Creditreform Bank Rating

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

Creditreform Rating

Rating Object	Rating Information	
Intesa Sanpaolo S.p.A. (Group) as parent of Intesa Sanpaolo Bank Luxembourg S.A.	Long Term Issuer Rating / Outlook: **BBB- / stable**	Short Term: **L3**
Creditreform ID: 00799960158 Management: Carlo Messina (Managing Director and CEO) Stefano Del Punta (CFO) Gian Maria Gros-Pietro (Chairman of the Board of Directors)	Type: Update / Unsolicited	
Rating Date: **09 November 2021** Monitoring until: withdrawal of the rating Rating Methodology: CRA “Bank Ratings v.3.0” 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	Rating of Bank Capital and Unsecured Debt Instruments: Preferred Senior Unsecured: Non-Preferred Senior Unsecured: Tier 2: Additional Tier 1:	 **BBB-** **n.r.** **B+** **n.r.**

Our rating of Intesa Sanpaolo Bank Luxembourg S.A. 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 09 November 2021.

Contents

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Key Rating Driver

+ Leading financial institution in Italy with a diversified business model and high market shares in retail banking and assets under management
+ Satisfying intrinsic profitability with diversified income sources apart from interest income, which is a strong benefit in a low interest rate environment
+ Improved profitability and asset quality through persistent pursuing of its Business Plan 2018-2021 with a strong success of its de-risking claims
+ Continuous digitalization and innovation processes

+/- Acquisition of UBI Banca enables synergies but increases business focus on Italy

+/- Business activities in Eastern Europe and North Africa

- Concentration risk and very high dependency on the Italian market, which was increased through the UBI Banca acquisition. In addition, very high sovereign risk related to Italy
- Despite strong improvement in recent years, still below average asset quality and significant as well as increase potential problem loans (stage 2) exposure
- Moderate capital ratios, however with declining trend in 2021 but still with large capital buffer to the SREP requirements
- Low-interest rate policy of the ECB puts pressure on interest income

Executive Summary

Creditreform Rating affirms the unsolicited long-term issuer rating of Intesa Sanpaolo S.p.A. (Group) at BBB-/stable. The affirmation of the credit rating is a result of the Group's considerable performance with even improving asset quality despite the negative impact of the Corona pandemic. However, Intesa Sanpaolo faces a significant concentration risk (which is even increasing after the UBI Banca acquisition) and very high dependency on the Italian market and the wellbeing of the Italian State (CRA Rating: BBB-/negative), which is a burden for the Group's credit rating. Notwithstanding the above, Intesa Sanpaolo benefits from its leading domestic position with a satisfying intrinsic profitability while maintaining solid capital ratios.

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. Moreover, Intesa Sanpaolo acquired control of UBI Banca (fifth largest bank in Italy) and merged it by incorporation on April 12, 2021. The group's headquarters are in Torino. With 99,112 employees (thereof 77% in Italy) as of June 2021 and about 5,255 branches (thereof 4,258 in Italy), the Group serves approximately 20.7 million customers (13.5 million in Italy and 7.2 million abroad) and is the leading banking group in Italy following the acquisition of UBI Banca. 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 segments 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. *International Subsidiary Banks* 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. The business segment *Insurance* represents 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 347 billion. 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. See chart 2 in the chapter profitability for the contribution of each business segment to the bank's operating income.

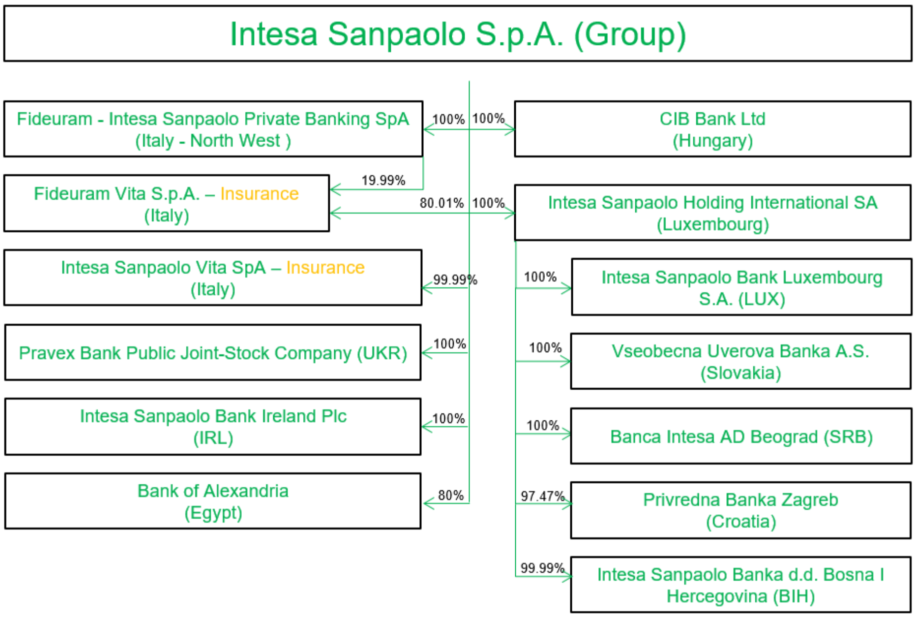
ISA is currently pursuing its 2018-2021 business plan. According to the plan, ISA intends to improve its group's risk profile by reducing the stock of non-performing assets while increasing its capital base. In addition, cost reduction is targeted through the simplification/digitalization of the operating model as well as the growth of the revenues by capturing new business opportunities, in particular to increase its net fee and commission income.

