Creditreform Bank Rating

Intesa Sanpaolo S.p.A. (Group) as parent of
Intesa Sanpaolo Bank Ireland Plc

Creditreform Rating

Rating Object	Rating Information			
Intesa Sanpaolo S.p.A. (Group) as parent of Intesa Sanpaolo Bank Ireland Plc	Long Term Issuer Rating / Outlook: **BBB- / stable**		Short Term: **L3**	Type: Update unsolicited
	Rating of Bank Capital and Unsecured Debt Instruments:			
	Preferred Senior Unsecured: **BBB-**	Non-Preferred Senior Unsecured: **BB+**	Tier 2: **B+**	Additional Tier 1: **B**

Creditreform ID:	00799960158
Incorporation:	2007
(Main-) Industry:	Banks
Management:	Carlo Messina (Managing Director and CEO) Stefano Del Punta (CFO) Gian Maria Gros-Pietro (Chairman of the Board of Directors)

Rating Date:	**15 September 2020**
Monitoring until:	withdrawal of the rating
Rating Methodology:	CRA "Bank Ratings v.2.0" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.0" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3"
Rating History:	www.creditreform-rating.de

Our rating of Intesa Sanpaolo Bank Ireland Plc is reflected by our rating opinion of Intesa Sanpaolo S.p.A. (Group) due to its group structure. Therefore we refer to our rating report of Intesa Sanpaolo S.p.A. (Group) from 15 September 2020:

Contents

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Key Rating Driver

Strengths

+ Largest bank in Italy after the acquisition of UBI Banca and systemically important institution
+ Sound earnings figures
+ Diversified income sources

Weaknesses

- Low asset quality
- Below-average capital ratios
- Relatively high NPL ratio
- Moderate growth opportunities in the core market
- Relatively high branch network in connection with a correspondingly relatively high number of employees

Opportunities / Threats

+ Improvement of profitability and asset quality through the "Business Plan 2018-2021"
+ Continuous digitalization and innovation processes

+/- Acquisition of UBI Banca

+/- Business activities in Eastern Europe and North Africa

- Impact of the Corona pandemic with Italy being heavy affected and suffering a strong economic downturn
- High exposure affected to moratorium measures
- High dependency on the Italian market
- Significant volume of Italian government bonds
- Low-interest policy of the ECB puts pressure on profitability

Company Overview

Intesa Sanpaolo S.p.A. (hereafter ISA) is a banking group formed by the merger of *Banca Intesa* and Sanpaolo IMI in 2007. The group's headquarters are in Torino. The Bank of Italy has identified ISA as "other systemically important institution" (O-SII) and the group must therefore comply with additional regulatory requirements. With 84.774 employees (average number in 2019) and about 4,799 branches, the Group serves approximately 19.9 million customers (11.8 million in Italy and 7.2 million abroad) and had total assets of €858.6 billion as of June 2020. Following the acquisition of UBI Banca, ISA represents the largest banking group in Italy in terms of total assets with about €990 billion.

ISA has a commercial banking presence in 12 countries apart from Italy, primarily in Eastern Europe and North Africa with approximately 1,000 branches abroad. Moreover, the group has an international network with a presence in 25 countries to support cross-border activities of corporate customers.

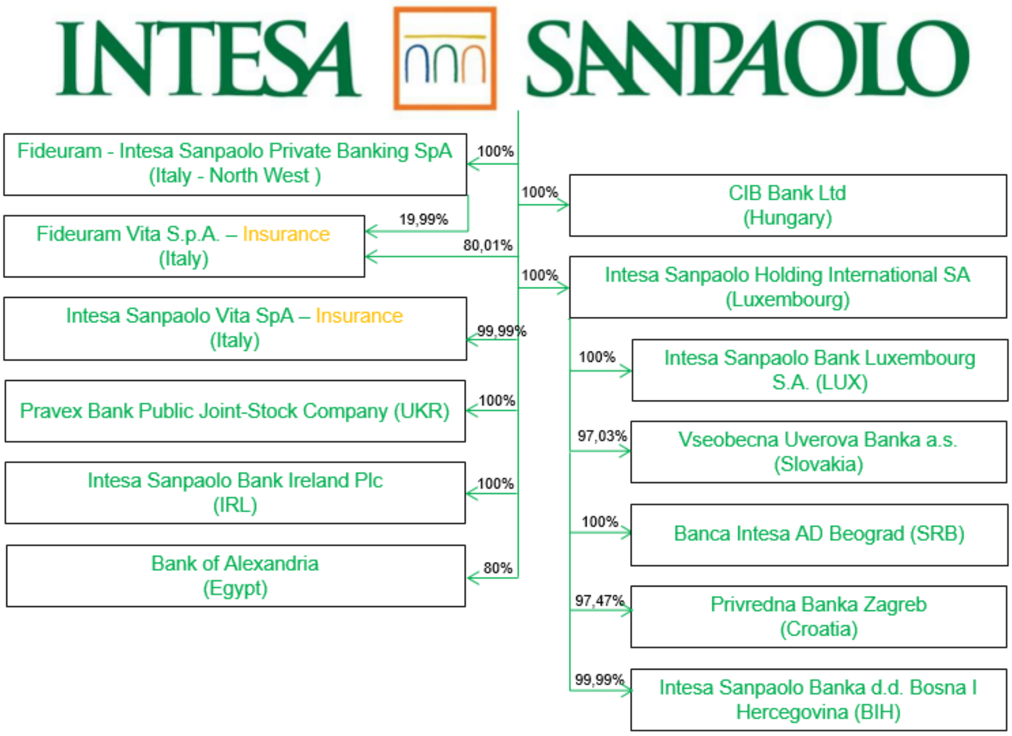
The group is divided into six business areas in addition to its Corporate Centre. *Banca dei Territori* focuses on the domestic commercial banking activities such as lending and deposit collecting in Italy. *IMI Corporate & Investment Banking* deals with corporate banking, investment banking and public finance in Italy and abroad. The third largest contributor to ISA's operating income is the business segment *International Subsidiary Banks*. This business line is responsible for the group's commercial operations on international markets through subsidiary and affiliated banks primarily involved in retail banking businesses. The *Private Banking* division of ISA serves the private client and high net worth individuals' customer segment (approximately 93,000 clients). The business segment *Insurance* represents oversees management of the subsidiaries of the insurance group such as Intesa Sanpaolo Vita, and Fideuram Vita. By contrast, *Asset Management* is tasked with the development of asset management solutions for the group and is present on the open market segment through the subsidiary Eurizon Capital and its subsidiaries with assets under management of about 258 billion as of June 2020. In addition, the groups *Corporate Centre* is responsible for guidance, coordination and control of the group as a whole as well as the management of assets and liabilities, the treasury and the NPE Department (former Capital Light Bank), which deals with the group's bad loans and repossessed assets as well as the sale of non-strategic investments.

