Rating Report
Istituto per il Credito Sportivo

DBRS Morningstar
4 August 2021

Contents

Andrea Costanzo
Assistant Vice President - Global FIG
+49 69 8088 3692
andrea.costanzo@dbrsmorningstar.com

Elisabeth Rudman
Managing Director - Head of EU FIG - Global FIG
+44 20 7855 6655
elisabeth.rudman@dbrsmorningstar.com

Ratings

Debt	Rating	Rating Action	Trend
Long-Term Issuer Rating	BBB	Assigned Aug. '21	Negative
Short-Term Issuer Rating	R-2 (high)	Assigned Aug. '21	Negative

Rating Drivers

Factors with Positive Rating Implications

- An upgrade of the Republic of Italy's ratings would likely lead to an upgrade of ICS's ratings.
- An upgrade of ICS's Long-Term Issuer rating could also be driven by an explicit guarantee and commitment of support to ICS from the Italian government.

Factors with Negative Rating Implications

- A downgrade of ICS's ratings could result from a downgrade of Italy's Sovereign rating.
- Any indication of weakening of commitment from the Italian government and/or a change of control in the Bank's ownership structure might also lead to a downgrade.

Rating Considerations

Franchise Strength

- Public bank, controlled by the Italian government, with a leading market position in the financing of Italian sporting facilities, and growing role in the field of culture.

Earnings Power

- Moderate earnings power, primarily constrained by modest revenue diversification, low interest margins and high cost of risk resulting from relatively weak asset quality and COVID-19.

Risk Profile

- Although significantly improved, asset quality remains relatively weak. Risk is, however, mitigated by the use of public and bank guarantees. Still high single-name concentration. Sizeable sovereign bond portfolio.

Funding and Liquidity

- Sound funding profile, which benefits from access to ECB, shareholders' support, and stable and low cost funding from multilateral institutions. Strong liquidity position.

Capitalisation

- Robust capitalisation, in light of high capital base and moderate capital absorbing business model, driven by the concentration of assets in the public sector and use of public guarantees. Modest internal capital generation.

Financial Information

	2020Y	2019Y	December 2018*	February 2018*	2011Y
EUR Millions					
Total Assets	3,130	3,217	2,933	2,836	2,006
Equity Attributable to Parent	920	916	860	947	774
Income Before Provisions and Taxes (IBPT)	45	40	28	286	29
Net Attributable Income	11	17	13	106	14
IBPT over Avg RWAs (%)	4.41	4.42	3.97	5.31	2.84
Cost / Income ratio (%)	40.86	39.53	43.05	31.36	41.31
Return on Avg Equity (ROAE) (%)	1.18	1.96	1.74	1.99	1.83
Gross NPLs over Gross Loans (%)	10.26	11.67	15.38	17.26	4.75
CET1 Ratio (%)	87.30	92.50	101.80	102.76	NA

Source: DBRS Morningstar Analysis. Note: (*) data as of February 2018 and December 2018 refer to the extraordinary administration period January 2012-February 2018, and the 10-month period of restored ordinary administration March-December 2018, respectively. Ratios for these two periods have been annualised when needed.

Issuer Description

Istituto per il Credito Sportivo (ICS or the Bank) is a small public bank and independently managed public body, with the mission to ensure sustainable support to sport and culture in Italy.

Rating Rationale

DBRS Morningstar has assigned a Support Assessment of SA1 to ICS, which implies the expectation of predictable support from its main shareholders, the Italian government. DBRS Morningstar currently rates the Republic of Italy's Long-Term Foreign and Local Currency – Issuer Ratings at BBB (high) with a Negative trend (for more details on the rationale for the Sovereign rating action, please refer to the press release DBRS Morningstar Confirms Republic of Italy at BBB (high), Trend Remains Negative).

The BBB Long-Term Issuer Rating of ICS is one notch below the Long-Term Issuer Rating of Italy, reflecting that despite the expectation of predictable support, there is not a government guarantee or explicit commitment from the government to maintain the capitalisation of the Bank. Nevertheless, DBRS Morningstar expects support to ICS from the Italian State to be forthcoming in case of need, as a result of the Bank's ownership and its strategic public mission which we deem to be the key pillars underpinning ICS's ratings. The Negative trend mirrors the trend on the Republic of Italy's ratings.

