

Bankia S.A.

Key Rating Drivers

Capitalisation Underpins Ratings: Bankia S.A.'s ratings are supported by its capitalisation, owing to adequate buffers over regulatory requirements and reduced capital encumbrance by unreserved problem assets. Bankia's well-established national retail franchise supports a large customer deposit base, which provides funding stability. Asset quality and profitability are relative rating weaknesses and are expected to deteriorate during the economic downturn caused by the pandemic.

Merger with CaixaBank: The Rating Watch Positive (RWP) on Bankia's ratings reflects its agreement with CaixaBank, S.A. (BBB+/Negative) to merge through an all-share deal. While still subject to regulatory approvals, including anti-trust authorities, Fitch Ratings views the deal's probability of success as high. If it goes ahead, Bankia would benefit from the combined entity's stronger franchise, a more diversified business model and earnings power. It also would have better asset quality and higher coverage resulting from additional provisioning.

Sound Capitalisation: Capital ratios are above domestic peers' and benefit from a March 2020 decision to suspend plans to distribute EUR2.5 billion of excess capital to shareholders, as envisaged in the 2018-2020 strategic plan, and to suspend dividend payments in 2020. In 3Q20, Bankia received regulatory approval to use internal ratings-based (IRB) models for the calculation of risk-weighted assets on its mortgage loan portfolio, which added 129bp to fully-loaded Common Equity Tier 1 (CET1) capital ratio (14.8% at end-September 2020).

Asset Quality Pressures Expected: Bankia entered the economic downturn with a problem assets ratio (including net foreclosed assets) of 6.1% at end-June 2020, which is weaker than domestic peers and still high by international standards. We expect inflows of new impaired loans to increase in 2021 as borrower support measures are lifted and the effect of the crisis becomes more apparent. However, our asset quality assessment considers Bankia's above peers' average share of retail mortgages that performed better during previous crises.

Modest Profitability: Bankia's profitability is modest by international standards, weighed down by large low-risk and low-yielding residential mortgage lending and a sizeable portfolio of zero-yielding SAREB bonds. The weaker operating environment in Spain will challenge the bank's performance ahead of the merger with CaixaBank, particularly as loan impairment charges (LIC) will likely remain higher than during pre-crisis levels.

Stable Funding and Liquidity: Bankia's funding profile benefits from its large, stable and granular retail deposit base, which almost fully covered gross loans at end-September 2020. The bank has also diversified its funding sources in the wholesale markets. SAREB bonds are largely funded with ECB funding. Bankia's liquidity position is comfortable, supported by large investments in high quality liquid securities, and given manageable wholesale funding maturities.

Rating Sensitivities

Watch Resolution: Fitch expects to resolve the RWP on Bankia's ratings on completion of the merger, which we expect to take place in 1Q21. If the acquisition is delayed, we could maintain the RWP beyond the typical six-month horizon. Fitch believes that on a successful merger into CaixaBank, Bankia's ratings will be aligned to those of CaixaBank's and subsequently withdrawn as it would cease to exist as a legal entity.

A failure to complete the acquisition could result in the removal of the RWP and an affirmation of the ratings. Bankia's IDRs and debt ratings would primarily be sensitive to changes in its VR.

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F2
Viability Rating	bbb
Support Rating	5
Support Rating Floor	NF

Watches

Long-Term IDR	RWP
Viability Rating	RWP

Sovereign

Long-Term Foreign- and Local-Currency IDR	A-
Country Ceiling	AAA

Outlooks

Sovereign Long-Term Foreign- and Local-Currency IDR	Stable
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Applicable Criteria

[Bank Rating Criteria \(February 2020\)](#)

Related Research

- [Global Economic Outlook \(September 2020\)](#)
- [CaixaBank and Bankia Merger Talks Could Spark Spanish Bank M&As \(September 2020\)](#)
- [Fitch Places Bankia on RWP, Affirms CaixaBank on Merger Announcement \(September 2020\)](#)

Analysts

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Debt Rating Classes

Rating Level	Rating
Long-term senior preferred	BBB/RWP
Short-term senior preferred	F2
Long-term senior non-preferred	BBB-/RWP
Tier 2 debt	BB+/RWP

Source: Fitch Ratings

Bankia’s long-term senior preferred notes are rated in line with the bank’s Long-Term IDR. This reflects Fitch’s view that the likelihood of default on the senior preferred notes is in line with that of the bank and that recoveries are average.

