cumulative volume of maturing debt for Spanish banks is substantial. Still, we believe the banking system will continue deleveraging, meaning reducing lending and increasing deposits. And some players are likely, in our view, to remain able to tap the markets as opportunities arise. In our view, though, the system's overall reliance on funding support mechanisms provided by the EU or potentially the Spanish government will likely continue to increase.
- Operating profitability in 2012 to at best replicate that of 2011. Cost savings and somewhat lower provisions--albeit still above historical levels--should help the banks offset moderate downward pressure on their earnings.
- Our risk-adjusted capital (RAC) ratios, which we calculate to measure banks' capital strength, to deteriorate following our lowering of the economic risk score, a BICRA subcomponent, for Spain.

In addition, and specifically for those banks currently engaged in integration processes, our view is that the potentially difficult times ahead will represent an extra hurdle beyond those that ordinarily accompany integration. The implementation of restructuring plans could prove tougher than the banks currently expect or could stretch over a lengthening timeframe. In particular, we are of the view that banks could find it hard to achieve profitability targets and rebalance their funding profiles.

Following today's rating actions, our ratings on Spanish banks are primarily at 'A-'. We note, however, the two-notch uplift that we factor into the 'A-' ratings on three banks--Bankia, Popular, and Sabadell--from our 'bbb' assessments of these banks' SACPs. The uplift reflects our opinion on the likelihood of them receiving extraordinary government support if necessary, given their high strategic importance within the Spanish banking system. That said, we note that, of the three banks, only Bankia (through its parent company BFA) has so far received financial support, in the form of preference shares, from the Fondo de Reestructuracion Ordenada Bancaria (FROB), the government agency Spain created to manage the process of restructuring credit institutions.

As a result of the one-notch downgrades of the 11 banks, we have also lowered our issue ratings, where applicable, on all outstanding senior secured debt, except those on government-guaranteed debt and covered bonds, and on all dated subordinated debt by one notch. We also lowered the ratings on the hybrid instruments of all the downgraded banks except Sabadell by one notch. The ratings on hybrid instruments issued by Sabadell were lowered by two notches, mirroring our two-notch downward revision of Sabadell's SACP to 'bbb'. We lowered the ratings on Popular's hybrid instruments by one notch, owing to our downward revision of Popular's SACP to 'bbb'. We believe it is unlikely that a government would support timely payment on instruments that have been designed to absorb losses.

OUTLOOK

The outlooks on all Spanish banks we rate are negative, reflecting the possibility that we could downgrade banks further if the economy deteriorates more than we anticipate in our base-case scenario or if the adverse impact on the banks' financial profiles is greater than our current expectations. For instance, the possibility of a double-dip recession in Spain's economy, is not factored into our base-case scenario. In addition, banks' asset quality deterioration could exceed our expectations, with, for example, asset quality problems potentially extending to the non-real-estate-related corporate loan book, which has so far shown resilience. Alternatively, the strain on operating profitability could increase if price competition to attract retail deposits stiffens, reference interest rates are lowered, business volumes decline at a quickening pace, or the banks book higher provisions to cope with deteriorating asset quality.

ACTIONS ON SPECIFIC ISSUERS

SANTANDER S.A., BANCO ESPAÑOL DE CRÉDITO S.A. (BANESTO), SANTANDER CONSUMER FINANCE S.A., AND SANTANDER UK PLC

The lowering of our long-term counterparty credit ratings on Santander and some of its core subsidiaries primarily reflects our view of Santander's capital position, which we do not see as a supportive factor for a 'AA' rating given Santander's risk profile, and particularly in the context of the heightened risks that we see in the bank's operating environment. Thus, the action incorporates our expectation of the increasingly tough economic and financial environment in many of its core markets, which will likely continue challenging Santander's financial strength.

We note that this is the first time we have downgraded Santander since the beginning of the crisis.

We evaluate a bank's capital position using our risk-adjusted capital (RAC) ratio, which is directly influenced by our view of the economic risks that the country where the bank operates faces. Today's downward revision of the BICRA economic risk score for Spain to 4 from 3 has a negative impact on Santander's RAC ratio, given that, despite its wide geographic diversification, its Spanish operations still account for a nonnegligible 31% of its lending exposure. We estimate Santander's June 2011 pro forma RAC ratio before diversification effects (pro forma because it incorporates our current view of Spain's economic risks) to stand at 6.1% (8.5% after diversification), a level that in our view reflects Santander's only adequate capital position compared with the risks it undertakes. As of the same date, Santander reported a regulatory core Tier I capital ratio of 9.2%.