Franchise Strength

Established in 1957, Istituto per il Credito Sportivo is an Italian public bank pursuant to and for the purposes of Article 151 of the Legislative Decree of 1 September 1993, no. 385, and an independently managed public body. ICS is directly supervised by the Bank of Italy as a less significant institution (LSI).

With total assets of around EUR 3 billion and 187 employees at end-2020 (Exhibit 1), ICS is responsible for ensuring sustainable support to sport and culture in Italy. With over 34,000 infrastructure items financed, corresponding to around 75% of Italian sporting facilities since the Bank's establishment, ICS is a leader in this niche sector.

Banking business with public and private customers remains ICS's core activity, mainly conducted through medium/long-term lending and more recently mortgages for liquidity purposes. In addition, the Bank acts as an exclusive manager of special funds ("Fondi Speciali") on behalf of the Italian State, to support sport, and more recently, also culture. In 2020 the Italian State has also provided additional sources to address the liquidity needs of consumers, including ICS's customers, due to the economic fallout stemming from the pandemic. In addition, as part of its 2020-2023 Strategic Plan, ICS aims to diversify towards advisory & structured finance, factoring, and leasing, as well as entering the tax credit market and expanding operations in culture.

Exhibit 1 Total Assets and Number of Employees

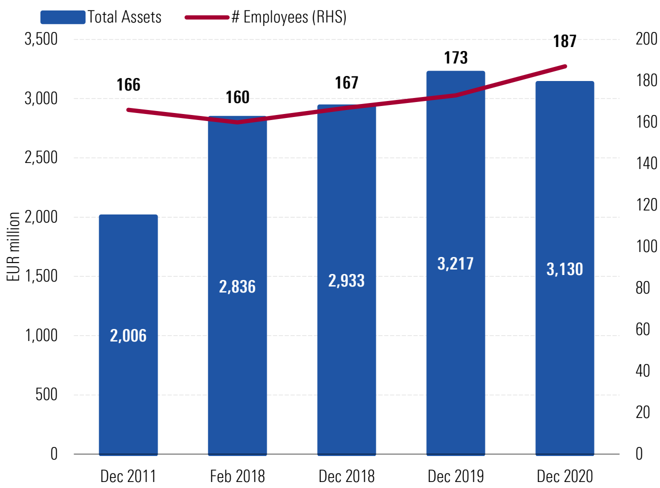
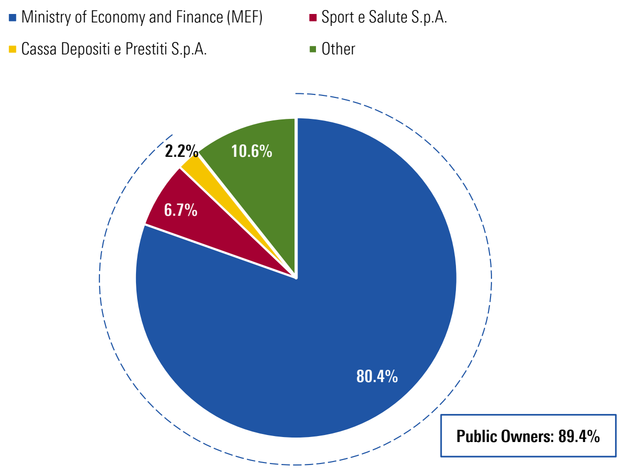


Exhibit 2 Ownership Structure (end-2020)



Source: DBRS Morningstar, Company Documents.

Owing to material corporate governance issues affecting the ability to ensure sound and prudent management of the Bank, ICS was placed under extraordinary administration by a Decree of the Italian Minister of Economy and Finance (MEF) from January 2012 to February 2018. In general, corporate governance issues arose from inconsistency between the Bank's shareholders structure at that time, with the Italian government ultimately owning around 27% of ICS's share capital, and the composition of its board of directors, where most members were appointed by the Italian government. This resulted in the dismissal of the General Manager in December 2011 and in a number of law suits. In addition, as part of the investigation, the extraordinary commissioners found inconsistencies between the share value attributed to shareholders and their effective capital contribution paid over time. As a result, for the years 2005-2010, the Bank's shareholders benefited from inconsistent distributions of profits. In this regard, the Bank has already received a capital restoration by around EUR 58 million from the shareholders of that period, out of an expected total amount of EUR 70-80 million, which remains subject to the resolution of pending litigation proceedings.