ISA is currently pursuing its 2018-2021 business plan. According to the plan, ISA intends to improve its group's risk profile by reducing the stock of non-performing assets while increasing its capital base. In addition, cost reduction is targeted through the simplification/digitalization of the operating model as well as the growth of the revenues by capturing new business opportunities, in particular to increase its net fee and commission income. However, as of June 2020 ISA expects to be not able to reach its Cost and NPL reduction targets. The most recent outcome of this strategy was the integration of Banca IMI into the parent company in July 2020.

Considering ISA's half-year 2020 development, the Group presents two major business events. On one hand, ISA benefits from a net capital gain of about €1.1 billion in relation with the Nexi S.p.A. transaction. Thereby, Intesa transferred its acquiring activities to Nexi S.p.A. and Nexi S.p.A. become the sole partner of ISA in the acquiring activities. Moreover, as part of the transaction, ISA purchased 9.9% of Nexi S.p.A. for about €653 million. One the other hand, ISA finalized the acquisition of UBI Banca (fifth largest bank in Italy in terms of total assets) by the end of July 2020. The takeover was possible, as ISA acquired 90.2% of UBI's shares. This acquisition creates the largest bank in Italy and the seventh-largest bank in the Eurozone in terms of total assets with about €990 bn. ISA intends to merge UBI Banca into the Group to achieve pre-tax synergies of about €730 million by 2024. For regulatory reasons, ISA has to sell 532 branches of UBI Banca to BPER Banca. The acquisition of UBI Banca creates a negative goodwill of about €2 billion. Intesa intends to use this negative goodwill for additional loan loss provisions of about €1.2 billion and to cover the integration costs of about €0.9 billion.

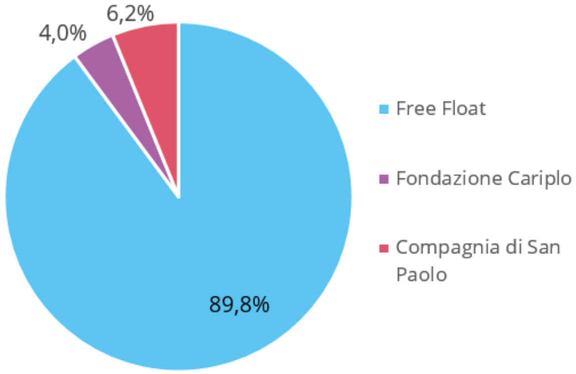
The principal subsidiaries and investments of ISA can be found in the following chart:

Chart 1: Principal subsidiaries and investments of Intesa Sanpaolo S.p.A. (Source: Own presentation based on data of the Annual Report 2019 of Intesa Sanpaolo S.p.A.)



The shareholder structure of Intesa Sanpaolo S.p.A. (Group) is as follows:

Chart 2: Major shareholders of Intesa Sanpaolo S.p.A. (Group) as of 02 September 2020. | Source: Website of Intesa Sanpaolo S.p.A. (Group)

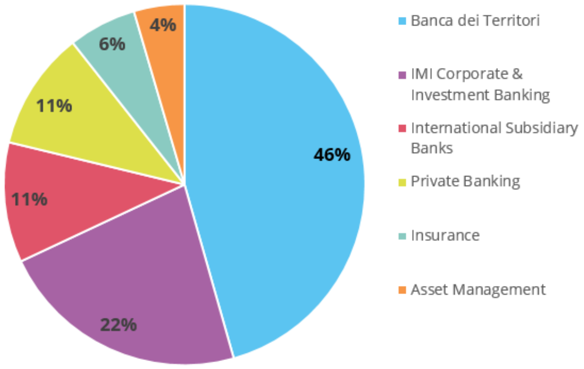


Business Development

Profitability

ISA's operating income amounted to €19 billion in 2019, increasing by 1.5% in a year-over-year comparison (€289 million). See Chart 3 for the contribution of each business division (excl. Corporate Centre) to the Group's operating income.

Chart 3: Operating Income of Intesa Sanpaolo S.p.A. (Group) by business division in 2019. | Source: Annual Report 2019 of Intesa Sanpaolo S.p.A. (Group)



Net interest income is one of the two major sources of income and contributed about 36% to the operating income, however decreasing by 5.7% compared to the previous year (€418 million) as a result of lower interest income from non-performing assets due to the reduction of the NPL stock as well as due to the lower average volume of loans. Fees and commissions accounted for 39.4% of operating income, remaining roughly unchanged over the last years, thereby representing ISA's constant income source. The performance was the results of a moderate decline in revenues from commercial banking and other fees, which was offset by higher income from services in relation with management, dealing and financial consultancy. At 10.3%, net trading income contributed the lowest share of the three main drivers of operating income, however increasing by 65% in comparison to the previous year (€772 million). This increase is primarily attributable to the gains of sold debt securities as well as the benefits from the effects of the sale of the interest held in NTV – Nuovo Transporto Viaggiatori (€264 million net of taxes). ISA's net insurance income remained roughly stable year-over-year. This item includes the Group's life and non-life insurance activities with all net premiums, claims, investments gains as well changes in technical reserves.