Long-term senior non-preferred notes are rated one notch below the bank’s Long-Term IDR. This reflects below-average recoveries arising from the possible use of senior preferred debt to meet resolution buffer requirements, and the combined buffer of Additional Tier 1, Tier 2 and senior non-preferred debt being unlikely to exceed 10% of risk-weighted assets.

Tier 2 debt is rated two notches below the Viability Rating (VR) for loss severity, reflecting poor recoveries arising from its subordinated status.

The Rating Watch Positive on Bankia’s long-term senior notes and Tier 2 debt reflects the likelihood of them being upgraded when the merger is complete.

Ratings Navigator

Bankia S.A.



Banks
Ratings Navigator

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+ RWP	AA+	AA+
aa										aa RWP	AA	AA
aa-										aa- RWP	AA-	AA-
a+										a+	A+	A+
a										a	A	A
a-										a- RWP	A-	A-
bbb+										bbb+ RWP	BBB+	BBB+
bbb										bbb RWP	BBB	BBB RWP
bbb-										bbb- RWP	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb- RWP	BB-	BB-
b+										b+ RWP	B+	B+
b										b RWP	B	B
b-										b- RWP	B-	B-
ccc+										ccc+	CCC+	CCC+
ccc										ccc	CCC	CCC
ccc-										ccc-	CCC-	CCC-
cc										cc RWP	CC	CC
c										c RWP	C	C
f										f RWP	NF	D or RD

Significant Changes

Merger with CaixaBank

On 17 September 2020 Bankia’s and CaixaBank’s boards approved the merger of the two entities through an all-share deal. The combined entity would have total assets of about EUR665 billion and have leading domestic market shares in loans and deposits (about 25%), particularly in certain segments (i.e. mortgage loans) and regions. We believe the merger creates upside potential to our assessment of Bankia’s company profile, management and strategy, risk appetite and all the financial VR factors, except for funding and liquidity where Bankia’s score is already in line with that of CaixaBank.

Fitch views the strategic rationale of the merger from a business and scale perspective. We expect Bankia to leverage on the combined entity’s stronger national franchise, more diversified business model and earnings power, as well as higher coverage resulting from additional provisioning to improve asset quality in the medium term. We expect the combined entity will aim to operate with a gross impaired loan ratio of below 4% in the long-term once the operating environment stabilises. However, the combined entity will operate with tighter capital ratios in the medium term, compared with Bankia’s stronger standalone ratios.

Our assessment also considers earnings upside potential from recurring cost savings of EUR770 million by 2023 (about 12% of combined operating expenses in 2019) and about EUR290 million of revenue synergies (about 2% of combined operating income in 2019) in the next five years from business growth in long-term savings and insurance, and from the exit of Bankia’s commercial agreements.

In our view, the strategic benefits of the transaction outweigh the risks associated with merging two cultures as well as the challenges presented by the pandemic. Fitch views the resulting integration risks as manageable given the two banks’ similar business models, geared towards retail banking, as well as both banks’ established experience in acquiring and integrating banks.

Bar Chart Legend

Vertical bars – VR range of Rating Factor
 Bar Colors – Influence on final VR
 Higher influence (Red)
 Moderate influence (Blue)
 Lower influence (Light Blue)

Bar Arrows – Rating Factor Outlook
 Positive (Up arrow)
 Negative (Down arrow)
 Evolving (Double arrow)
 Stable (Square)

Spain Highly Affected by the Coronavirus Crisis

Spanish economy experienced the steepest decline in activity among all eurozone countries in 2Q20 but also a strong rebound in 3Q20. However, similar to other European countries, Spain has been experiencing a strong resurgence in new infection cases since October, with local and central government re-establishing different degrees of containment measures in an attempt to control infection rates. This could negatively affect the economic recovery seen in 3Q20. Fitch currently expects Spanish GDP to contract by 13.2% in 2020 before seeing a recovery of 6.2% in 2021. Importantly, this forecast does not include the approval of the EU's EUR750 billion recovery fund. Spain could receive up to EUR140 billion of this total, supporting growth in 2021.

The unprecedented scale and scope of policy responses will mitigate the extent of the negative impact. However, job losses and high pressures on SMEs and the self-employed, which are key parts of the Spanish economy, will heavily weigh on activity levels. As a result, Fitch changed the outlook of the operating environment for Spanish banks to Negative from Stable in March 2020.