Considering ISA's development of its group structure, there were the following major business events: ISA carried out in April 2021 the merger of UBI Banca into ISA and created thereby the largest bank in Italy and one of the largest financial institutions in the Europe. In addition, ISA finalized the sale for regulatory reasons of some its own and UBI Banca's branches to BPPB and BPER Banca as part of the UBI Banca deal. The acquisition of UBI Banca created a negative goodwill of about €2.5 billion. The accounts of ISA as at 31 December 2020 reflect the effects of the acquisition of UBI Banca and its subsidiaries, subject to consolidation from the date of acquisition (therefore from August 2020). ISA intends to merge UBI Banca into the Group to achieve pre-tax synergies of about >€1 billion by 2024.

In 2020, ISA recorded 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.

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 half-year report of Intesa Sanpaolo S.p.A.)



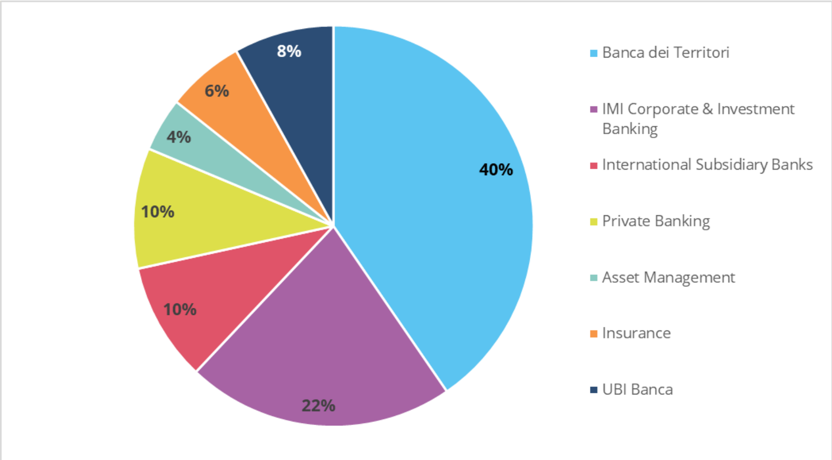
The shareholder structure of Intesa Sanpaolo S.p.A. (Group) is ordinary and at free float. The most significant shareholder are Compagnia di San Paolo (6.1%), BlackRock Inc. (5%) and Fondazione Cariplo (3.9%).

Business Development

Profitability

ISA's operating income amounted to €19.8 billion in 2020. See Chart 2 for the contribution of each business division (excl. Corporate Centre) and UBI Banca to the Group's operating income.

Chart 2: Operating Income of Intesa Sanpaolo S.p.A. (Group) by business division and UBI Banca in 2020. | Source: Annual Report 2020 of Intesa Sanpaolo S.p.A. (Group)



Net interest income is one of the two major sources of income of ISA and remained YOY almost unchanged (leaving out UBI Banca impact of +€713mn). As other banks in the Eurozone, ISA suffers under the low interest rate environment. However, ISA interest income benefits from negative rates of the TLTRO III refinancing program with €544 million in 2020 (2019: €243 million) in addition to lower cost of funding in particular at securities issued. Major contributor to the bank's net interest income by business segments are Banca dei Territori with about €4.1bn and IMI Corporate & Investment Banking with about €2.1bn. As of June 2021, ISA reports a further decline of its net interest income on a like-for-like basis due to ongoing pressure of the low interests. Fees and commissions as the second major source of income dropped YOY (leaving out positive UBI Banca impact of €721mn). The background of the negative development is related to adoption of stricter Corona containment measures in Q2-2020. Portfolio management fees are with about €2.8bn the most significant fee income in this regard. Major contributor to the bank's net fee and commission income by business segments are Banca dei Territori with about €3.9bn and private banking with about €1.7bn. As of June 2021, a drop back to the previous level of fee and commission income is expected. In general, ISA's high proportion of fee and commission income represents a stable source of income, which depends to a lesser extent on the wellbeing of the economy. In general, ISA benefits from its shift towards asset management.

ISA's net insurance income increased year-over-year in a like-for-like basis due to stronger performance of the non-life business (positive lockdown impact) and higher insurance premium income. This item includes the Group's life and non-life insurance activities with all net premiums, claims, investments gains as well as changes in technical reserves. By contrast, ISA's net trading income normalized following the elevated result in the previous year, which 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).

Operating expense amounted to €13.4 billion in 2020, increasing year-over-year partially due to the UBI Banca integration. Personnel expense accounted for 46% of total expense in 2020 and decreased YOY on a like-for-like basis (excl. UBI Banca, which increased the personnel expense by about €608mn) among other due to the downsizing of the workforce, which more than offset the effect of increased salaries following the renewal of the National Collective Bargaining Agreement. In addition, in contrast to the presentation of the bank we shifted the bank's charges for integration and exit incentives of about €1.4bn due to the UBI Banca integration to the line item of non-recurring expense to better represent the bank's intrinsic profitability. By contrast, the Group's depreciation and amortization expense increased over the last years due to increased impairments on internally generated intangible assets. ISA's line item of other provisions increased significantly due to higher net provisions mainly related to litigation concerning anatocism, criminal proceedings, operating irregularities and other disputes, which amounted to about €664mn. Other expense consists of different insignificant items, thereof taxes and duties (€608 million) as well as the contribution to the resolution fund in the amount of €515 million being the most relevant.