Operating expenses amounted to €11.2 billion in 2019, remaining roughly constant in a year-over-year comparison. Personnel expenses accounted for 52% of total expenses in 2019, decreasing by 1.8% YOY (€107 million) driven by the reduction of employees. The exceptionally increase in 2017 in this item is a result if of charges for the incentive-driven exit plans for the employees in particular relating to the integration of both Venetian Banks. By contrast, the Group's depreciation and amortization expenses increased due to increased impairments on intangible assets. Other expenses, accounting for 26% consists of different insignificant items, thereof taxes and duties (€895 million) as well as the contribution to the resolution fund in the amount of €473 million being the most relevant.

ISA's operating net profit amounted to €4.172 billion in 2019, increasing by 2.5% in comparison to the previous year. However, the positive development is primarily due to lower impairments on customer loans in 2019 in comparison to 2018. The exceptional net profit in 2017 is mainly attributable to the public cash contribution in relation with the acquisition of Banca Popolare di Vicenza S.p.A. and Veneto Banca S.p.A. to offset some negative effects.

Considering the current Corona pandemic impact and ISA's half-year 2020 results, ISA report a net profit of about €2.5 billion (H1-2019: €2.2 billion). However, the Group benefits from the Nexi S.p.A. transaction with about €1.1 billion. In addition, the Group reported an improved insurance result due to lower claims as a result of the lockdown. By contrast, the banks half-year 2020 loan loss provision amounted already to €1.8 bn (compared to 923m in H1-2020) and the Group expects annualized cost of Risk of about 89bp. In addition, ISA realized a sharp decline in its net fee and commission income due to the lockdown. Moreover, the reduction of the labor force helped the bank to reduce its administrative costs. Overall, despite the extreme difficult economic situation and the strong economic downturn in Italy, the Group expect to generate a net profit of about €3 billion at the end of 2020 and a net profit of about €3.5 billion at the end of 2021, both without considering UBI Banca. Considering UBI Banca, the bank reports a net profit of about €184 million in the first half of 2020 (H1-2019: €133 million) and denotes despite the Corona pandemic declining impairment losses on customer loans in comparison to the previous year (H1-2020: €336 million; H1-2019: €391 million). However, a full half-year report of UBI Banca as of the time of preparing this report was not available. Overall, the final impact of Corona is still uncertain.

A detailed group income statement for the years of 2016 through 2019 can be found in Figure 1 below:

Figure 1: Group income statement | Source: eValueRate / CRA

Income Statement	2016	2017	2018	%	2019
Income (€000)					
Net Interest Income	8.615.000	6.704.000	7.342.000	-5,7	6.924.000
Net Fee & Commission Income	6.735.000	7.428.000	7.525.000	-0,3	7.499.000
Net Insurance Income	-2.075.000	1.282.000	1.458.000	+0,7	1.468.000
Net Trading Income	2.534.000	1.137.000	1.181.000	+65,4	1.953.000
Equity Accounted Results	125.000	1.150.000	177.000	-70,1	53.000
Dividends from Equity Instruments	461.000	117.000	94.000	+24,5	117.000
Other Income	872.000	947.000	950.000	+5,5	1.002.000
Operating Income	**17.267.000**	**18.765.000**	**18.727.000**	**+1,5**	**19.016.000**
Expenses (€000)					
Depreciation and Amortisation	931.000	879.000	1.026.000	+21,8	1.250.000
Personnel Expense	5.494.000	7.177.000	5.932.000	-1,8	5.825.000
Tech & Communications Expense	899.000	899.000	883.000	+5,9	935.000
Marketing and Promotion Expense	134.000	134.000	141.000	-10,6	126.000
Other Provisions	241.000	893.000	35.000	> +100	73.000
Other Expense	3.191.000	3.043.000	3.241.000	-8,1	2.977.000
Operating Expense	**10.890.000**	**13.025.000**	**11.258.000**	**-0,6**	**11.186.000**
Operating Profit & Impairment (€000)					
Pre-impairment Operating Profit	**6.377.000**	**5.740.000**	**7.469.000**	**+4,8**	**7.830.000**
Asset Writedowns	3.288.000	3.154.000	2.535.000	-12,8	2.210.000
Net Income (€000)					
Non-Recurring Income	127.000	5.232.000	532.000	-65,8	182.000
Non-Recurring Expense	-	-	79.000	+64,6	130.000
Pre-tax Profit	**3.216.000**	**7.818.000**	**5.387.000**	**+5,3**	**5.672.000**
Income Tax Expense	1.003.000	464.000	1.363.000	+14,7	1.564.000
Discontinued Operations	987.000	-	48.000	+33,3	64.000
Net Profit (€000)	**3.200.000**	**7.354.000**	**4.072.000**	**+2,5**	**4.172.000**
Attributable to minority interest (non-controlling interest)	-89.000	38.000	22.000	< -100	-10.000
Attributable to owners of the parent	3.111.000	7.316.000	4.050.000	+3,3	4.182.000

Due to ISA's increased stable net profit in 2019, ISA's earnings ratios remained almost unchanged in comparison to the previous year. Overall, ISA reports earnings figures, which are more favorable than the average of the peer group. The values for ROAA, ROAE and RoRWA as well as these figures before taxes are almost unchanged in a year-over-year comparison. In addition, these figures are clearly above the average of the peer group. In addition, ISA reports favorable cost to income ratios. However, only the Group's net interest margin lags behind the values of its competitors.

Overall, ISA's earnings figures of 2019 are the best performers in any of the areas analyzed. However, considering the development in 2020, we expect a strong decline in ISA's profitability due to increasing loan loss provisions following the Corona pandemic. According to ISA, the Group expects to reach a net profit of about €3 billion in 2020 and €3.5 billion in 2021.