At their current level, the ratings on Santander continue to reflect our view of Santander's well diversified geographic and business profile, solid market positions in core markets, strong management, clear strategic focus, and its sound and resilient operating profitability which we expect the group to be able to maintain. Offsetting these positives and in addition to the capital position mentioned above are the group's credit risk profile (including the higher credit risk arising from Latin American and Spanish exposures), which in our view is also not supportive of a 'AA' rating, and Santander's demonstrated appetite for acquisitions.

The negative outlook on Santander's long-term rating reflects the fragile economic environment prevailing in several of the markets where it operates, namely Spain, Portugal, the U.K., and the U.S. The outlook also factors in our view of the potential for downside risks that could materialize and negatively affect Santander's financial strength. Drivers for a potential downgrade include significant asset quality deterioration, capital erosion, or declining profitability owing to either the normal course of business in a difficult operating environment or any extraordinary events. A major acquisition that would in our view undermine Santander's financials or meaningfully increase its risk profile could also trigger a lowering of the ratings. Conversely, if risks in the operating environment abate and Santander continues showing financial resilience, the ratings could remain at their current level.

The downgrades of Santander's core subsidiaries Banesto, Santander Consumer Finance S.A., and U.K.-based Santander UK PLC mirror the downgrade of Santander. We equalize the ratings on these core subsidiaries with those on Santander. The negative outlooks also mirror that of the parent.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (BBVA)

The lowering of the long term counterparty credit rating on BBVA reflects our view that BBVA's profitability in 2011 will underperform the expectations we incorporated at the 'AA' rating level and our belief that the ongoing difficult environment in BBVA's main market, Spain, will not enable a meaningful rebound in profits in 2012. We also believe that despite its recent initiatives to bolster capital, BBVA's capital position is not a supportive factor for the 'AA' rating. Nevertheless, we see it as adequate for its risk profile.

We note that this is the first time we have downgraded BBVA since the beginning of the crisis.

We now believe that BBVA's net operating income before loan loss provisions in 2011 will experience a double-digit decline, resulting from higher funding costs and lower business volumes. Moreover, despite somewhat lower credit costs, we will also likely see a double-digit fall in operating returns after provisioning in 2011. In our view, BBVA's positive performances in Mexico and fast-growing returns in South America and Eurasia, including the results stemming from its recent investment in Turkish bank Turkiye Garanti Bankasi A.S. (Garanti, BB/Positive/--), will not entirely offset the impact of negative trends in Spain. We expect BBVA to post a stable or modestly improved performance in 2012 that will in any case lag behind BBVA's historical track record.

Today's downward revision of our economic risk score for the Spanish banking system to 4 from 3 negatively affects BBVA's RAC ratio. We estimate BBVA's June 2011 pro forma RAC ratio (pro forma because it incorporates our current view of Spain's economic risks) to stand at 6.9% and 8.4% before and after diversification effects, respectively. We see the RAC ratio at this level as just adequate for its risk profile. The group regulatory core Tier 1 ratios stood at a higher 9% as of the same date.

At their current 'AA-' level, the ratings on BBVA reflect our view of its strong franchise in its key markets, sound risk management, conservative strategy and corporate culture and, despite recent pressures, its sound, resilient loan loss absorption capacity through recurrent earnings. These strengths are counterbalanced by BBVA's lower degree of diversification than that of other 'AA-' rated peers, its comparatively higher reliance on emerging markets, and deteriorating asset quality.

The negative outlook reflects the possibility we could downgrade BBVA if its profitability and asset quality weaken more than we currently expect, which in turn may impair its financial profile. A weaker performance could stem from one of its core markets, in particular Spain, or there could be a simultaneous underperformance in different markets. If BBVA's asset quality deterioration in Spain accelerates unexpectedly and its problematic assets and related credit losses get closer to market average, we could also lower the ratings. Any meaningful acquisitions--either domestic or international--that we believe heighten BBVA's risk profile and increase downside risk to its asset quality, profitability, or capital may also have a negative rating impact. A revision of the outlook to stable would be possible if BBVA preserves healthy financials through the current toughening conditions and the operating environment improves.