In light of the past corporate governance issues, new bylaws were issued for ICS in 2014, resulting in a significant change in its shareholder structure. Since then, the Bank has been ultimately 89.4% owned by the Italian State (Exhibit 2), with 80.4% direct ownership through the MEF and around 9% indirect ownership through Sport e Salute, and Cassa Depositi e Prestiti (CDP). The remaining 10.6% is held by banking and insurance players, including Dexia Crediop, Banca Nazionale del Lavoro, Banca MPS, Assicurazioni Generali, Intesa Sanpaolo, UniCredit, and Banco di Sardegna. As the main reference shareholder, the Italian State is represented on the board of directors, with members appointed by the government, other public shareholders or by the MEF.

Earnings Power

DBRS Morningstar views the Bank's earnings power as moderate, primarily constrained by modest revenue diversification, low interest margins and high cost of risk resulting from the relatively weak asset quality and COVID-19. The Bank showed significant reliance on volatile gains in the portfolio of Italian sovereign bonds over the years. DBRS Morningstar expects the Bank's revenue base to gradually become more diversified with an increase in net fee and commission income, in line with the strategy to pursue advisory/structured finance, factoring and leasing business opportunities, while consolidating the mortgage business.

Exhibit 3 Net Income Evolution (2011-2020)

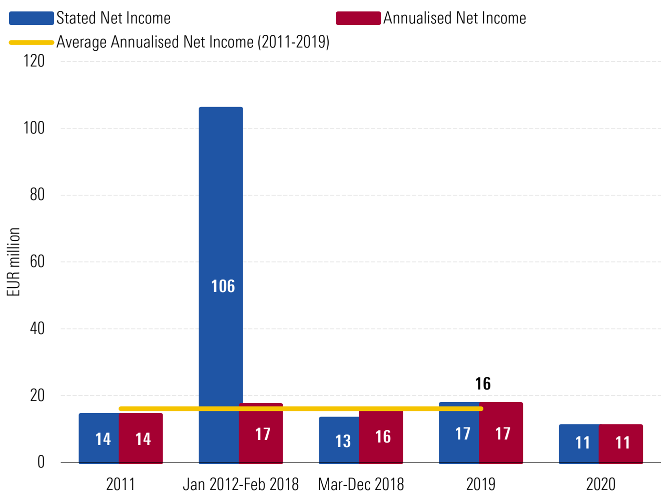
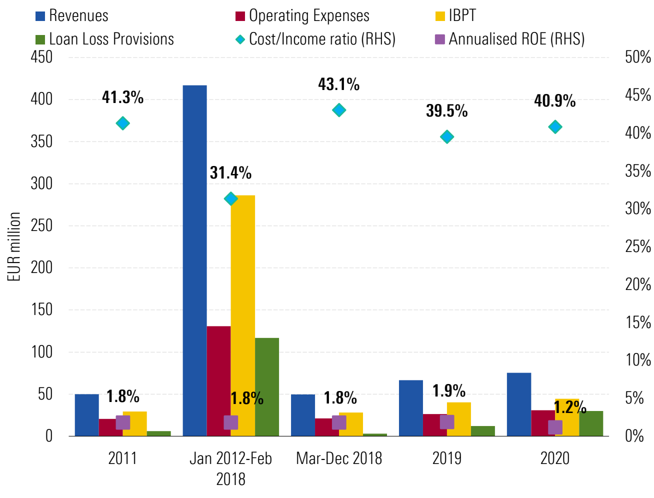


Exhibit 4 Profitability Items Evolution (2011-2020)



Source: DBRS Morningstar, Company Documents.

ICS reported a net profit of EUR 10.9 million in 2020, down 38% Year-on-Year (YoY) and down 33% compared to the average annualised net profit reported in 2011-2019 (Exhibit 3). This was largely driven by higher loan loss provisions (LLPs) in anticipation of a deterioration in the Bank's loan portfolio due to the global pandemic, as well as higher operating expenses. As a result, the Return on Equity (ROE) decreased to 1.2% in 2020 from 1.8% reported in 2011-2019 on average (Exhibit 4), which also reflects ICS's high capitalisation.

Total revenues increased by around 14% YoY in 2020, largely supported by gains on the sale of Italian government bonds and higher dividends. In light of the sizeable profits from the securities portfolio, core revenues (net interest income and net fees) have progressively decreased to 69% of total revenues in 2020, from 97% in 2011, and are almost entirely represented by net interest income (NII). NII was down 1% YoY in 2020, due to lower interest rates and lower contribution from sovereign bonds.