Following the Corona pandemic, ISA reported a strong increase of its net loan loss provisions in 2020, which amounted to €4.36 billion (thereof only €273mn of write-offs). ISA almost doubled its cost of risk to about 99bp (own calculation: loan loss provision over net loans to customers) and was thereby at the higher end in comparison to other large banks in Europe. As of the Q3-21 report of ISA, the bank reports a normalization of its cost of risk to a below 50bp level.
Notwithstanding the above, ISA reported some significant one-off effects, which have balanced each other. These effects are presented under the line items of non-recurring events, which might differ from the bank's presentation. On one hand, ISA recorded a negative goodwill following the UBI Banca acquisition of about €2.5bn, which is rather an accounting issue and does not represent the bank's profitability. On the other hand, ISA recorded a goodwill impairment of €981 million on Banca dei Territori (goodwill therewith fully written off) in addition to charges for integration and exit incentives of about €1,4bn related following the UBI Banca integration. The line item of discontinued operations relates to the aforementioned Nexi transaction.

A detailed group income statement for the years of 2017 through 2020 can be found in Figure 1 below:

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

Income Statement (EUR k)	2020	%	2019	2018	2017
Income					
Net Interest Income	7.732.000	+11,7	6.924.000	7.342.000	6.704.000
Net Fee & Commission Income	7.978.000	+6,4	7.499.000	7.525.000	7.428.000
Net Insurance Income	1.503.000	+2,4	1.468.000	1.458.000	1.282.000
Net Trading Income	1.323.000	-32,3	1.953.000	1.181.000	1.137.000
Equity Accounted Results	-16.000	< -100	53.000	177.000	1.150.000
Dividends from Equity Instruments	86.000	-26,5	117.000	94.000	117.000
Other Income	1.208.000	+20,6	1.002.000	950.000	947.000
Operating Income	**19.814.000**	**+4,2**	**19.016.000**	**18.727.000**	**18.765.000**
Expense					
Depreciation and Amortisation	1.396.000	+14,3	1.221.000	1.026.000	879.000
Personnel Expense	6.156.000	+5,7	5.825.000	5.932.000	7.177.000
Tech & Communications Expense	1.184.000	+26,6	935.000	883.000	899.000
Marketing and Promotion Expense	142.000	+12,7	126.000	141.000	134.000
Other Provisions	793.000	> +100	73.000	35.000	893.000
Other Expense	3.709.000	+23,4	3.006.000	3.241.000	3.043.000
Operating Expense	**13.380.000**	**+19,6**	**11.186.000**	**11.258.000**	**13.025.000**
Operating Profit & Impairment					
Pre-impairment Operating Profit	**5.028.000**	**-35,8**	**7.830.000**	**7.469.000**	**5.740.000**
Asset Writedowns	4.445.000	> +100	2.210.000	2.535.000	3.154.000
Net Income					
Non-Recurring Income	2.606.000	> +100	182.000	532.000	5.232.000
Non-Recurring Expense	2.387.000	> +100	130.000	79.000	-
Pre-tax Profit	**2.208.000**	**-61,1**	**5.672.000**	**5.387.000**	**7.818.000**
Income Tax Expense	59.000	-96,2	1.564.000	1.363.000	464.000
Discontinued Operations	1.136.000	> +100	64.000	48.000	-
Net Profit	**3.285.000**	**-21,3**	**4.172.000**	**4.072.000**	**7.354.000**
Attributable to minority interest (non-controlling interest)	8.000	< -100	-10.000	22.000	38.000
Attributable to owners of the parent	3.277.000	-21,6	4.182.000	4.050.000	7.316.000

ISA's intrinsic profitability, which is indicated by the bank's cost to income ratios (CIR and CIRex), lowered YOY to a below average level. The consolidation with UBI Banca had thereby a negative impact. However, we expect ISA to reach its previous year's level of intrinsic profitability following the bank's cost cutting and employee redundancy programs.

The values for ROA, ROE and RORWA before and after taxes dropped YOY, following the significant impairments on loans due to the Corona pandemic. However, this development is in line with other large European banks. Still, ISA reached decent after taxes earnings figures, which are a result of the aforementioned Nexi transaction with a significant positive impact. In addition, the negative goodwill of about €2.5bn boosted the bank's profitability figures in general, which is however rather an accounting effect than a result of the bank's performance. Leaving out one-off effects, we expect ISA to reach its pre Corona level of profitability in 2021 already, which can be considered average. ISA's net financial margin lowered YOY slightly to a below average level, which indicates the current pressure on margins respectively interest rates. In the upcoming periods, the release of the bank's loan loss impairments of 2020 following the Corona pandemic might boost ISA's earnings figures.

Overall, ISA's earnings figures of 2020 are the least favorable performers in any of the areas analyzed mainly due to the extraordinary Corona loan loss provisions.