A detailed overview of the income ratios for the years of 2016 through 2019 can be found in Figure 2 below:

Figure 2: Group key earnings figures| Source: eValueRate / CRA

Income Ratios (%)	2016	2017	2018	%	2019
Cost Income Ratio (CIR)	63,07	69,41	60,12	-1,29	58,82
Cost Income Ratio ex. Trading (CIRex)	73,92	73,89	64,16	+1,39	65,56
Return on Assets (ROA)	0,44	0,92	0,52	-0,01	0,51
Return on Equity (ROE)	6,49	12,99	7,49	-0,07	7,42
Return on Assets before Taxes (ROAbT)	0,44	0,98	0,68	+0,01	0,70
Return on Equity before Taxes (ROEbT)	6,52	13,81	9,91	+0,18	10,09
Return on Risk-Weighted Assets (RORWA)	1,13	2,56	1,47	-0,08	1,40
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,13	2,73	1,95	-0,05	1,90
Net Interest Margin (NIM)	2,04	1,30	1,44	+0,03	1,47
Pre-Impairment Operating Profit / Assets	0,88	0,72	0,95	+0,01	0,96
Cost of Funds (COF)	0,83	0,67	0,56	+0,01	0,57
Change in %- Points					

Asset Situation and Asset Quality

ISA's financial assets accounted for 74% of total assets in 2019, increasing by 2% in a year-over-year comparison (€11.4 billion). Net loans to customers represent the largest share of financial assets, accounting for 59.7%, and increasing by 1.4% YOY (€5 billion). The positive development is due to increased business activities of the Group's international subsidiaries as well as due to the demand by corporate customers, while the domestic loans to customers declined, partially due to the portfolio sale of unlikely-to-pay loans. The growth in 2017 of the customer loans is mainly attributable to the aforementioned acquisitions, which increased the group's net loans to customers by €34.6 billion.
Total securities as the second largest asset represent 20.8% of ISA's financial assets, increasing by 32% YOY (€30.6 billion). The increase is primarily due to a shift on the asset side. ISA decreased its deposits at central banks and invested them primarily in public debt securities and to a lower extent in debt securities of banks. Moreover, ISA holds now about €54 billion of Italian government bonds, which shows the close connection to the Italian nation as well as a particular risk. The aforementioned shift increases the banks interest income on one hand, and decreases the banks interest expense on the other hand due to the current negative interest rate for deposits at the central bank.

Following the Corona pandemic impact as of the first half year 2020, ISA reports a strong demand in its loan business. This trend is due to several factors, such as liquidity needs during the lockdown and credit support measures through public guarantees. Considering the acquisition of UBI Banca, ISA will increase its public loans by about €92 billion, thereby ascending to become the largest lender in Italy.

A detailed look at the development of the asset side of the balance sheet for the years of 2016 through 2019 can be taken in Figure 3 below:

Figure 3: Development of assets| Source: eValueRate / CRA

Assets (€000)	2016	2017	2018	%	2019
Cash and Balances with Central Banks	36.037.000	48.993.000	47.427.000	-44,1	26.496.000
Net Loans to Banks	25.312.000	23.407.000	21.138.000	+9,8	23.207.000
Net Loans to Customers	334.794.000	380.467.000	355.413.000	+1,4	360.486.000
Total Securities	82.789.000	79.251.000	95.365.000	+32,1	125.965.000
Total Derivative Assets	36.775.000	28.789.000	29.019.000	+6,8	31.000.000
Other Financial Assets	30.261.000	40.964.000	44.192.000	-16,7	36.828.000
Financial Assets	**545.968.000**	**601.871.000**	**592.554.000**	**+1,9**	**603.982.000**
Equity Accounted Investments	1.278.000	678.000	943.000	+31,5	1.240.000
Other Investments	136.000	271.000	247.000	+14,2	282.000
Insurance Assets	142.560.000	153.021.000	150.518.000	+12,2	168.842.000
Non-current Assets & Discontinued Ops	312.000	627.000	1.297.000	-61,9	494.000
Tangible and Intangible Assets	12.165.000	14.148.000	16.266.000	+9,5	17.807.000
Tax Assets	14.444.000	16.887.000	17.258.000	-10,4	15.467.000
Total Other Assets	8.237.000	9.358.000	8.707.000	-8,3	7.988.000
Total Assets	**725.100.000**	**796.861.000**	**787.790.000**	**+3,6**	**816.102.000**

Although ISA's NPL ratio improved markedly in the past years as well as in a year-over-year comparison (1.54 percentage points), it is still at a relatively high level. In addition, the groups NPL ratio is significantly worse than that of the peer group. However, ISA accomplished to reduce its gross NPL stock by about €5 billion YOY. Moreover, the continuous decrease in ISA's NPL stock reflects its 2018-2021 business plan and initiatives to constantly improve its assets. However, as of June 2020, the Group is not able to reach its NPL reduction targets. In addition, the Group's potential problem loans (represented by stage 2 loans) over net loans to customer ratio remained stable, bus is clearly worse than the ones of the peer group.
ISA's NPL/RWA ratio has improved equivalent to its NPL ratio since 2014, but is still considerably worse than the average of the peer group. By contrast, ISA's reserve/NPL ratio is in line with the average of the peer group and shows ISA`s prudent approach. The groups RWA/assets ratio, however, worsened year-over-year while the peer group was able to improve in average in this ratio. Thus, the Group's RWA ratio is now distinctly higher than the peer group average, which shows a risk seeking approach. However, as of June 2020, ISA is able to keep its volume of RWA constant.

Overall, ISA's asset quality figures of 2019 are the least favorable performers in any of the areas analyzed. ISA still struggles to improve significantly in this area and is not able to catch up to its competitors nor to reach its targets regarding the Reduction of the NPL stock.

According to ISA's half-year 2020 report, the Group reports stable asset quality with regard to the stock of non-performing loans as well as default rates. However, we expect a strong decrease in the asset quality in the upcoming years due to the run out of public guarantees as well as the end of moratorium. As of 30 June 2020, ISA total volume of exposures affected by moratorium measures amounted to €50.5 billion while new liquidity provided under public guarantee schemes amounted to about €6.7

billion. However, according to the ECB, moratorium measures are not automatically a trigger of unlikeliness to pay. Thus, we perceive a high credit risk with regard to ISA's asset quality, which requires a close monitoring of the upcoming development. Regarding the UBI Banca acquisition, UBI reports almost the same NPL ratio as ISA, but is less affected by loan loss provisions. However, a full half-year report of UBI Banca as of the time of preparing this report was not available.

