

## DBRS Morningstar Places Bankia's LT Ratings Under Review Positive; LT Issuer Rating at BBB (high)

### BANKING ORGANIZATIONS

DBRS Ratings GmbH (DBRS Morningstar) placed the Long-Term ratings of Bankia SA (Bankia or the Bank), including the BBB (high) Long-Term Issuer Rating, Under Review with Positive Implications. The rating action follows the announcement that Bankia will be merged with Caixabank SA (Caixabank). Caixabank is currently rated 'A' / R-1 (low), with a Stable trend. DBRS Morningstar also confirmed Bankia's Short-Term ratings, including the R-1 (low) Short-Term Issuer Rating, with a Stable Trend. See the full list of ratings at the end of this press release.

### KEY RATING CONSIDERATIONS

The Under Review with Positive Implications reflects DBRS Morningstar's view that Bankia should benefit from merging with Caixabank, a more highly rated financial institution. The merger is set to create Spain's largest domestic bank, with combined total assets of EUR 664 billion, a joint workforce of over 51,500 employees and market shares in loans and deposits of around 24-25%, according to CaixaBank. In DBRS Morningstar's view the merger will create a powerful franchise that should be able to generate solid financial results, however we do note the large size of the transaction and that the full benefits of the merger are likely to take some time to accrue, and will involve some execution risk. DBRS Morningstar expects to conclude the review when the transaction closes. This is expected to be in Q1 2021.

### RATING DRIVERS

If the merger goes ahead as expected, Bankia's ratings will likely be equalised with Caixabank's ratings.

If the merger does not go ahead as planned, the ratings would likely revert back to their previous levels. In this event, the ratings could be downgraded if the Bank experiences a material decline in profitability as a result of the COVID-19 pandemic or if the progress in asset quality made by the bank so far were to be reversed and the capacity to absorb credit losses deteriorate substantially. Conversely, in this event, an upgrade could occur should the Bank manage to improve recurrent profitability despite the global COVID-19 pandemic and if the asset quality impact is limited.

### ESG CONSIDERATIONS

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework and its methodologies can be found at: <https://www.dbrsmorningstar.com/research/357792>.

### Notes:

All figures are in EUR unless otherwise noted.

The principal methodology is the Global Methodology for Rating Banks and Banking Organisations (8 June 2020) <https://>

[www.dbrsmorningstar.com/research/362170/global-methodology-for-rating-banks-and-banking-organisations](http://www.dbrsmorningstar.com/research/362170/global-methodology-for-rating-banks-and-banking-organisations)

For more information regarding rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: <https://www.dbrsmorningstar.com/research/357883>

The sources of information used for this rating include Company Documents, Bankia 2019 and H1 2020 Presentations, Bankia 2019 and H1 2020 Financial Data, Bankia 2019 and H1 2020 Reports, Caixabank/Bankia Merger Presentation (18 September 2020) and S&P Global Market Intelligence. DBRS Morningstar considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

DBRS Morningstar does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

Generally, the conditions that lead to the assignment of a Negative or Positive trend are resolved within a 12-month period. DBRS Morningstar's outlooks and ratings are under regular surveillance.

This rating is under review. Generally, the conditions that lead to the assignment of reviews are resolved within a 90-day period. DBRS Morningstar reviews and ratings are under regular surveillance.

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

The sensitivity analysis of the relevant key rating assumptions can be found at: <https://www.dbrsmorningstar.com/research/367089>

Ratings assigned by DBRS Ratings GmbH are subject to EU and U.S. regulations only.

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Initial Rating Date: July 8, 2016

Last Rating Date: July 2, 2020

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For more information on this credit or on this industry, visit [www.dbrsmorningstar.com](http://www.dbrsmorningstar.com).

## Ratings

### Bankia SA

Date Issued	Debt Rated	Action	Rating	Trend	Issued
24-Sep-20	Long-Term Issuer Rating	UR-Pos.	BBB (high)	--	<b>EU</b>
24-Sep-20	Short-Term Issuer Rating	Confirmed	R-1 (low)	Stb	<b>EU</b>
24-Sep-20	Senior Non-Preferred Debt	UR-Pos.	BBB	--	<b>EU</b>
24-Sep-20	Short-Term Debt	Confirmed	R-1 (low)	Stb	<b>EU</b>
24-Sep-20	Short-Term Deposits	Confirmed	R-1 (low)	Stb	<b>EU</b>
24-Sep-20	Long Term Critical Obligations Rating	UR-Pos.	A	--	<b>EU</b>
24-Sep-20	Short Term Critical Obligations Rating	UR-Pos.	R-1 (low)	--	<b>EU</b>
24-Sep-20	Long-Term Senior Debt	UR-Pos.	BBB (high)	--	<b>EU</b>
24-Sep-20	Long-Term Deposits	UR-Pos.	BBB (high)	--	<b>EU</b>
24-Sep-20	Subordinated Debt	UR-Pos.	BBB (low)	--	<b>EU</b>
24-Sep-20	Additional Tier 1 Instruments	UR-Pos.	BB (low)	--	<b>EU</b>

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