ICS has demonstrated good cost discipline, with an average cost-to-income ratio of around 39% in 2011-2020, or 48% when calculated on core revenues. In DBRS Morningstar's view, this compares well with the average domestic players, and also reflects the Bank's niche business model. In 2020, operating expenses were up 17% YoY, reflecting the health emergency and staff turnover.

LLPs increased to around EUR 30 million in 2020 from EUR 12 million one year earlier due to COVID-19. The resulting cost of risk stood at 157 bps in 2020, up from 69 bps in 2019 and up from 59 bps reported as the average annualised cost of risk over 2011-2019. Adjustments for COVID-19 accounted for around half of total LLPs in 2020. We expect the cost of risk to remain high in 2021, although lower compared to 2020.

Risk Profile

ICS's risk profile is mainly linked to credit risk from its customer loan portfolio (61% of total assets at end-2020) and exposure to Italian sovereign bonds (27%). The lending portfolio was almost entirely comprised of commercial mortgages, with a gross book value totalling around EUR 2 billion at end-2020 (Exhibit 5). DBRS Morningstar understands that around 50% of outstanding loans were concentrated on local authorities, with the rest mostly attributable to corporates, sporting public entities and non-profit companies and, residually, loans for liquidity purposes and exposure to religious bodies, households and universities. Notwithstanding the effort demonstrated over the recent years, single-name concentration remains significant in DBRS Morningstar's view. We note that most of ICS's loan portfolio benefits from public and bank guarantees.

New loan generation was sound in 2020 at EUR 323 million, up 8% YoY on the back of loans for liquidity purposes mostly granted to amateur sporting associations and companies in fitness and wellness, football and tennis due to the impact of COVID-19. Around half of new volumes targeted local authorities, given they retain ownership over most of the sporting facilities in Italy. Loan originations to local authorities have significantly increased over the years, reaching EUR 151 million in 2020, and well diversified throughout Italy with a particular focus on small/medium towns with less than 30,000 inhabitants.

Since the end of the Bank's extraordinary administration, the quality of ICS's loan portfolio has significantly improved to a gross stock of NPEs totalling EUR 210 million at end-2020, down from EUR 316 million at end-February 2018, although remaining still higher than the EUR 93 million reported at end-2011. This was primarily achieved by loan workouts and improved lending standards, and to a lesser extent, by disposals. However, the resulting gross and net NPE ratios were 10.3% and 4.9% respectively at end-2020 (Exhibit 6), still comparing unfavourably with the Italian average. Non-performing loans have mainly arisen from ICS's exposure to the private sector. We note that the stock of NPEs is comprised of bad loans (47%) and Unlikely-to-Pay (UtP) (53%). Total NPE coverage increased to around 55% at end-2020 from 13% at end-2011, with bad loans reserved by 67%. The proportion of unreserved NPEs over the Bank's CET1 Capital was low at 10.3% at end-2020.

DBRS Morningstar understands the unprecedented support measures announced by the Italian government, including the implementation of debt moratoria and State-guaranteed loans, have been a key factor in limiting the impact on asset quality for ICS to date. However, we note that gross Stage 2 loans increased to EUR 561.5 million at end-2020 from EUR 86.3 million in 2019, reflecting the deteriorating prospects due to COVID. We believe that the currently challenging scenario will result in a rise in NPEs once the moratoria have expired. However, we expect the Bank to continue with the workout of its legacy doubtful exposures to offset the expected deterioration in its loan portfolio. In addition, we expect the Bank to continue to benefit from good quality loan origination, reflecting greater diversification towards factoring and leasing, as well as the continued supply of State-guaranteed loans.

Exhibit 5 Gross and Net Customer Loan Evolution (2016-2020)