A detailed overview of the asset quality for the years of 2016 through 2019 can be found in Figure 4 below:

Figure 4: Development of asset quality| Source: eValueRate / CRA

Asset Ratios (%)	2016	2017	2018	%	2019
Net Loans/ Assets	46,17	47,75	45,12	-0,94	44,17
Risk-weighted Assets/ Assets	39,16	35,99	35,09	+1,49	36,58
NPLs*/ Net Loans to Customers	8,20	13,69	10,23	-1,54	8,69
NPLs*/ Risk-weighted Assets	20,48	18,15	13,15	-2,66	10,49
Potential Problem Loans**/ Net Loans to Customers	1,60	1,64	12,75	-0,58	12,17
Reserves/ NPLs*	51,61	53,96	60,51	-0,48	60,03
Reserves/ Net Loans	8,96	7,38	6,19	-0,98	5,21
Net Write-offs/ Net Loans	0,98	0,83	0,71	-0,10	0,61
Net Write-offs/ Risk-weighted Assets	1,16	1,10	0,92	-0,18	0,74
Change in %- Points					

* NPLs are represented from 2017 onwards by Stage 3 Loans.
** Potential Problem Loans are Stage 2 Loans where available.

Refinancing and Capital Quality

ISA's financial liabilities accounted for 70% of total liabilities in 2019. Total deposits from customers, as the major source of funding, correspond to 40.3% of total liabilities, increasing by 8.8% in comparison to the previous year (€26.7 billion). The driver of this increase is the current accounts and deposits growth as a result of customers propensity to maintain a high level of liquidity. This development is reinforced by the Corona pandemic. According to ISA's half year report 2020, the Group denotes a strong increase in customer deposits due customers preference for liquidity as well as the reduction in consumption. The acquisition of UBI Banca will add up about €76 billion of customer deposits to the Group.
By contrast, total debt as the second largest item of financial liabilities; accounting for 15.9% (€91.1 billion), increased by 4% YOY and consists primarily of bonds other than structured bonds. Total deposits from banks decreased by €11.2 billion due to ISA's reduction if its deposits at central banks. However, ISA participated in the TLTRO III refinancing operation of the ECB with about €48.5 billion and benefits as a result from favorable conditions with regard to its costs of funding. ISA partially used the TLTRO III funding for early repayment of the TRTRO II funding.
The Group's insurance liabilities increased by 11% YOY (€16.5 billion) and consist primarily of technical reserves in ISA's life business segment, which are the main driver for the aforementioned increase in this item. The Group's total equity increased significantly due to suspended dividend distribution in relation with the Corona pandemic and the recommendation of the ECB. However, ISA intends to obtain approval

from the ECB to distribute the intended dividend payment of about €3.4 billion in 2021.

A detailed overview of the development of liabilities for the years of 2016 through 2019 can be found in Figure 5 below:

Figure 5: Development of refinancing and capital adequacy| Source: eValueRate / CRA

Liabilities (€000)	2016	2017	2018	%	2019
Total Deposits from Banks	68.349.000	94.285.000	85.176.000	-13,1	74.024.000
Total Deposits from Customers	267.318.000	302.086.000	302.413.000	+8,8	329.124.000
Total Debt	99.908.000	97.454.000	87.689.000	+4,0	91.237.000
Derivative Liabilities	45.309.000	36.264.000	38.470.000	+8,2	41.613.000
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	33.010.000	35.459.000	49.712.000	-22,7	38.429.000
Total Financial Liabilities	**513.894.000**	**565.548.000**	**563.460.000**	**+1,9**	**574.427.000**
Insurance Liabilities	142.803.000	152.471.000	149.407.000	+11,0	165.897.000
Non-current Liabilities & Discontinued Ops	272.000	264.000	258.000	-84,1	41.000
Tax Liabilities	2.038.000	2.509.000	2.391.000	-2,9	2.321.000
Provisions	4.830.000	7.218.000	6.254.000	-18,0	5.131.000
Total Other Liabilities	11.944.000	12.247.000	11.670.000	+3,4	12.070.000
Total Liabilities	**675.781.000**	**740.257.000**	**733.440.000**	**+3,6**	**759.887.000**
Total Equity	**49.319.000**	**56.604.000**	**54.350.000**	**+3,4**	**56.215.000**
Total Liabilities and Equity	**725.100.000**	**796.861.000**	**787.790.000**	**+3,6**	**816.102.000**

ISA's CET1 ratio increased by one percentage point in comparison to the previous year, but is still below the average of the peer group. The Group struggles because of the increase in risk-weighted assets. However, ISA manages to increase its CET1 ratio through retained earnings more distinctly than the peer group and is able to catch up to its competitors. By contrast, although ISA improved its Tier 1 ratio as well as its Total Capital ratio, the peer group was able to improve in these ratios more clearly. Again, ISA reports capital ratios which are below peer group average . The decrease in the Group's AT1 capital is a result of the redemption of grandfathered instruments. However, due to ISA's new issued AT1 Capital in February 2020 for a total of 1.5 billion, we expect ISA to catch up to the peer group with regard to its AT1 and Total Capital ratio. However, the announced suspension of the dividend for 2019 will reduce ISA's capital ratios following the projected distribution in 2020. Following the acquisition of UBI Banca, ISA expects to maintain a CET1 capital ratio of about 13%.

By contrast, the Group's Total Equity ratio as well as the Leverage ratio are on a sound level and are outperforming the average of the peer group. Overall, ISA comfortably meets all regulatory requirements with its capital ratios.

A detailed overview of the development of capital ratios for the years of 2016 through 2019 can be found in Figure 6 below:

Figure 6: Development of capital ratios | Source: eValueRate / CRA

Capital Ratios (%)	2016	2017	2018	%	2019
Total Equity/ Total Assets	6,80	7,10	6,90	-0,01	6,89
Leverage Ratio	6,30	6,42	6,30	+0,40	6,70
Common Equity Tier 1 Ratio (CET1)*	12,70	13,30	12,00	+1,00	13,00
Tier 1 Ratio (CET1 + AT1)*	13,90	15,20	13,80	+0,50	14,30
Total Capital Ratio (CET1 + AT1 + T2)*	17,00	17,90	16,50	+0,50	17,00
Change in %- Points					

Phased-in capital ratios until 2017.