Government and Regulatory Support Measures Are Risk Mitigants

A number of initiatives undertaken by Spain's government should be beneficial to the banks' financial profiles by reducing near-term credit risks. The most important include the introduction of legal moratoria, suspending interest and principal repayment for at least three months for residential mortgage and consumer loans. Banks have also voluntarily offered sector moratoria, which consist of deferring the payment of principal for up to 12 months in the case of residential mortgage loans and six months in the case of non-mortgage loans. The government is also providing up to EUR100 billion (of which EUR75 billion had already been disbursed at end-August 2020) of state loan guarantees for the self-employed, SMEs and corporates. At the same date, the sector had approved payment breaks for individuals amounting to around 8% of total loans to individuals in Spain.

Although we expect some regulatory flexibility on the recognition of problem assets, this may only delay credit losses, and protection will be only limited in an adverse scenario of a durable stress extending throughout 2021. The ECB's response to the coronavirus pandemic includes capital-relief measures and extensive monetary-policy support facilities that should alleviate problems for European banks.

Summary Financials and Key Ratios

	30 Jun 20		31 Dec 19	31 Dec 18	31 Dec 17
	6 months - interim (USDm)	6 months - interim (EURm)	Year end (EURm)	Year end (EURm)	Year end (EURm)
	Audited - unqualified (emphasis of matter)	Audited - unqualified (emphasis of matter)	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	1,033	922.5	2,040.4	2,059.9	1,977.5
Net fees and commissions	654	583.8	1,080.7	1,065.0	864.0
Other operating income	216	193.0	428.6	547.5	469.6
Total operating income	1,903	1,699.3	3,549.7	3,672.4	3,311.1
Operating costs	1,101	982.8	2,121.1	2,174.6	2,272.9
Pre-impairment operating profit	802	716.5	1,428.6	1,497.8	1,038.2
Loan and other impairment charges	538	480.3	463.0	426.5	328.5
Operating profit	264	236.2	965.6	1,071.3	709.7
Other non-operating items (net)	-75	-66.7	-209.9	-145.1	-84.8
Tax	30	27.1	213.4	222.7	130.9
Net income	159	142.4	542.3	703.5	494.0
Other comprehensive income	-73	-65.6	32.8	-390.4	-124.7
Fitch comprehensive income	86	76.8	575.1	313.1	369.3
Summary balance sheet					
Assets					
Gross loans	140,638	125,592.5	120,596.4	122,482.5	128,526.3
- Of which impaired	6,615	5,907.0	5,852.7	7,716.4	11,304.4
Loan loss allowances	3,688	3,293.2	3,178.8	4,210.3	5,757.3
Net loans	136,951	122,299.3	117,417.6	118,272.2	122,769.0
Interbank	2,290	2,044.6	1,981.6	2,404.0	2,342.0
Derivatives	10,439	9,322.2	9,017.5	8,649.5	9,764.6
Other securities and earning assets	59,600	53,223.7	50,744.9	53,576.0	57,840.3
Total earning assets	209,279	186,889.8	179,161.6	182,901.7	192,715.9
Cash and due from banks	17,897	15,982.0	13,202.9	4,753.8	4,503.9
Other assets	17,450	15,583.0	16,103.8	17,567.4	16,712.1
Total assets	244,626	218,454.8	208,468.3	205,222.9	213,931.9
Liabilities					
Customer deposits	138,244	123,454.0	119,504.3	120,027.6	120,228.9
Interbank and other short-term funding	26,738	23,877.1	26,505.9	21,831.7	24,961.2
Other long-term funding	51,983	46,422.0	37,723.5	38,464.1	42,640.0
Trading liabilities and derivatives	7,932	7,083.7	6,837.5	6,229.8	7,799.4
Total funding	224,897	200,836.8	190,571.2	186,553.2	195,629.5
Other liabilities	5,159	4,607.4	4,562.0	5,480.3	4,689.3
Preference shares and hybrid capital	n.a.	n.a.	n.a.	n.a.	n.a.
Total equity	14,569	13,010.6	13,335.1	13,189.4	13,613.1
Total liabilities and equity	244,626	218,454.8	208,468.3	205,222.9	213,931.9
Exchange rate		USD1 = EURO.893,017	USD1 = EURO.89,015	USD1 = EURO.873,057	USD1 = EURO.83,382