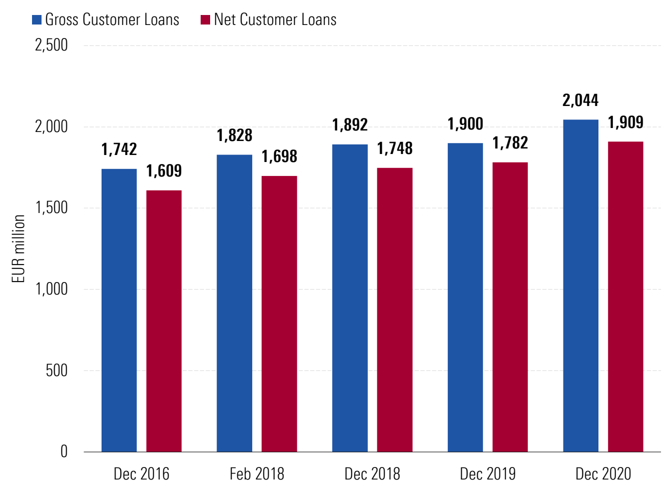
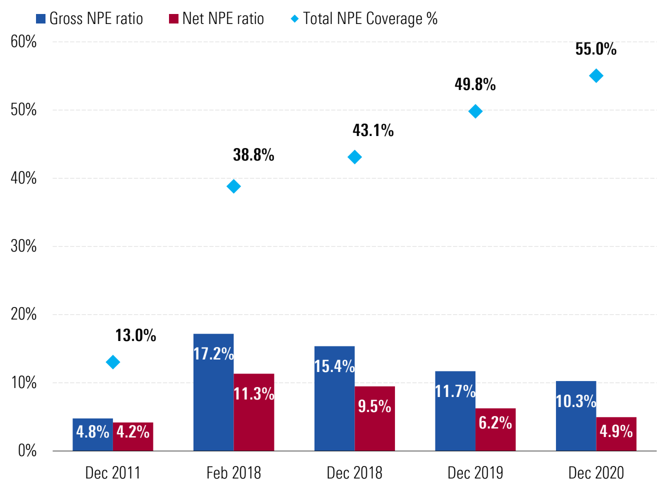


Exhibit 6 NPE Ratios, and Total NPE Coverage Evolution (2011-2020)

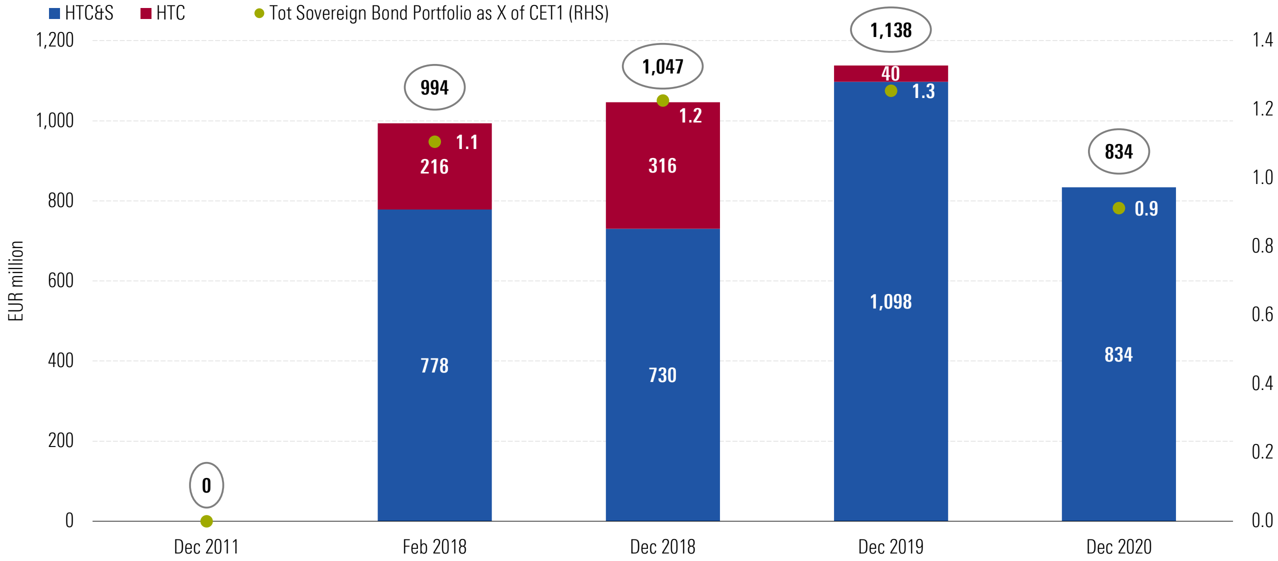


Source: DBRS Morningstar, Company Documents.

Sovereign Risk

ICS is exposed to sovereign risk via its government bond portfolio, which accounted for 95% of the Bank's total securities portfolio at end-2020. The portfolio was established in 2012 with the aim of creating a liquidity reserve, to support revenue generation, and establish a collateral pool to be used for refinancing transactions with the ECB, and ALM purposes. At end-2020, ICS held approximately EUR 834 million of Italian government bonds, equivalent to around 27% of ICS's total assets and 0.9 times its CET1 capital (Exhibit 7). Its average duration was 1.4 years. In 2020, the Bank sold part of the portfolio in order to take advantage of market conditions and support its revenue generation. The portfolio was entirely classified as Hold to Collect & Sell (HTC&S) at end-2020.