Due to ISA's bank capital and debt structure, as well as its status as an O-SII, the Group's Preferred Senior Unsecured Debt instruments have not been notched down in comparison to the long-term issuer rating. However, ISA's Tier 2 capital rating is four notches below the long-term issuer rating based on the bank's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 capital is rated five notches below the long term issuer rating, reflecting a high bail-in risk in the event of resolution. All of these ratings were notched down in comparison to the previous year, due the down-notch of the long-term issuer rating. Moreover, we set the rating for the Group's Non-Preferred Senior Unsecured instruments as ISA has taken over UBI Banca, which issued this kind of instruments in the total amount of € 1.5 billion.

Liquidity

ISA has not published any exact figures for its Net Stable Funding Ratio. However, the group mentioned that its NSFR is well above 100% and thus fulfills the regulatory requirements. The Group's LCR of 160% outperforms the average of the peer group clearly.

The customer deposits to total funding ratio reports the Group's stable and favorable source of funding - the deposits of its customers. However, considering the negative interest rate for deposits at the ECB, ISA has to be aware of the negative impact of its excess liquidity. In addition, the almost equal LTD ratio with about 109.5% shows an adequate demand for the Group's loans.

Up to now, we do not expect any liquidity issues at ISA and the whole banking sector.

A detailed overview of the development of liquidity for the years of 2016 through 2019 can be found in Figure 7 below.

Figure 7: Development of liquidity | Source: eValueRate / CRA

Liquidity (%)	2016	2017	2018	%	2019
Net Loans/ Deposits (LTD)	125,24	125,95	117,53	-8,00	109,53
Interbank Ratio	37,03	24,83	24,82	+6,53	31,35
Liquidity Coverage Ratio	-	-	163,00	-2,40	160,60
Customer Deposits / Total Funding (excl. Derivates)	42,40	42,91	43,51	+2,31	45,82
Net Stable Funding Ratio (NSFR)	-	-	-	-	-
Change in %- Points					

Environmental, Social and Governance (ESG) Score Card

Intesa Sanpaolo SpA (Group) has one significant and two moderate ESG rating drivers

• Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the Corporate Governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated positive due to Intesa Sanpaolo's sound economic development as well as the implemented ESG policies with the emission of the first green bond by an Italian bank.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated neutral due to relatively low amount of issued green bonds, Corporate Behaviour is rated positive due the bank's business activities which are in line with applicable laws and moral beliefs of the society.

ESG Score

3,9 / 5

ESG Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
< = 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2020	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	3	( )
	1.2 Exposure to Environ-mental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated positive in terms of the CRA ESG criteria.	4	(+)
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria.	1	(+ +)

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
(-)	Negative
(- -)	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage https://creditreform-rating.de/en/about-us/regulatory-requirements.html. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

Conclusion

Overall, Intesa Sanpaolo S.p.A. had a solid year of performance in 2019, but faces a challenging fiscal year 2020. The Corona pandemic has a massive impact on the Italian market, which is the major market of ISA. In addition, ISA has to handle the integration of UBI Banca S.p.A.. Moreover, the current economic development is characterized by a high degree of uncertainty for the leading bank in Italy despite the strong franchise.

The Group reported a sound level of profitability with its earnings figures in 2019. However, we expect a strong impact on the profitability of ISA in the fiscal year 2020 due the Corona pandemic. The massive increase in loan loss provisions has a significantly negative impact on ISA's profitability. However, the strong decrease is mitigated by the Nexi transaction, which leads to a one-off gain of about €1 bn. ISA expects to reach a year-end 2020 net profit of about €3 bn. However, a second wave of the pandemic might lead to a further decline of the profitability. In addition, the development of ISA's cost of risk is subject to a high degree auf uncertainty because of the strong economic downturn in Italy. However, we are confident that ISA remains profitable. On one hand, ISA benefits from its stable income from asset servicing. On the other hand, ISA has to continue its cost cutting measures.

The asset quality of ISA remains unsatisfactory even though ISA was able to improve its quality in the past years. However, the sudden impact of the Corona pandemic and the following strong economic downturn, especially in Italy, leads to regression with regard to ISA's reduction of its NPL portfolio. In addition, ISA reports a significant amount of exposure related to memorandum measures. Thus, ISA might bear huge credit risk in its loan portfolio, which in turn might have a negative impact on the Group's profitability and capitalization.

ISA's business activities are highly dependent on the Italian market. Moreover, the Group increased its dependency on its core market through its acquisitions in 2017 as well as through the recent acquisition of UBI Banca S.p.A. in 2020. In addition, a significant amount of Italian government bonds tightens the connection to the Italian economy. The economic downturn of about a 10% in Italy's GDP imposes a huge burden. The expected low and slow rebound might reinforce this burden. However, ISA benefits from the ECB's TLTRO III operations by decreasing cost of funding.

On the liabilities side, ISA records considerable growth in particular in its customer deposits following the need of liquidity of its customers. ISA's capital ratios are constantly below average of its competitors. The suspended dividend payment for 2019 will ultimately lower the current capital ratios. However, the liquidity situation of ISA remains sufficient.

It remains to be seen whether the Group will be able to integrate its acquisitions of UBI Banca at no costs (through negative goodwill) and enjoy some synergies. In addition, the impact of the Corona pandemic bears a high risk for the Group next to the still challenging low interest rate environment. Nevertheless, we expect ISA as the seventh largest Banking Group in the Eurozone to overcome this challenging environment with its strong franchise. However, the development is strongly correlated with the wellbeing of the Italian economy.

Outlook

We consider the outlook of Intesa Sanpaolo's (Group) long-term issuer rating and its bank capital and debt instruments as stable. This reflects our view that the bank remains profitable despite the Corona pandemic impact. However, we will observe how the bank will deal with the Corona pandemic effects on the economy. In addition, we assume no significant economic worsening due to the Corona pandemic and stable political environment in the banks markets of operations.