CONFEDERACION ESPAÑOLA DE CAJAS DE AHORROS (CECA)
The lowering of the long-and short-term counterparty credit ratings on CECA reflects our view that--despite CECA's undertaking limited credit risk and operating mostly as a service provider to Spain's savings banks' segment--its own creditworthiness is unlikely to be completely detached from that of its main clients and controlling owners, the savings banks, among others because, if needed, they would be the providers of financial assistance to CECA.

At their current level, the ratings on CECA are supported by our view of its role as the representative and operational arm of Spain's savings banks, its control and governance by the savings banks, and what we view as its modest exposure to credit risk. These credit strengths are partly offset by our view of CECA's high exposure to operational risk, given the large number of transactions it intermediates (although so far the materialization of this risk has not represented a material economic damage), its moderate profitability as it does not aim to maximize profitability but rather to provide high quality services to its savings bank members at competitive prices, the increased concentration of its business and earnings as a result of the consolidation of the savings banks, and its relatively high leverage.

The negative outlook reflects our view that CECA may have a hard time redefining its role in the medium term, as the current restructuring of the savings banks progresses. We also take into account the negative outlook on the Spanish financial industry as a whole. Factors that could lead to further negative rating actions include a weakening of CECA's strategic importance to the savings banks, an overall deterioration in the savings banks' creditworthiness, an increase in CECA's risk profile, or an erosion of its capital or the financial cushions that CECA has accumulated over time. Conversely, we could revise the outlook to stable if pressure on the savings banks' financial profiles abates, or if, in our view, CECA manages to successfully redefine its business franchise.

IBERCAJA BANCO S.A. AND CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGON Y RIOJA (IBERCAJA)

Following the completion of the corporate reorganization announced a few weeks ago, IberCaja has transferred all of its banking assets and liabilities to its wholly owned, newly created commercial banking subsidiary, Ibercaja Banco S.A. IberCaja has indicated that henceforth Ibercaja Banco will be IberCaja's main operating entity. We understand that IberCaja will only maintain its social foundational activities, in addition to its 100% stake in Ibercaja Banco, on its balance sheet. We further understand that IberCaja will no longer carry commercial debt.

Subsequent to today's lowering of the long- and short-term counterparty credit ratings on IberCaja, and as a result of the reorganization and on IberCaja's request, we withdrew our 'A-/A-2' ratings on IberCaja and also assigned 'A-/A-2' ratings with a negative outlook to Ibercaja Banco S.A.

The lowering of the long- and short-term counterparty credit ratings on IberCaja reflects our view that its financial profile will continue deteriorating in the sluggish operating environment. We believe that its asset quality will weaken in 2012, with the volume of NPAs accumulated through the downturn (including NPLs, repossessed and acquired fixed assets, and charge-offs) potentially peaking at about €3.4 billion (or the equivalent of 10.3% of domestic private sector loans at year-end 2008). This represents a higher figure than the one we previously incorporated in our expectations and into our 'A' rating on IberCaja, but remains below the system average. Additionally, lower than historical average earnings, compressed primarily by high funding costs, are reducing IberCaja's loss absorption capacity compared with precrisis levels. We anticipate that IberCaja's operating profitability in 2012 will continue to be weak, with net operating income after loan loss provisions to average assets standing at around 25 basis points (bps). This would, in our view, limit IberCaja's ability to strengthen capital in a substantial manner.

The ratings we assigned today to IberCaja's newly created main operating entity Ibercaja Banco reflect our view of its more conservative management than that of its peers, sound liquidity, and adequate reserve buffers to absorb credit losses. Constraining the ratings are our expectations of worsening asset quality and currently modest operating profitability, its sizable exposure to real estate developers inherited from IberCaja, historically high contribution of equity-related income to earnings, and smaller scale and lower diversification than that of large domestic universal competitors.

The negative outlook incorporates the possibility that we could downgrade Ibercaja Banco if its financial profile deteriorates more than we anticipate in the coming years. This could occur if the bank accumulates a higher level of problematic assets than we already factor into the ratings, or if its operating profitability compresses further in 2012. Our current expectation is for Ibercaja Banco's net operating profitability in 2012 to replicate that of 2011. If Ibercaja Banco participates in an integration that, in our view, could put its financial profile at risk, we could also lower the ratings. Conversely, the ratings could stabilize if economic and financial challenges abate and Ibercaja Banco maintains sound fundamentals.