Exhibit 7 Italian Sovereign Bond Portfolio Evolution and as % of CET1 Capital



Source: DBRS Morningstar, Company Documents.

Funding and Liquidity

ICS's funding profile has expanded significantly over the years to around EUR 2.1 billion at end-2020 from EUR 1.1 billion at end-2011 (Exhibit 8). The growth mostly reflects the increase in ECB funding and other bank financing amidst declining recourse to the shareholder Cassa Depositi e Prestiti (CDP) and broadly stable contribution from the special funds administered on behalf of the Italian State. In DBRS Morningstar's view, the likelihood of receiving funding support from its shareholders remains high for ICS in light of its public policy mission. We also note that the Bank has demonstrated strong commitment in reducing funding concentration by counterparty over recent years.

ECB still represents the main source of funding for ICS at around EUR 774 million, accounting for 37% of its funding mix at end-2020. TLTRO III totalled EUR 421 million, with the remainder of the exposure consisting of Pandemic Emergency Longer-Term Refinancing Operations (PELTRO).

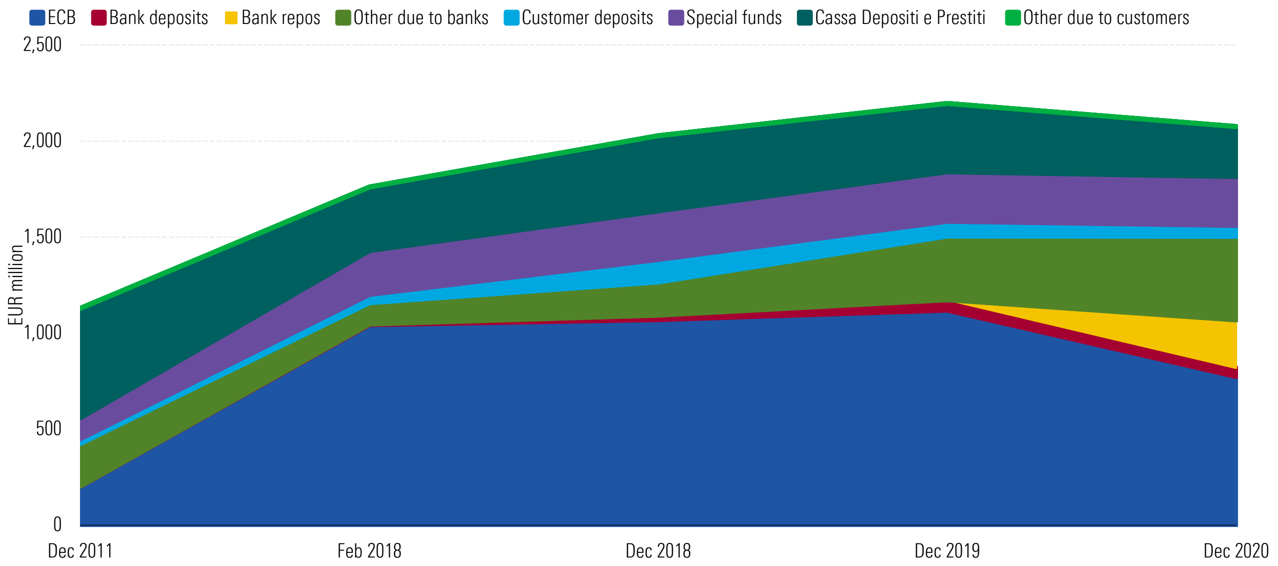
Other bank financing totalled EUR 730 million or 35% of total funding, with most of it raised in the form of bank loans and repos backed by government bonds, and to a lesser extent, as deposits. Bank loans included financing from multilateral institutions, including the Council of Europe

Development Bank (CEB, EUR 182 million) and European Investment Bank (EIB, EUR 95 million), which have provided stable as well as low cost funding to ICS. Repo transactions with banks were established in 2020, replacing part of the ECB exposure. They totalled EUR 251 million at end-2020 and included domestic and international financial institutions.