Scenario Analysis

Best-case scenario: BBB+

Worst-case scenario: BB-

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank is able to reach an "BBB+" rating in the "best case" scenario and an "BB-" rating in the "worst case" scenario. The ratings of bank capital and senior unsecured debt would behave similarly based on our rating mechanism. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We might upgrade Intesa Sanpaolo's (Group) long-term issuer credit rating and its bank capital and debt instruments if we see that ISA is able improve significantly its asset quality in addition to increased capital ratios while maintaining its level of profitability.

By contrast, a downgrade of the Group`s long-term issuer credit rating and its bank capital and debt instruments is likely if we see declining capital ratios as well as a declining profitability. In particular, we will observe the ongoing Corona pandemic impact on ISA's asset quality and its business activities in general. Moreover, we see a close economic relation to the Italian state.

Appendix

Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **BBB- / stable / L3**

Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred Senior Unsecured Debt (PSU): **BBB-**
Non-Preferred Senior Unsecured Debt (NPS): **BB+**
Tier 2 (T2): **B+**
Additional Tier 1 (AT1): **B**

Rating History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 8: Rating History

Bank Issuer Rating	Rating Date	Result
Initialrating	16.04.2018	BBB / stable / L3
Rating Update	02.07.2019	BBB / stable / L3
Monitoring	28.03.2020	BBB / NEW / L3
Rating Update	15.09.2020	BBB- / stable / L3
Bank Capital and Debt Instruments	**Rating Date**	**Result**
Senior Unsecured / T2 / AT1 (Initial)	16.04.2018	BBB / BB- / B+
PSU / T2 / AT1	02.07.2019	BBB / BB- / B+
PSU / T2 / AT1	28.03.2020	BBB / BB- / B+ (NEW)
PSU / NPS / T2 / AT1	15.09.2020	BBB- / BB+ / B+ / B
Intesa Sanpaolo Bank Ireland Plc		
Initialrating	16.04.2018	BBB / stable / L3
Rating Update	02.07.2019	BBB / stable / L3
Monitoring	28.03.2020	BBB / NEW / L3
Rating Update	15.09.2020	BBB- / stable / L3
Bank Capital and Debt Instruments of Intesa Sanpaolo Bank Ireland Plc		
Senior Unsecured / T2 / AT1 (Initial)	16.04.2018	BBB / BB- / B+
PSU / T2 / AT1	02.07.2019	BBB / BB- / B+
PSU / T2 / AT1	28.03.2020	BBB / BB- / B+ (NEW)

PSU / NPS / T2 / AT1	15.09.2020	BBB- / BB+ / B+ / B
Intesa Sanpaolo Bank Luxembourg S.A.		
Initialrating	16.04.2018	BBB / stable / L3
Rating Update	02.07.2019	BBB / stable / L3
Monitoring	28.03.2020	BBB / NEW / L3
Rating Update	15.09.2020	BBB- / stable / L3
Bank Capital and Debt Instruments of Intesa Sanpaolo Bank Luxembourg S.A.		
Senior Unsecured / T2 / AT1 (Initial)	16.04.2018	BBB / BB- / B+
PSU / T2 / AT1	02.07.2019	BBB / BB- / B+
PSU / T2 / AT1	28.03.2020	BBB / BB- / B+ (NEW)
PSU / NPS / T2 / AT1	15.09.2020	BBB- / BB+ / B+ / B
Banca IMI S.p.A.		
Initialrating	16.04.2018	BBB / stable / L3
Rating Update	02.07.2019	BBB / stable / L3
Monitoring	28.03.2020	BBB / NEW / L3
Monitoring	07.08.2020	n.r.
Bank Capital and Debt Instruments of Banca IMI S.p.A.		
Senior Unsecured / T2 / AT1 (Initial)	16.04.2018	BBB / BB- / B+
PSU / T2 / AT1	02.07.2019	BBB / BB- / B+
PSU / T2 / AT1	28.03.2020	BBB / BB- / B+ (NEW)
PSU / T2 / AT1	07.08.2020	n.r.

Figure 9: Income statement of Intesa Sanpaolo Bank Ireland Plc| Source: eValueRate / CRA

Income Statement	2016	2017	2018	%	2019
Income (€000)					
Net Interest Income	71.616	51.649	30.605	-32,5	20.646
Net Fee & Commission Income	-7.260	-5.218	-3.503	< -100	1.075
Net Insurance Income	-	-	-	-	-
Net Trading Income	17.051	33.363	12.246	-56,7	5.303
Equity Accounted Results	-	-	-	-	-
Dividends from Equity Instruments	7	9	11	-9,1	10
Other Income	-	-	-	-	-
Operating Income	**81.414**	**79.803**	**39.359**	**-31,3**	**27.034**
Expenses (€000)					
Depreciation and Amortisation	24	79	145	> +100	377
Personnel Expense	2.561	3.372	3.059	+3,0	3.150
Tech & Communications Expense	-	-	-	-	-
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-104	-31	-	-	-
Other Expense	4.052	5.949	7.454	-3,6	7.189
Operating Expense	**6.533**	**9.369**	**10.658**	**+0,5**	**10.716**
Operating Profit & Impairment (€000)					
Pre-impairment Operating Profit	**74.881**	**70.434**	**28.701**	**-43,1**	**16.318**
Asset Writedowns	-812	-1.047	-2.406	< -100	1.482
Net Income (€000)					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**75.693**	**71.481**	**31.107**	**-52,3**	**14.836**
Income Tax Expense	9.456	8.944	3.903	-52,2	1.865
Discontinued Operations	-	-	-	-	-
Net Profit (€000)	**66.237**	**62.537**	**27.204**	**-52,3**	**12.971**
Attributable to minority interest (non-controlling interest)	-	-	-	-	-
Attributable to owners of the parent	66.237	62.537	27.204	-52,3	12.971

Figure 10: Key earnings figures of Intesa Sanpaolo Bank Ireland Plc | Source: eValueRate / CRA