CAJA DE AHORROS Y MONTE DE PIEDAD DE GUIPUZCOA AND SAN SEBASTIAN (KUTXA)
The lowering of our long- and short-term counterparty credit ratings on Kutxa reflects our expectation that it will likely continue accumulating problem assets in 2012, in line with systemwide trends and amid persistently weak real estate market conditions. We anticipate that Kutxa's stock of problematic assets (including NPLs, real estate assets acquired and foreclosed, and accumulated write-offs) will likely peak at about 12% of the loan book reported at year-end 2008, exceeding our previous expectations. We also believe that Kutxa's profitability will remain strained in 2011 and 2012, due to the impact of rising retail funding costs and still-high provisions, with net operating income after loan loss provisions standing at about 20 bps of average assets.

At their current level, the ratings on Kutxa reflect our view of its dominant position in its home market, strong capitalization, sound liquidity, and limited reliance on wholesale funding. The ratings also factor in our view of Kutxa's significant exposure to real estate developers, the loan book responsible for most of its credit losses; the sizable level of problematic assets accumulated since the beginning of the 2008-2009 downturn, and declining operating profitability.

Our revision to negative from developing of the CreditWatch placement on the long-term ratings on Kutxa reflects our belief that in the current environment the entity resulting from the three-way merger between Basque savings banks Kutxa, BBK, and Vital, will not be rated higher than 'A-'. Two of the three entities merging, Kutxa and BBK, are currently rated 'A-' and combined would account for about 80% of the resulting entity's assets.

The CreditWatch negative placement on the lon-term ratings reflects the possibility of Kutxa's creditors being structurally subordinated to those of

Kutxa Bank once the integration closes and the three savings banks transfer in full, as agreed, all their assets and liabilities to their core operating entity, Kutxa Bank. We aim to resolve the CreditWatch once the transaction is completed. If we believe that as a result of the organization there is no structural subordination, and we maintain our current expectation of Kutxa Bank being rated at the same level as that of two of its owners, we would, all other things being equal, affirm the long-term ratings on Kutxa at current level. Based on the preliminary agreement, this is our most likely scenario. If, however, we take the view that Kutxa will ultimately be run as a quasiholding company and that its creditors will be structurally subordinated to those of the core operating entity, we expect that the ratings on Kutxa would likely be lowered.

BILBAO BIZKAIA KUTXA (BBK)
The lowering of the long- and short-term counterparty credit ratings on BBK reflects our view that persistently poor conditions in its operating environment will continue to put strain on its financial profile, particularly on its profitability and--to a more limited extent--on its asset quality.

We believe that BBK's net interest margin is likely to compress further in coming quarters owing to the rising cost of retail funding. This, combined with modest business volumes, will likely reduce revenues. Additionally, we expect that continued turmoil in the capital markets may also limit the possibility of capital gains supporting the bank's revenue stream. We consequently factor into our ratings on BBK our belief that BBK's operating profitability will likely underperform our previous expectations for both 2011 and 2012. Conversely, we believe that the probability of BBK's asset quality significantly deteriorating is lower than that of its domestic peers. Among other reasons, this is because of the comparatively lower risk profile of BBK's old loan portfolio, whose performance has proved quite resilient, and the high recognition of problem loans at Cajasur when acquired. In our view, however, the higher-risk profile of Cajasur's portfolio could pose downside risk to our current view of peak problematic assets for BBK.

The ratings on BBK reflect our view of its robust retail banking franchise in its home region, satisfactory liquidity and funding profile, contained credit risk in its original portfolio, and adequate capitalization. These positive factors are counterbalanced by BBK's partial reliance on revenues from dividends and, historically, capital gains from the equity portfolio; market risk arising from BBK's large and concentrated equity exposures; and both the execution risk involved in the integration of newly acquired Cajasur and the high embedded risk in Cajasur's credit portfolio, although in our view potential credit losses appear adequately provisioned for.