Reliance on CDP has reduced over the years, reaching EUR 260 million at end-2020 or 12.5% of total funding, down from 50% at end-2011, reflecting ICS's strategy to diversify its funding mix. ICS's funding also includes public resources (i.e. "special funds") exclusively managed by the Bank on behalf of the Italian State, with the aim to issue guarantees and contributions for sporting and culture purpose loans. At end-2020, special funds totalled EUR 254 million, equivalent to 12% of total funding. Residually, the funding profile included customer deposits raised from institutional counterparties.

The Bank has a solid liquidity position, as reflected in the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) well above regulatory minimum requirements.

Exhibit 8 Evolution of Funding Mix (2011-2020)



Source: DBRS Morningstar, Company Documents.

Capitalisation

DBRS Morningstar views ICS's capitalisation as robust, in light of its high capital base and moderate capital absorbing business model, driven by the concentration of its assets on public sector clients, which attract low risk weights, as well as the use of public guarantees. However, ICS's internal capital generation is relatively modest. DBRS Morningstar expects ICS's capital position to weaken over the coming years but to still remain solid. This will be primarily driven by the allocation of excess capital in the mortgage lending and new businesses, as well as by the likely deterioration in asset quality due to COVID-19.

The Bank's regulatory own funds consist of Common Equity Tier 1 Capital only, meaning that CET1, Tier 1 and Total Capital ratios were all 87.3% as of end-2020 (Exhibit 9), down from 92.5% one year earlier due to an increase in Risk-Weighted Assets (RWAs) stemming from higher loan volumes and a reshuffle in the securities portfolio. The current level of capital ratios provides sizeable cushions over the Bank's SREP requirements of 8.98% for CET1 ratio, and 13.65% for the Total Capital ratio (Exhibit 10). SREP minimum requirements include a Pillar 2 Requirement (P2R) of 1.48% for CET1 ratio (2.65% for Total Capital), and a Pillar 2 Guidance (P2G) of 50 bps.

ICS's bylaws provides that 45% of net income generated every year is available for dividend distributions. However, 80.4% of funds available for dividend distributions, which corresponds to the Ministry of Economy and Finance's share, is used to support the interest relief fund in order to ensure stability in the origination of loans at preferential conditions until 2022, at least. In light of the public interest use of dividends as well as the Bank's strong capitalisation profile, ICS is planning to resume dividend distributions of net income generated in 2019 and 2020, after talks with the Bank of Italy which had recommended that banks suspend dividends due to the pandemic.

Exhibit 9 Evolution of Capital Ratios (2011-2020)

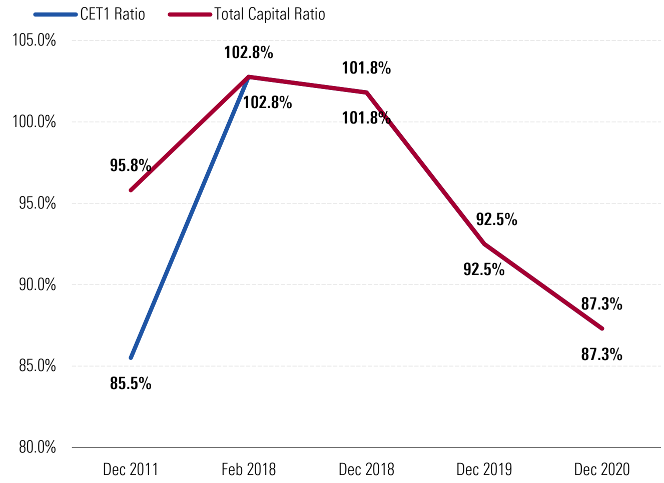
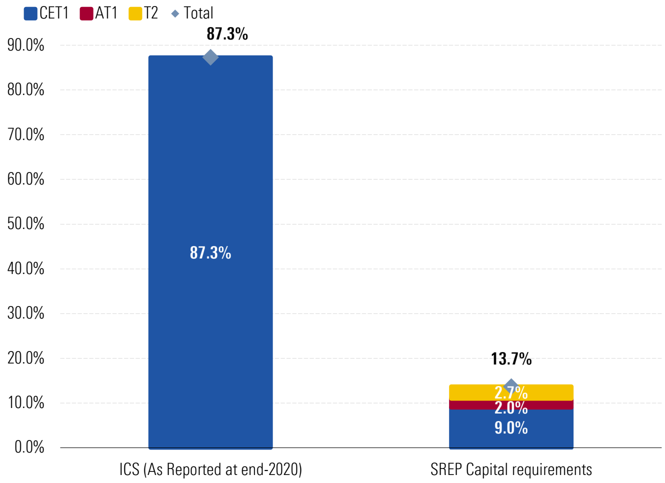


Exhibit 10 Reported Capital Ratios (end-2020) vs SREP Requirements



Source: DBRS Morningstar, Company Documents.