Income Ratios (%)	2016	2017	2018	%	2019
Cost Income Ratio (CIR)	8,02	11,74	27,08	+12,56	39,64
Cost Income Ratio ex. Trading (CIRex)	10,15	20,17	39,31	+10,00	49,31
Return on Assets (ROA)	0,48	0,46	0,30	-0,18	0,11
Return on Equity (ROE)	5,40	5,12	2,40	-1,28	1,12
Return on Assets before Taxes (ROAbT)	0,55	0,53	0,34	-0,21	0,13
Return on Equity before Taxes (ROEbT)	6,18	5,86	2,75	-1,46	1,29
Net Interest Margin (NIM)	29,89	27,50	0,47	-0,24	0,23
Pre-Impairment Operating Profit / Assets	0,54	0,52	0,31	-0,17	0,14
Cost of Funds (COF)	1,33	1,10	1,38	-0,32	1,06
Change in %- Points					

Figure 11: Development of assets of Intesa Sanpaolo Bank Ireland Plc | Source: eValueRate / CRA

Assets (€000)	2016	2017	2018	%	2019
Cash and Balances with Central Banks	68.909	88.481	63.084	> +100	559.358
Net Loans to Banks	9.523.936	10.508.882	6.069.454	+16,8	7.089.202
Net Loans to Customers	1.093.565	762.686	573.750	+87,8	1.077.338
Total Securities	2.675.210	1.750.600	2.025.589	+9,9	2.226.730
Total Derivative Assets	503.577	475.791	471.419	+13,8	536.506
Other Financial Assets	194	40	-	-	-
Financial Assets	**13.865.391**	**13.586.480**	**9.203.296**	**+24,8**	**11.489.134**
Equity Accounted Investments	-	-	-	-	-
Other Investments	-	-	-	-	-
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	-	-	-	-	-
Tangible and Intangible Assets	22	620	481	+93,1	929
Tax Assets	440	27	7.000	-69,3	2.149
Total Other Assets	3.656	1.933	1.741	-52,5	827
Total Assets	**13.869.509**	**13.589.060**	**9.212.518**	**+24,8**	**11.493.039**

Figure 12: Rating Development of asset quality of Intesa Sanpaolo Bank Ireland Plc | Source: eValueRate / CRA

Asset Ratios (%)	2016	2017	2018	%	2019
Net Loans/ Assets	7,88	5,61	6,23	+3,15	9,37
Risk-weighted Assets/ Assets	NA	NA	NA	-	NA
NPLs*/ Net Loans to Customers	0,02	0,03	0,04	-0,02	0,02
Potential Problem Loans**/ Net Loans to Customers	0,00	0,00	8,67	-4,11	4,56
Reserves/ NPLs*	1051,98	480,62	713,27	+355,75	1069,03
Reserves/ Net Loans	0,22	0,14	0,28	-0,06	0,22
Net Write-offs/ Net Loans	-0,07	-0,14	-0,42	+0,56	0,14
Net Write-offs/ Risk-weighted Assets	-	-	-	-	-
Change in %- Points					

* NPLs are represented from 2017 onwards by Stage 3 Loans.
** Potential Problem Loans are Stage 2 Loans where available.

Figure 13: Development of refinancing and capital adequacy of Intesa Sanpaolo Bank Ireland Plc | Source: eValueRate / CRA

Liabilities (€000)	2016	2017	2018	%	2019
Total Deposits from Banks	1.087.883	683.707	783.811	-6,1	736.079
Total Deposits from Customers	1.461.533	1.310.652	1.124.924	+2,4	1.151.612
Total Debt	9.367.511	10.238.398	5.624.847	+38,6	7.795.517
Derivative Liabilities	210.291	32.784	520.421	+18,8	618.260
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	508.658	97.859	22.766	+42,3	32.391
Total Financial Liabilities	**12.635.876**	**12.363.400**	**8.076.769**	**+27,9**	**10.333.859**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	1.951	1.424	135	> +100	457
Provisions	79	32	70	+5,7	74
Total Other Liabilities	5.926	3.642	3.341	+26,0	4.208
Total Liabilities	**12.643.832**	**12.368.498**	**8.080.315**	**+27,9**	**10.338.598**
Total Equity	**1.225.677**	**1.220.562**	**1.132.203**	**+2,0**	**1.154.441**
Total Liabilities and Equity	**13.869.509**	**13.589.060**	**9.212.518**	**+24,8**	**11.493.039**

Figure 14: Development of capital ratios of Intesa Sanpaolo Bank Ireland Plc | Source: eValueRate / CRA

Capital Ratios (%)	2016	2017	2018	%	2019
Total Equity/ Total Assets	8,84	8,98	12,29	-2,25	10,04
Leverage Ratio	-	-	-	-	-
Common Equity Tier 1 Ratio (CET1)	12,70	13,30	-	-	-
Tier 1 Ratio (CET1 + AT1)	13,90	15,20	33,12	-4,29	28,83
Total Capital Ratio (CET1 + AT1 + T2)	17,00	17,90	33,14	-4,31	28,83
Change in %- Points					

Phased-in capital ratios until 2017.

Figure 15: Development of liquidity of Intesa Sanpaolo Bank Ireland Plc | Source: eValueRate / CRA

Liquidity (%)	2016	2017	2018	%	2019
Net Loans/ Deposits (LTD)	74,82	58,19	51,00	+42,55	93,55
Interbank Ratio	875,46	1537,04	774,35	+188,75	963,10
Liquidity Coverage Ratio	-	-	127,00	+121,00	248,00
Customer Deposits / Total Funding (excl. Derivates)	11,75	10,62	14,88	-3,03	11,85
Net Stable Funding Ratio (NSFR)	-	-	-	-	-

Change in %- Points

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following scheme clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA. Subject to a peer group analysis were 24 competing institutes.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for bank ratings as (Version 2.0), the methodology for the rating of bank capital and unsecured debt instruments (Version 2.0) as well as the rating methodology for Environmental, Social and Governance Score for Banks (Version 1.0) in conjunction with Creditreform's basic document Rating Criteria and Definitions (Version 1.3).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (Version 1.3) are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 15 September 2020, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Intesa Sanpaolo S.p.A. and the relevant subsidiaries, and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

1. Aggregated data base by eValueRate

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

5. Public and internal market analyses

6. Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The "Basic data" information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the "Basic data" card as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within „Basic data" information card.

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