A detailed overview of the income ratios for the years of 2017 through 2020 can be found in Figure 2 below:

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

Income Ratios (%)	2020	%	2019	2018	2017
Cost Income Ratio (CIR)	67,53	+8,70	58,82	60,12	69,41
Cost Income Ratio ex. Trading (CIRex)	72,36	+6,80	65,56	64,16	73,89
Return on Assets (ROA)	0,33	-0,18	0,51	0,52	0,92
Return on Equity (ROE)	4,95	-2,47	7,42	7,49	12,99
Return on Assets before Taxes (ROAbT)	0,22	-0,47	0,70	0,68	0,98
Return on Equity before Taxes (ROEbT)	3,33	-6,76	10,09	9,91	13,81
Return on Risk-Weighted Assets (RORWA)	0,94	-0,45	1,39	1,48	2,56
Return on Risk-Weighted Assets before Taxes (RORWAbT)	0,63	-1,25	1,89	1,96	2,73
Net Interest Margin (NIM)	1,22	-0,25	1,47	1,44	1,30
Pre-Impairment Operating Profit / Assets	0,40	-0,56	0,96	0,95	0,72
Cost of Funds (COF)	0,35	-0,22	0,57	0,56	0,67
Change in %- Points					

Asset Situation and Asset Quality

Net loans to customers represent ISA's largest financial asset, increasing YOY mainly following the UBI Banca integration with about €59bn. The positive development (excl. UBI) is a result of the expansion of mortgages and other medium-/long-term loans to corporate and individual customers (€32.1bn or +18.1%), which is partially related to the Group's supporting measures to the Italian economy. Most of the bank's loans are related to business activities in Italy and are recorded at the business segment of Banca dei Territori (€207.5bn, +6.7% YOY) and IMI Corporate & Investment Banking (€135bn, +2.3% YOY). About 85% of the Group's customer loans (incl. UBI) are related to Italy. Moreover, ISA's non-performing loans amounted to €10.7bn (net) only (€10.3bn excl. UBI), which is a record low since 2008. ISA achieved a strong reduction YOY due to the securitization of a portfolio (with state guarantee) of bad loans of approximately 4.3 billion euro gross of adjustments (approximately 1.2 billion euro net) in addition to lower inflow of NPL loans. As of Q3-21, ISA recorded stable net loans to customers and a further reduction of its net non-performing loans to only €9.1 billion net. With regard to ISA's loans under moratoria measures, the bank was able to reduce its amount to only €12 billion as of Q3-21.
Total securities as the second largest asset increased YOY due to the integration of UBI Banca and its significant government debt securities holding. Overall, ISA holds mostly government debt securities with about €92.9 billion (€99 billion as of Q3-21). Moreover, ISA's main exposure related to sovereign risk is attributable to Italy with a total amount of about €90bn (banking group and insurance companies), which shows the very close connection to the Italian nation as well as a particular risk due to the dependency on the wellbeing on the Italian economy.

ISA's huge cash position is as a result of additional funding at the ECB's TLTRO III program to a total volume of €82.8 billion. As of Q3-2021, ISA even increased its TLTRO III refinancing to about €131 billion, which is one of the highest amount in the Eurozone. Although this program enables very favorable rates if conditions are met, ISA's huge cash position indicates difficulties in finding appropriate investment opportunities. Following that, the bank has to be aware of negative deposit rates.
As per year-end 2020, assets held for sale amounted to €28.7 billion and were mainly composed of branches to be sold by the parent company and UBI to BPER and Banca Popolare di Puglia e Basilicata as part of the UBI Banca acquisition (€26.4 billion). In addition, the sale of the Fideuram Bank Luxembourg (€1.1 billion) and €1.2 billion referring to non-performing loans, which will be disposed, are listed under this line item.

A detailed look at the development of the asset side of the balance sheet for the years of 2017 through 2020 can be taken in Figure 3 below:

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

Assets (EUR k)	2020	%	2019	2018	2017
Cash and Balances with Central Banks	85.359.000	> +100	26.496.000	47.427.000	48.993.000
Net Loans to Banks	25.858.000	+11,4	23.207.000	21.138.000	23.407.000
Net Loans to Customers	437.484.000	+21,4	360.486.000	355.413.000	380.467.000
Total Securities	135.818.000	+10,4	122.969.000	95.365.000	79.251.000
Total Derivative Assets	33.433.000	+7,8	31.000.000	29.019.000	28.789.000
Other Financial Assets	26.760.000	-32,8	39.824.000	44.192.000	40.964.000
Financial Assets	**744.712.000**	**+23,3**	**603.982.000**	**592.554.000**	**601.871.000**
Equity Accounted Investments	1.996.000	+61,0	1.240.000	943.000	678.000
Other Investments	759.000	> +100	282.000	247.000	271.000
Insurance Assets	178.474.000	+5,7	168.842.000	150.518.000	153.021.000
Non-current Assets & Discontinued Ops	28.702.000	> +100	494.000	1.297.000	627.000
Tangible and Intangible Assets	18.285.000	+2,7	17.807.000	16.266.000	14.148.000
Tax Assets	19.503.000	+26,1	15.467.000	17.258.000	16.887.000
Total Other Assets	10.183.000	+27,5	7.988.000	8.707.000	9.358.000
Total Assets	**1.002.614.000**	**+22,9**	**816.102.000**	**787.790.000**	**796.861.000**