Source: Fitch Ratings, Fitch Solutions, Bankia

Summary Financials and Key Ratios

	30 Jun 20	31 Dec 19	31 Dec 18	31 Dec 17
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	0.6	1.2	1.3	0.8
Net interest income/average earning assets	1.0	1.1	1.1	1.1
Non-interest expense/gross revenue	58.7	60.8	60.1	69.5
Net income/average equity	2.2	4.1	5.3	3.8
Asset quality				
Impaired loans ratio	4.7	4.9	6.3	8.8
Growth in gross loans	4.1	-1.5	-4.7	16.8
Loan loss allowances/impaired loans	55.8	54.3	54.6	50.9
Loan impairment charges/average gross loans	0.8	0.4	0.3	0.3
Capitalisation				
Common equity Tier 1 ratio	14.3	14.3	13.8	14.2
Fully loaded common equity Tier 1 ratio	13.3	13.0	12.3	12.3
Tangible common equity/tangible assets	4.7	5.1	5.2	5.2
Basel leverage ratio	5.5	5.9	6.1	5.9
Net impaired loans/common equity Tier 1	23.9	24.1	30.9	45.6
Funding and liquidity				
Loans/customer deposits	101.7	100.9	102.1	106.9
Liquidity coverage ratio	181.1	204.0	163.0	177.0
Customer deposits/funding	63.6	65.0	66.5	63.9
Net stable funding ratio	126	124	120	n.a.

Source: Fitch Ratings, Fitch Solutions, Bankia

Key Financial Metrics – Latest Developments

Asset Quality to Deteriorate

Bankia's lending activities are focused on mortgage loans which accounted for 53% of total loans at end-September 2020. Loans to SMEs and corporates and consumer lending were less relevant and accounted for 36% and 4%, respectively, despite recent growth following the bank's effort to rebalance its loan mix towards more profitable segments. Our asset quality assessment considers Bankia's above-peer-average share of the retail mortgages market, which performed better during previous crises. We expect this to partially shield the bank from asset quality deterioration due to the pandemic. Nonetheless, Bankia's asset quality remains sensitive to the unemployment level, which we expect to rise to 19.3% in 2021 from an already high 14.1%.

Bankia's asset quality improvement in the past few years has been supported by problem assets portfolio disposals. In 3Q20, impaired loans remained relatively stable and accounted for 4.8% of gross loans at end-September 2020. Coverage increased to 58% from 54% at end-2019 due to the frontloading of loan impairment charges (LICs) related to the coronavirus crisis.

At end-September 2020, Bankia had granted moratoria to around EUR4.1 billion of mortgage loans (around 7% of the mortgage loan portfolio, slightly below the aggregate for the sector) and EUR0.3 billion of consumer finance loans (around 7% of the consumer finance portfolio). At the same date, the bank had granted EUR9 billion (of which EUR7 billion was guaranteed) of state-guaranteed loans (21% of total loans to corporates and SMEs).

Profitability Pressures to Remain Before the Merger

Bankia's modest profitability suffered in 9M20 from a decrease in net interest income, mainly due to the impact of lower interest rates on the mortgage loan portfolio and lower contributions from the bank's fixed-income securities. While this was partially compensated for by higher fees (mainly account administration fees), the result was further affected by lower trading gains and additional EUR465 million impairment charges (largely LICs) related to the coronavirus crisis. The latter resulted in an annualised LICs/gross loans ratio of around 81bp, virtually in line with its annualised LICs/gross loans ratio guidance of about 80bp for the full year. Before the merger is completed, we expect the weaker operating environment in Spain to challenge Bankia's operating profitability for the remainder of 2020. This is in the context of higher LICs than before the pandemic, and subdued business volumes, negatively affecting revenues.

Satisfactory Loss Absorption Buffers

Bankia's capital ratios compare well to Spanish peers. At end-September 2020, the regulatory CET1 ratio improved by 152bp to 16% (14.8% on a fully-loaded basis) following the implementation of IRB models in the mortgage loan portfolio and earnings retention (+23bp). The bank's minimum regulatory requirement for CET1 ratio was reduced to 8.38% from 9.25% following the ECB's relief measures allowing banks to partially use additional Tier 1 or Tier 2 instruments to meet Pillar 2 Requirements. The bank expects other positive regulatory measures to add close to 100bp to its fully-loaded CET1 ratio. Bankia capital was still moderately exposed to unreserved problem assets (41% of regulatory CET 1 at end-June 2020). We expect Bankia to operate with capital ratios above its peers until the merger is completed.

