

Bulletin:

Ratings On Spanish Special-Status Entities Navarre, Basque Country, Bizkaia, And CTB Unchanged On Sovereign Downgrade

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MADRID(Standard & Poor's) Oct. 18, 2011--Standard & Poor's Ratings Services said today that its issuer credit ratings on four Spanish entities, the Autonomous Community of Navarre (AA+/Negative/--), Autonomous Community of The Basque Country (AA+/Negative/--), Historical Territory of Bizkaia (AA/Stable/A-1+) and the urban public transport company in the Bilbao area Consorcio de Transportes de Bizkaia (CTB; AA/Stable/A-1+), remain unchanged following the Oct. 13, 2011, downgrade of the Kingdom of Spain (see "Long-Term Rating On Spain Lowered To 'AA-' On Economic Growth And Banking Sector Risks; Outlook Negative," published on RatingsDirect on the Global Credit Portal).

Under its criteria, Standard & Poor's considers Navarre, the Basque Country, and Bizkaia as special-status local and regional governments (LRGs) and rates them above the sovereign. A negative rating action on Spain does not automatically trigger a similar action on these entities.

Under our criteria, an LRG can be rated higher than its sovereign only if we expect it to exhibit the characteristics listed below (see "Methodology: Rating A Regional Or Local Government Higher Than Its Sovereign," published Sept. 9, 2009):

- The ability to maintain stronger credit characteristics than the sovereign in a stress scenario.
- An institutional framework that limits the risk of negative sovereign intervention; and
- The ability to mitigate negative sovereign intervention through high

financial flexibility and independent treasury management.

Based on the latest available information, we believe that the three LRGs listed above currently display these characteristics.

We consider CTB, the urban public transport company in charge of managing the subway network in the Bilbao area, as a government-related entity (GRE). According to our criteria for rating GREs, we equalize the rating on CTB with that on Bizkaia. Therefore, a negative rating action on Spain does not automatically trigger a similar action on CTB.

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