ISA's asset quality figures are throughout more than a decade the bank's weak point. However, the Group's asset quality improved significantly over the past years, in particular with regard to the bank's non-performing loans. In 2020 and due to the securitization which included a state guarantee and the sale of about €5.1 billion gross of bad loans (4.3 billion excl. UBI) and around €1.6 billion net (€1.3 billion excl. UBI), ISA reached a record low non-performing loan volume since 2008 of about €10.7 billion (10.3 billion excl. UBI). As of Q-21, ISA was even able to reduce the non-performing loan volume to only €9.1 billion as a result of additional sales.
The NPL ratio of 4.7% (own calculation: gross stage 3 loans over net loans to customers) reached a reasonably acceptable level at year-end 2020 and even improved as of Q3-21 to approximately 4.1% (3.8% according to ISA). The coverage ratio of 62% at year-end 2020 is at a reasonable level as well and shows an adequate prudent approach. As of June 2021, ISA presented even an improvement in this regard and reached a coverage ratio of 68% following the ongoing non-performing loan disposals. As of now, one of the most significant impact of the Corona pandemic is evident

through the increased stage 2 loan exposure, which indicates potential problem loans. With a potential problem loan ratio of about 16.5%, ISA records a significantly higher ratio than most other large European banks. At least, as of June 2021, ISA was able to reduce its stage 2 ratio to about 15.6%, which is still a considerable high level and indicates upcoming risk. In particular, after the run out of all government support measures a shift from potential problem loans to non-performing loans might take place.
ISA's net write-offs / RWAs ratio as well as the bank's net-write-offs to total assets ratio dropped to an unsatisfying level, however, this development in in line with other large European banks. The background of this development are huge loan loss provisions of about €4.3bn primarily on customer loans, thereof €2.16bn related to effects associated with COVID-19 pandemic. As of Q3-2021, both of ISA's write-off ratios normalized and reached a reasonable level, which is however still slightly elevated in comparison to other large European banks. By contrast, the RWA ratio of ISA lowered YOY and as of Q3-21 (30.6%) to a favorable level.

A detailed overview of the asset quality for the years of 2017 through 2020 can be found in Figure 4 below:

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

Asset Ratios (%)	2020	%	2019	2018	2017
Net Loans/ Assets	43,63	-0,54	44,17	45,12	47,75
Risk-weighted Assets/ Assets	34,76	-2,06	36,82	34,98	35,99
NPLs*/ Net Loans to Customers	4,77	-3,92	8,69	10,23	13,69
NPLs*/ Risk-weighted Assets	5,99	-4,43	10,42	13,19	18,15
Potential Problem Loans**/ Net Loans to Customers	16,55	+4,38	12,17	12,75	1,64
Reserves/ NPLs*	62,19	+2,16	60,03	60,51	53,96
Reserves/ Net Loans	2,97	-2,25	5,21	6,19	7,38
Net Write-offs/ Net Loans	1,02	+0,40	0,61	0,71	0,83
Net Write-offs/ Risk-weighted Assets	1,28	+0,55	0,74	0,92	1,10
Net Write-offs/ Total Assets	0,44	+0,17	0,27	0,32	0,40
Change in %Points					

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

Refinancing, Capital Quality and Liquidity

Deposits from customers represents ISA's major source of funding. The significant increase YOY is on one hand related to the integration of UBI Banca (€68 billion). On the other hand, current accounts and on demand deposits (year end 2020: €380.8 billion) recorded a large inflow as a result of customers propensity to maintain a high level of liquidity, which was reinforced by the Corona pandemic. In addition, time deposits increased by €5 billion to €26.9 billion. Overall, about 86% of ISA's customer deposits are related to Italy. Total deposits from banks as the second largest source of funding increased YOY significantly, which is a result of ISA's aforementioned participation in the TLTRO III refinancing operation of the ECB with about €82.8 billion at year-end 2020 (€131 billion as of Q3-21). Through the refinancing at the ECB program ISA ben-

efits from very favorable funding conditions (up to -1%) if conditions are met. By contrast, total debt as the third largest item of financial liabilities; increased following the UBI Banca integration and consists primarily of bonds other than structured bonds (€75 billion); however, structured bonds increased more significantly by about €4.7 billion to €6.8 billion.
The Group's insurance liabilities increased YOY and consist primarily of technical reserves (€96.8 billion) of ISA's life business segment, which is the main driver of the increase. The Group's total equity increased significantly to 66.3 billion. The increase is attributable to the capital increase in service of the public purchase and exchange offer tendered by ISA for all ordinary shares of UBI Banca (€3,363 million). In addition, the contribution of the net income earned during the year, the equity instruments issued as well as retained earnings reserves in relation to the allocation of net income for 2019 lead to the increased equity position.

A detailed overview of the development of liabilities for the years of 2017 through 2020 can be found in Figure 5 below:

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

Liabilities (EUR k)	2020	%	2019	2018	2017
Total Deposits from Banks	119.003.000	+60,8	74.024.000	85.176.000	94.285.000
Total Deposits from Customers	424.247.000	+28,9	329.124.000	302.413.000	302.086.000
Total Debt	99.683.000	+9,3	91.237.000	87.689.000	97.454.000
Derivative Liabilities	46.088.000	+10,8	41.613.000	38.470.000	36.264.000
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	11.011.000	-71,3	38.429.000	49.712.000	35.459.000
Total Financial Liabilities	**700.032.000**	**+21,9**	**574.427.000**	**563.460.000**	**565.548.000**
Insurance Liabilities	175.953.000	+6,1	165.897.000	149.407.000	152.471.000
Non-current Liabilities & Discontinued Ops	35.676.000	> +100	41.000	258.000	264.000
Tax Liabilities	3.029.000	+30,5	2.321.000	2.391.000	2.509.000
Provisions	7.164.000	+39,6	5.131.000	6.254.000	7.218.000
Total Other Liabilities	14.439.000	+19,6	12.070.000	11.670.000	12.247.000
Total Liabilities	**936.293.000**	**+23,2**	**759.887.000**	**733.440.000**	**740.257.000**
Total Equity	**66.321.000**	**+18,0**	**56.215.000**	**54.350.000**	**56.604.000**
Total Liabilities and Equity	**1.002.614.000**	**+22,9**	**816.102.000**	**787.790.000**	**796.861.000**

ISA's regulatory capital ratios improved over the recent years and reached a satisfying level.