Adequate Funding and Liquidity

Funding is dominated by a large, stable and granular retail deposit base. ECB funding utilisation accounted for 12% of total funding at end-September 2020, and the use of ECB's targeted longer-term refinancing operations (TLTRO) largely funds SAREB bonds.

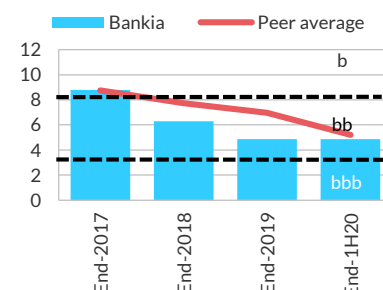
At end-September 2020 the bank had about 15% of total assets of high-quality liquid assets, mainly in the form of government bonds. We view the bank's liquidity position as adequate for scheduled long-term debt repayments and potential short-term financing risks. Furthermore, the bank has good access to the debt capital markets and the capacity to generate additional liquidity in a short period, if necessary. The liquidity coverage and net stable funding ratios were sound at 191% and 126%, respectively, at end-September 2020.

Notes on Charts

Black dashed lines in the charts below represent indicative quantitative ranges and corresponding implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bbb' category. The peer average includes Bankia S.A. (VR:bbb), CaixaBank, S.A. (bbb+), Banco de Sabadell, S.A. (bbb-), Intesa Sanpaolo S.p.A. (bbb-), AIB Group plc (bbb) and Bank of Ireland Group plc (bbb).

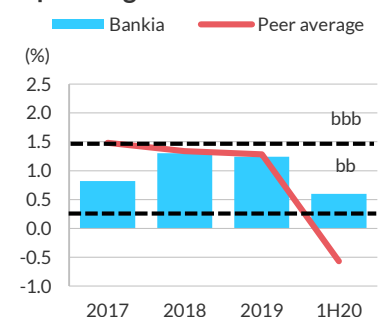
Impaired Loans Ratio

(% of gross loans)



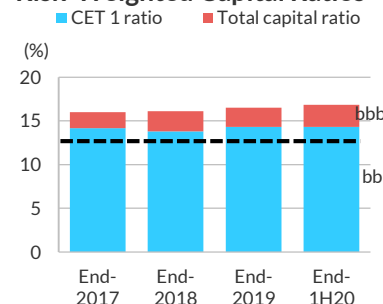
Source: Fitch Ratings, Banks

Operating Profit/RWAs



Source: Fitch Ratings, Banks

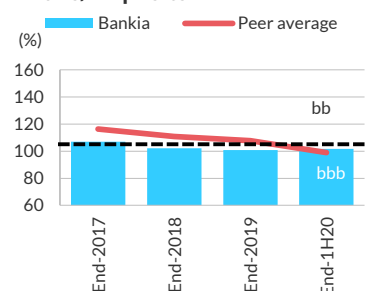
Risk-Weighted Capital Ratios



^a CET1 ratio used as benchmark line

Source: Fitch Ratings, Banks

Loans/Deposits



Source: Fitch Ratings, Banks

Sovereign Support Assessment

Support Rating Floor	Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)	BBB+ or BBB		
Actual country D-SIB SRF	NF		
Support Rating Floor:	NF		
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem		✓	
Structure of banking system		✓	
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)		✓	
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support		✓	
Sovereign propensity to support bank			
Systemic importance		✓	
Liability structure of bank		✓	
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

Bankia's Support Rating of '5' and Support Rating Floor of 'No floor' reflect Fitch's belief that senior creditors can no longer rely on receiving full extraordinary support from the sovereign in the event that Bankia becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that is likely to require senior creditors to participate in losses, instead of or ahead of a bank receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings Bankia S.A.

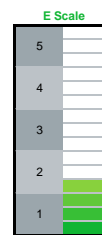
Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Bankia S.A. has 5 ESG potential rating drivers	key driver	0	issues	5	Overall ESG Scale
Bankia S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.	driver	0	issues	4	
Governance is minimally relevant to the rating and is not currently a driver.	potential driver	5	issues	3	
	not a rating driver	4	issues	2	
		5	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

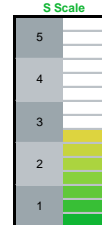
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

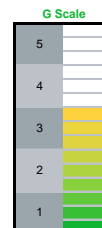
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Additional information is available on www.fitchratings.com.

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