Our revision of the CreditWatch status to negative from developing implications on BBK's long-term counterparty credit ratings reflects our view that in the current environment the entity resulting from the three-way merger between three Basque savings banks, BBK, Kutxa, and Vital, will not be rated higher than 'A-'. Two of the three entities merging, Kutxa and BBK, are currently rated 'A-' and combined would account for about 80% of the resulting entity's assets. The CreditWatch with negative implications on BBK's long-term ratings reflects the possibility of BBK's creditors being structurally subordinated to those of Kutxa Bank once the integration closes and the three savings banks transfer in full, as agreed, all their assets and liabilities to their core operating entity, Kutxa Bank. We aim to resolve the CreditWatch once the transaction is completed. If we believe that as a result of the organization there is no structural subordination, and we maintain our current expectation of Kutxa Bank being rated at the same level as that of two of its owners we would, all other things being equal, affirm BBK's ratings at their current level. Based on the preliminary agreement, this is our most likely scenario. If, however, we take the view that BBK will ultimately be run as a quasiholding company and that its creditors will be structurally subordinated to those of the core operating entity, we expect that the ratings on BBK would likely be lowered.

BANKINTER

Our lowering of our long- and short-term counterparty credit ratings on Bankinter reflects our view of the difficulties that its new management team will likely encounter in the prevailing adverse economic and financial environment in moving from its business model of the last decade. That model, based on access to cheap wholesale funding markets to finance a portfolio of low-risk, low-margin residential mortgages in a booming real estate market, no longer appears viable to us. In our view, Bankinter's revised strategy to broaden its exposure to the corporate sector could raise its risk profile in the medium term. The rating action also takes into account our view of Bankinter's high vulnerability to the current turmoil on capital markets given its comparatively high reliance on wholesale financing, which, in our opinion, will likely weigh on its medium-term profitability. As part of our review, and in the context of the difficult operating environment, we have lowered our previous profit estimates for Bankinter, mainly based on lower net interest income at a time when we expect provisioning charges to remain high.

We note that this is the first time we have downgraded Bankinter since the beginning of the crisis.

At their current level, the ratings reflect our view of Bankinter's flexible operating structure and superior IT systems, sound efficiency, and strong credit risk management (its asset quality indicators are better, in our view, than for the banking system in aggregate). These positives are counterbalanced by what we consider to be a high reliance on wholesale funding, weaker than historical profitability, lower business diversification, and a weaker market position than those of the largest nationwide competitors.

The negative outlook reflects the possibility of a further downgrade of Bankinter if the economic environment significantly weakens, its results underperform our current expectations, or if the business model shift leads to a risk profile that jeopardizes our favorable view of Bankinter's asset quality compared with peers.

We could revise the outlook to stable if Bankinter successfully refocuses its business model and maintains a financial profile consistent with the current ratings.

CAIXABANK AND LA CAIXA

The affirmation of the long-and short-term counterparty credit ratings on CaixaBank, and indirectly those of its parent company, la Caixa, reflects our view of Caixabank's sound loss absorption capacity. Offsetting factors include our expectation that CaixaBank's asset quality will likely continue worsening in the next 12-15 months and profitability will remain at historically weak levels.

At their current level, the ratings on CaixaBank reflect our view of its robust retail banking franchise in Spain, successful strategy, sound liquidity, and comfortable loss absorption capacity thanks to sizable cushions built up in the past. Offsetting factors include the likelihood of CaixaBank's revenue generation ability declining in the context of Spain's difficult economic and operating environment, the market risk that arises from holding a large equity portfolio, and its geographic concentration in Spain.

The outlook revision to negative reflects our belief that the weaker-than-previously-anticipated economic conditions ahead increase the challenges for CaixaBank to preserve a financial profile consistent with the current ratings. Our ratings on CaixaBank already incorporate our opinion that asset quality will weaken further, primarily owing to higher delinquencies in the loan book of real estate developers, with nonperforming assets (NPAs; including NPLs, real estate assets acquired and repossessed, and accumulated write-offs) growing to represent about 12% of the credit portfolio outstanding on March 31, 2011. We could consider a subsequent downgrade if CaixaBank's asset quality exceeds this ceiling and its embedded credit losses exceed the cushions it has built up, significantly impairing its operating performance. On the profitability front, our ratings incorporate our expectation that 2012 results will replicate those of 2011. If we perceive that operating profitability could weaken in 2011, we could lower the ratings. Any unexpected material acquisition that we believe impairs CaixaBank's financial strength could also have a negative impact on the ratings.

A revision of the outlook to stable would be possible if pressure on CaixaBank's financials eases and the economic environment becomes more supportive.