The Group's increase in the fully loaded CET1 ratio to 14% at year-end 2020 (13.8% as of Q3-21), among others due to retained earnings and reached thereby a satisfactory level. ISA's targeted payout ratio envisaged in the 2018-2021 Business Plan to be at 70% for 2021, which is at a higher end in comparison to other large European banks. ISA's SREP requirement regarding its CET1 ratio is at 8.63% for 2021. Thus, the bank shows a large capital buffer of 537bp (as of Q3-21: 647bp) to its SREP requirement, which is considerable. The bank's AT1 ratio as well as its Total Capital ratio increased both and even disproportionately to the CET1 ratio to a satisfying level as well. The bank's AT1 ratio benefited from the issue of AT1 instruments amounting to €3 billion 2020 and the TC ratio was boosted by four additional Tier 2 capital issues amounting to more than one billion Euro. As of the bank's half-year report 2021, ISA's fully loaded regulatory capital remained widely at its sound level.

Considering the total equity to total assets ratio, ISA reached an average level despite the little decrease YOY but shows a further deterioration as of H1-21 due bank's disproportional increase of its total assets following the TLTRO III participation. However, this development is more of technical nature than a risk, due to the huge cash position. The bank's leverage ratio is considerable and above average. As of the bank's Q3-21 report, ISA reports a light setback in this regard but shows a still satisfying leverage ratio of about 6.7%. Overall, ISA developed quit well with its capital ratios in recent years and meets clearly all regulatory requirements with sufficient buffer.

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 159% at year-end 2020 and of 174% as of June 2021 is at a satisfying level and in line with other large European banks.

The customer deposits to total funding ratio shows 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 excess liquidity (in particular after the significant TLTRO III participation). In addition, the almost equal LTD ratio shows an adequate demand for the Group's loans, however, with a declining trend in recent years.

Overall, ISA's liquidity situation is satisfactory. Up to now, we do not perceive any liquidity issues at ISA and the whole banking sector.

A detailed overview of the development of capital and liquidity ratios for the years of 2017 through 2020 can be found in Figure 6 below:

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

Capital Ratios and Liquidity (%)	2020	%	2019	2018	2017
Total Equity/ Total Assets	6,61	-0,27	6,89	6,90	7,10
Leverage Ratio	7,20	+0,50	6,70	6,30	6,42
Common Equity Tier 1 Ratio (CET1)*	14,00	+1,00	13,00	12,00	13,30
Tier 1 Ratio (CET1 + AT1)*	16,20	+1,90	14,30	13,80	15,20
Total Capital Ratio (CET1 + AT1 + T2)*	19,20	+2,20	17,00	16,50	17,90
SREP Capital Requirements	8,44	-0,74	9,18	8,13	-
Net Loans/ Deposits (LTD)	103,12	-6,41	109,53	117,53	125,95
Interbank Ratio	21,73	-9,62	31,35	24,82	24,83
Liquidity Coverage Ratio	159,10	-1,50	160,60	163,00	-
Customer Deposits / Total Funding (excl. Derivates)	47,66	+1,84	45,82	43,51	42,91
Net Stable Funding Ratio (NSFR)	-	-	-	-	-
Change in %Points					

Fully loaded whenever available.

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. Due to the seniority structure, ISA's Non-

Preferred Senior Unsecured debt has been notched down by one notch. However, ISA's Tier 2 capital rating is rated 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.

However, due to a lack of these capital and debt instruments, we withdraw the rating of AT1 capital, T2 capital and NPS debt at the subsidiary Intesa Sanpaolo Bank Ireland Plc and the rating of AT1 capital and NPS debt at the subsidiary Intesa Sanpaolo Bank Luxembourg SA.

Environmental, Social and Governance (ESG) Score Card

Intesa Sanpaolo S.p.A. 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 resilient economic development as well as the well-advanced implementation of the ESG policies with the emission of the first green bond by an Italian bank in 2017 already.

• 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 2021	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. (Group) as the leading bank in Italy showed a decent year of performance in 2020 despite the Corona pandemic impact. The pandemic had a massive impact on the Italian market (ISA's major market) with a strong economic downturn; however, a rebound of the Italian economy is ongoing. In addition, the bank has to handle the final integration of UBI Banca, which increased the dependency on the wellbeing of the Italian economy but enables synergies. The increased dependency on the Italian market constitutes a significant burden for ISA's rating (CRA rating of the Italian Republic: BBB-/negative as of 05.03.2021).

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.
The Group reported decent earnings figures in 2020 despite the Corona pandemic impact, however, the bank's earnings figures were boosted by the negative goodwill following the UBI Banca acquisition. The low interest rate environment burdens the bank's profitability. However, the diversification of income sources in particular through asset servicing and insurance income is in favor of the bank. The massive increase in loan loss provisions had a significantly negative impact on the bank's profitability in 2020. However, as the Corona impact did not materialize as expected some reversals of the loan loss provisions are likely, which might eventually boost the bank's profitability in the upcoming years. In addition, the merger with UBI Banca might lead to cost and revenue synergies. Moreover, ISA reports a normalization of its cost of risk (calculated as impairment on financial assets over net loans to customers) already in 2021. The strong franchise of the bank and the ongoing cost cutting/restructuring measures will likely ensure that the bank will maintain its sound intrinsic profitability.

The asset quality of ISA improved significantly over the last years to a moderate level. In particular, the various sales of non-performing loans helped ISA to decrease the NPL ratio to a competitive level. We explicitly appreciate this positive development as a result of ISA's consistent de-risking strategy. However, the Corona pandemic has led to increased stage 2 exposure (potential problem loans), which are at a very high level and indicate significant potential risk. With the run out of public guarantees and support measures, the Corona pandemic might have a negative impact on the bank's asset quality over the next years. As of Q3-21, ISA was able reduce its loan volume under moratoria measures to a relatively low amount. Considering the bank's debt securities holding, the major share of this assets are Italian government bonds, which tightens the connection to the Italian economy.

On the liabilities side, ISA reported increasing customer deposits and increasing cash and balances with central banks, which is in line with the development of other large European banks. The participation in ECB's TLTRO III funding program, enables ISA to reduce its costs of funding. ISA's regulatory capital ratios are at a satisfying level and the bank meets all regulatory requirements with sufficient buffer to the SREP requirements. The liquidity situation of ISA remains sufficient.

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 Corona pandemic will have only a minor impact on the bank's asset quality, which ISA will be capable of handling. In addition, we expect significant cost synergies after the acquisition of UBI Banca, which will enable ISA to maintain solid earnings figures. However, we will observe how the final impact of the Corona pandemic on the Italian economy respective the asset quality of the bank will be. 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 a “BBB+“ rating in the “best case” scenario and a “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 see an improvement of the rating of the Italian Republic (current CRA rating: BBB-/negative) due to the strong dependency of ISA on the wellbeing of Italian economy. In addition, stronger geographical diversification of ISA's income sources and asset allocation could lead to an upgrade as well.

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): **n.r.**
Tier 2 (T2): **B+**
Additional Tier 1 (AT1): **n.r.**

Rating History

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

Figure 7: 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
Rating Update	09.11.2021	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
PSU / NPS / T2 / AT1	09.11.2021	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
Rating Update	09.11.2021	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
PSU / NPS / T2 / AT1	09.11.2021	BBB- / n.r. / n.r. / n.r.
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
Rating Update	09.11.2021	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
PSU / NPS / T2 / AT1	09.11.2021	BBB- / n.r. / B+ / n.r.

Figure 8: Income statement of Intesa Sanpaolo Bank Luxembourg S.A. | Source: eValueRate / CRA

Income Statement (EUR k)	2020	%	2019	2018	2017
Income					
Net Interest Income	130.100	-15,6	154.081	143.011	135.727
Net Fee & Commission Income	47.554	+34,5	35.350	42.536	51.007
Net Insurance Income	-	-	-	-	-
Net Trading Income	-14.298	-57,8	-33.904	-34.841	-4.243
Equity Accounted Results	-	-	-	-	-
Dividends from Equity Instruments	0	-100,0	51	672	586
Other Income	2.143	-26,6	2.919	7.564	3.548
Operating Income	**165.499**	**+4,4**	**158.498**	**158.942**	**186.625**
Expense					
Depreciation and Amortisation	2.296	+2,7	2.236	961	459
Personnel Expense	20.907	+4,1	20.081	19.046	20.070
Tech & Communications Expense	8.989	-1,4	9.117	8.047	8.164
Marketing and Promotion Expense	2.116	+36,4	1.552	1.582	1.539
Other Provisions	2.431	> +100	1.172	-179	-
Other Expense	15.620	-8,3	17.041	20.586	17.971
Operating Expense	**52.359**	**+2,3**	**51.198**	**50.044**	**48.203**
Operating Profit & Impairment					
Pre-impairment Operating Profit	**113.140**	**+5,4**	**107.300**	**108.898**	**138.422**
Asset Writedowns	26.310	> +100	6.591	2.617	-99
Net Income					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**86.830**	**-13,8**	**100.709**	**106.282**	**138.521**
Income Tax Expense	4.235	-36,1	6.626	2.285	3.047
Discontinued Operations	-	-	-	-	-
Net Profit	**82.594**	**-12,2**	**94.083**	**103.997**	**135.474**
Attributable to minority interest (non-controlling interest)	-	-	-	-	-
Attributable to owners of the parent	-	-	-	-	-

Figure 9: Key earnings figures of Intesa Sanpaolo Bank Luxembourg S.A | Source: eValueRate / CRA

Income Ratios (%)	2020	%	2019	2018	2017
Cost Income Ratio (CIR)	31,64	-0,67	32,30	31,49	25,83
Cost Income Ratio ex. Trading (CIRex)	29,12	+2,51	26,61	25,82	25,25
Return on Assets (ROA)	0,44	+0,02	0,42	0,50	0,61
Return on Equity (ROE)	3,29	-0,60	3,90	4,37	5,57
Return on Assets before Taxes (ROAbT)	0,46	+0,01	0,45	0,51	0,62
Return on Equity before Taxes (ROEbT)	3,46	-0,71	4,17	4,46	5,70
Return on Risk-Weighted Assets (RORWA)	0,94	-0,16	1,10	1,10	1,47
Return on Risk-Weighted Assets before Taxes (RORWAbT)	0,98	-0,19	1,18	1,13	1,50
Net Interest Margin (NIM)	0,62	+0,08	0,54	0,52	0,59
Pre-Impairment Operating Profit / Assets	0,61	+0,12	0,48	0,52	0,62
Cost of Funds (COF)	0,55	-0,08	0,63	0,71	0,56
Change in %- Points					