BANCO DE SABADELL S.A. (SABADELL)

The lowering of our long- and short-term counterparty credit ratings on Sabadell follows the lowering of our assessment of its SACP to 'bbb' from 'a-'. The ratings on Sabadell include a two-notch uplift from our assessment of its SACP. The uplift reflects our view that, in light of Sabadell's high systemic importance for the Spanish banking system, it will receive timely, extraordinary financial support from the government, if needed.

The lowering of our SACP assessment on Sabadell follows the faster-than-originally-anticipated deterioration in its asset quality metrics in 2011 and our expectation that it will likely continue to accumulate problematic assets at a relatively sustained pace over the next 12-15 months. In our view, the amount of NPAs (comprising NPLs, repurchased and repossessed fixed assets, and write-offs) that Sabadell will likely accumulate through the downturn will exceed the Spanish banking system average. Weak asset quality will in turn likely prompt Sabadell to book high provisions in both 2011 and 2012, in our opinion. Combined with what we see as fairly flat revenue generation, we expect that increased provisions will depress Sabadell's net operating results to very weak levels.

The main driver of recent asset quality deterioration at Sabadell appears to be its real estate developer portfolio, because borrowers with stretched financial positions have not been able to withstand the depressed activity in the real estate market. We factor into Sabadell's ratings the possibility that the volume of NPAs accumulated through the downturn will peak at about €12 billion. As a result, we see Sabadell as one of the Spanish banks that may be forced to dedicate a large share of its earnings to provisioning.

At their current level, the ratings on Sabadell incorporate our view of its high systemic importance in the Spanish banking system, its attractive domestic retail banking franchise, and its expertise in its core small and midsize enterprise (SME) business. In our view, these factors are offset by the challenges that the current adverse operating environment poses for Sabadell's asset quality and financial performance and by its material real-estate exposure, high single-name loan concentrations, its focus on inherently riskier SME lending, and its tight capitalization.

The negative outlook reflects the possibility of a downgrade of Sabadell if we lower our assessment of its SACP. If Sabadell's financial profile weakens beyond our current expectations, we could lower the SACP assessment. This could occur, all other things being equal, if Sabadell's asset quality deteriorates beyond the levels factored into the ratings, or if related credit losses exceed its preprovisioning income. We could also lower the ratings if Sabadell's loss absorption capacity is constrained by weaker-than-expected revenue generation capacity.

BANKIA S.A. AND BANCO FINANCIERO Y DE AHORROS S.A.

The affirmation of the long- and short-term counterparty credit ratings on Bankia, and those on its parent company BFA, as well as our decision to maintain our assessment of Bankia's SACP, reflect our view of the group's improved capital position following the completion of Bankia's IPO, which contributed to reinforce its capital by €3.1 billion. This is partly offset, however, by the continued economic risks arising from Bankia's core market, Spain, and the challenges posed by volatile, risk-averse capital markets, which have led us to adjust down our medium-term profitability expectations for Bankia. The difficult economic environment also heightens implementation risks related to the merger process currently underway, in our view.

At their current level, the ratings on Bankia continue to reflect our view of its high systemic importance for Spain's banking system, and, as a result, the likelihood of Bankia receiving timely and sufficient extraordinary financial support from the Spanish government, if necessary. Our ratings on Bankia consequently incorporate a two-notch uplift from our 'bbb' assessment of its SACP. Our opinion on Bankia's SACP takes into account its strong market position, substantially enhanced levels of credit provisions, adequate capitalization, and the benefits of having access to funding support mechanisms from the Spanish government and the EU. Conversely, the following factors weigh negatively on our assessment of Bankia's SACP: the significant implementation hurdles that Bankia faces during the integration phase, its weak asset quality track record, high reliance on wholesale funding, sizable upcoming maturities, the significance of institutional funding in its mix, and our anticipation that it will report only average profitability in the medium term.

The negative outlook reflects our view of the potential for a tougher economic landscape than we currently contemplate, which could make the implementation of its restructuring plan more difficult for Bankia, or could result in weakening financials. Conversely, if pressure on the economic and financial environment abates, Bankia demonstrates its ability to implement its restructuring plan successfully, and it performs according to our expectations, the ratings could remain at their current level.