Figure 10: Development of assets of Intesa Sanpaolo Bank Luxembourg S.A | Source: eValueRate / CRA

Assets (EUR k)	2020	%	2019	2018	2017
Cash and Balances with Central Banks	538.213	-25,9	726.383	109.032	128.852
Net Loans to Banks	7.679.988	-10,3	8.558.436	7.991.993	9.950.509
Net Loans to Customers	8.379.809	-20,9	10.593.936	10.390.346	8.737.389
Total Securities	1.996.631	-11,6	2.258.939	2.362.326	3.182.708
Total Derivative Assets	54.712	+69,4	32.305	48.655	138.689
Other Financial Assets	-	-	-	-	-
Financial Assets	**18.649.354**	**-15,9**	**22.169.998**	**20.902.352**	**22.138.147**
Equity Accounted Investments	-	-	-	-	-
Other Investments	-	-	-	-	-
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	-	-	-	-	-
Tangible and Intangible Assets	2.625	-43,0	4.609	784	32.817
Tax Assets	8.336	-43,4	14.724	29.178	9.336
Total Other Assets	22.009	-38,2	35.639	25.473	22.372
Total Assets	**18.682.324**	**-15,9**	**22.224.970**	**20.957.787**	**22.202.672**

Figure 11: Development of asset quality of Intesa Sanpaolo Bank Luxembourg S.A | Source: eValueRate / CRA

Asset Ratios (%)	2020	%	2019	2018	2017
Net Loans/ Assets	44,85	-2,81	47,67	49,58	39,35
Risk-weighted Assets/ Assets	47,27	+8,77	38,49	44,96	41,57
NPLs*/ Net Loans to Customers	-	-	0,42	0,42	-
NPLs*/ Risk-weighted Assets	-	-	0,52	0,47	-
Potential Problem Loans**/ Net Loans to Customers	21,97	+7,74	14,23	27,04	0,00
Reserves/ NPLs*	-	-	53,49	39,36	54,80
Reserves/ Net Loans	0,48	+0,25	0,22	0,17	-
Net Write-offs/ Net Loans	0,31	+0,25	0,06	0,03	0,00
Net Write-offs/ Risk-weighted Assets	0,30	+0,22	0,08	0,03	0,00
Net Write-offs/ Total Assets	0,14	+0,11	0,03	0,01	0,00
Change in %- Points					

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

Figure 12: Development of refinancing and capital adequacy of Intesa Sanpaolo Bank Luxembourg S.A | Source: eValueRate / CRA

Liabilities (EUR k)	2020	%	2019	2018	2017
Total Deposits from Banks	4.073.187	+10,5	3.684.757	1.885.176	2.022.347
Total Deposits from Customers	4.263.866	+34,8	3.164.036	6.295.783	6.584.037
Total Debt	7.687.406	-39,6	12.730.158	10.183.438	11.011.774
Derivative Liabilities	105.467	-41,1	178.943	136.387	75.763
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	-	-	-	10.241	12.124
Total Financial Liabilities	**16.129.926**	**-18,4**	**19.757.893**	**18.511.025**	**19.706.045**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	9.270	-9,9	10.285	12.351	20.136
Provisions	6.533	+49,2	4.378	3.060	1.679
Total Other Liabilities	29.773	-24,9	39.622	49.129	44.656
Total Liabilities	**16.175.502**	**-18,4**	**19.812.178**	**18.575.565**	**19.772.517**
Total Equity	**2.506.822**	**+3,9**	**2.412.792**	**2.382.222**	**2.430.156**
Total Liabilities and Equity	**18.682.324**	**-15,9**	**22.224.970**	**20.957.787**	**22.202.672**

Figure 13: Development of capital and liquidity ratios of Intesa Sanpaolo Bank Luxembourg S.A | Source: eValueRate / CRA

Capital Ratios and Liquidity (%)	2020	%	2019	2018	2017
Total Equity/ Total Assets	13,42	+2,56	10,86	11,37	10,95
Leverage Ratio	-	-	-	-	-
Common Equity Tier 1 Ratio (CET1)*	27,31	+0,13	27,18	24,09	20,33
Tier 1 Ratio (CET1 + AT1)*	27,31	+0,13	27,18	24,09	20,33
Total Capital Ratio (CET1 + AT1 + T2)*	29,71	+0,19	29,52	26,21	20,33
SREP Capital Requirements	-	-	-	-	-
Net Loans/ Deposits (LTD)	196,53	-138,29	334,82	165,04	132,71
Interbank Ratio	188,55	-43,72	232,27	423,94	492,03
Liquidity Coverage Ratio	186,00	-91,00	277,00	193,00	105,00
Customer Deposits / Total Funding (excl. Derivates)	26,53	+10,42	16,12	34,14	33,43
Net Stable Funding Ratio (NSFR)	-	-	-	-	-
Change in %- Points					

Fully loaded whenever available.

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.

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 (v3.0), the methodology for the rating of bank capital and unsecured debt instruments (v2.0) as well as the rating methodology for Environmental, Social and Governance Score for Banks (v1.0) in conjunction with Creditreform's basic document Rating Criteria and Definitions (v1.3).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (v1.3) are published on our homepage:

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

On 09 November 2021, 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. (Group) and the relevant subsidiary, 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.

Rating Endorsement Status: The rating of Intesa Sanpaolo S.p.A. (Group) was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) 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.

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

An explanatory statement of the meaning of Creditreform's default rates are available in the credit rating methodologies disclosed on the website.

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Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

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