BANCO POPULAR ESPAÑOL S.A. (POPULAR)

Our long-term counterparty credit ratings on Popular were placed on CreditWatch with negative implications following Popular's announcement on Oct. 10, 2011, that it was launching an exchange offer for 100% of the common shares and mandatory convertible notes of Spanish bank Banco Pastor S.A. (not rated). The CreditWatch status reflects our view that the potential acquisition of Pastor, despite somewhat benefitting Popular's business profile, may further erode what we view as the already-strained financial profile of Popular. The 'A-2' short term ratings were affirmed.

We aim to resolve the CreditWatch upon conclusion of the transaction and after reviewing a complete set of business and financial information on Pastor. If the transaction goes through, we will review the final terms of the deal and will assess the impact that the acquisition of Pastor may have on Popular's business and financial profile, and particularly on its asset quality, liquidity, profitability, and capital position. We will also take into consideration the measures announced by Popular to better withstand the potential negative consequences of the acquisition on its financials, particularly those aimed at enhancing its solvency and reserves coverage. At present, we believe that the long-term ratings, if downgraded, could be lowered by a maximum of two notches.

The lowering of our assessment on Popular's SACP is based on our view that, in the still-challenging operating environment, it will continue to enlarge its already sizable stock of problematic assets in excess of our previous expectations and the system's average. Our SACP contemplates the possibility of Popular's total NPAs--including NPLs, charge-offs, repurchased and repossessed fixed assets--peaking at around €19.5 billion. As a result, we also believe Popular's operating performance will likely remain modest, albeit positive, in 2012, as it absorbs high provisioning costs.

At their current level, the ratings on Popular incorporate our view of its high systemic importance in the Spanish banking system--which provide a two-notch uplift to Popular's ratings over our assessment of its SACP--adequate solvency, and better efficiency than for its peers. The ratings are constrained by our view of Popular's high credit risk and weak asset quality track record during the downturn, still-substantial reliance on wholesale funding (although trending down), and weakened earnings generation ability amid tough operating conditions.

RELATED CRITERIA AND RESEARCH

All articles listed below are available on RatingsDirect on the Global Credit Portal.

- Principles Of Credit Ratings, Feb. 16, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- Group Methodology, April 22, 2009
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Analytical Approach To Assessing Nonoperating Holding Companies, March 17, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- How Systemic Importance Plays A Significant Role In Bank Ratings, July 3, 2007
- External Support Key In Rating Private Sector Banks Worldwide, Feb. 27, 2007
- Bank Rating Analysis Methodology Profile, March 18, 2004
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- Spanish Banks Face Another Demanding Year in 2011, Feb. 22, 2011
- The Restructuring Of Spanish Savings Banks: A Profound Transformation Of The Spanish Banking Industry, Feb. 22, 2011

RATINGS LIST

Downgraded

	To	From
Banco Santander S.A.		
Banco Español de Crédito S.A.		
Santander Consumer Finance, S.A.		
Santander UK PLC		
Counterparty Credit Rating		
	AA-/Negative/A-1+	AA/Negative/A-1+
Banco Bilbao Vizcaya Argentaria S.A.		

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Counterparty Credit Rating
                           AA-/Negative/A-1+    AA/Negative/A-1+

Confederación Española de Cajas de Ahorros
Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja
Bankinter S.A.
Banco de Sabadell S.A.
Counterparty Credit Rating
                           A-/Negative/A-2      A/Negative/A-1

Caja de Ahorros y Monte de Piedad de Gipuzkoa y San Sebastian (Kutxa) and
Bilbao Bizkaia Kutxa (BBK)
Counterparty Credit Rating
                           A-/Watch Neg/A-2     A/Watch Dev/A-1

Ratings Withdrawn
Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja
Counterparty Credit Rating
                           NR                   A-/Negative/A-2

Ratings Assigned
Ibercaja Banco S.A.
Counterparty Credit Rating
                           A-/Negative/A-2

Ratings Affirmed; Outlook Action
CaixaBank S.A.
Counterparty Credit Rating
                           A+/Negative/A-1      A+/Stable/A-1

Caja de Ahorros y Pensiones de Barcelona
Bankia S.A.
Counterparty Credit Rating
                           A-/Negative/A-2      A-/Stable/A-2

Banco Financiero y de Ahorros S.A.
Counterparty Credit Rating
                           BBB-/Negative/A-3    BBB-/Stable/A-3

Ratings Placed On CreditWatch
Banco Popular Espanol S.A.
Counterparty Credit Rating
                           A-/Watch Neg/A-2     A-/Negative/A-2
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