ESG Checklist (Republic of Italy)

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis:	Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	**N**	**N**
	Emissions, Effluents, and Waste	Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk?	N	N
	Carbon and GHG Costs	Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk?	N	N
		Will recent regulatory changes have an impact on economic resilience or public finances?	N	N
		Carbon and GHG Costs:	**N**	**N**
	Resource and Energy Management	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?	N	N
		Is the economy reliant on industries that are vulnerable to import or export price shocks?	N	N
		Resource and Energy Management:	**N**	**N**
	Land Impact and Biodiversity	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?	N	N
	Climate and Weather Risks	Will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy?	N	N
Social		**Overall:**	**Y**	**S**
	Human Capital and Human Rights	Compared with regional or global peers, is the domestic labour force more or less competitive, flexible, and productive?	Y	S
		Are labour or social conflicts a key source of economic volatility?	N	N
		Are individual and human rights insufficiently respected or failing to meet the population's expectations?	N	N
		Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	N	N
		Human Capital and Human Rights:	**Y**	**S**
	Access to Basic Services	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?	N	N
Governance		**Overall:**	**Y**	**S**
	Bribery, Corruption, and Political Risks	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?	Y	R
	Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	Y	S
		Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	N	N
		Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N
		Institutional Strength, Governance, and Transparency:	**Y**	**S**
	Peace and Security	Is the government likely to initiate or respond to hostilities with neighboring governments?	N	N
		Is the government's authority over certain regions contested by domestic or foreign militias?	N	N
		Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	N	N
		Peace and Security:	**N**	**N**
		Consolidated ESG Criteria Output:	**Y**	**S**

* A **Relevant Effect** means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A **Significant Effect** means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

ICS´s ESG drivers mirror those of the Republic of Italy given the SA1 Support Assessment and the links between ICS and the Italian State. For more details on the rationale of ESG Factors on the Republic of Italy, refer to the press release (DBRS Morningstar Confirms Republic of Italy at BBB (high), Trend Remains Negative).

	Istituto per il Credito Sportivo	Istituto per il Credito Sportivo	Istituto per il Credito Sportivo	Istituto per il Credito Sportivo	Istituto per il Credito Sportivo
EUR Millions	2020Y	2019Y	December 2018*	February 2018*	2011Y
Balance Sheet					
Cash and Deposits with Central Banks	0	15	0	0	0
Lending to/Deposits with Credit Institutions	212	140	50	81	40
Financial Securities	937	1,211	1,047	994	0
Financial Derivatives Instruments	0	0	0	0	0
Net Lending to Customers	1,909	1,782	1,748	1,698	1,925
- Gross Lending to Customers	2,044	1,900	1,892	1,828	1,948
- Loan Loss Reserves	135	118	144	130	23
Investment in Associates or Subsidiaries	0	0	0	0	0
Total Intangible Assets	0	0	0	0	0
Fixed Assets	28	29	28	29	33
Insurance Assets	0	0	0	0	0
Other Assets (including DTAs)	44	40	60	34	7
Assets	**3,130**	**3,217**	**2,933**	**2,836**	**2,006**
Deposits from Banks	1,504	1,505	1,266	1,158	426
- Deposits from Central Banks	774	1,119	1,070	1,043	204
- Deposits from Credit Institutions	730	386	196	115	222
Deposits from Customers	572	691	761	603	704
Issued Debt Securities	0	0	0	0	0
Issued Subordinated Debt	0	0	0	0	0
Financial Derivatives Instruments	1	2	2	3	3
Insurance Liabilities	0	0	0	0	0
Other Liabilities	132	103	44	125	98
Equity Attributable to Parent	920	916	860	947	774
Minority Interests	0	0	0	0	0
Liabilities & Equity	**3,130**	**3,217**	**2,933**	**2,836**	**2,006**

	Istituto per il Credito Sportivo	Istituto per il Credito Sportivo	Istituto per il Credito Sportivo	Istituto per il Credito Sportivo	Istituto per il Credito Sportivo
EUR Millions	2020Y	2019Y	Mar-Dec 2018	Jan 2012-Feb 2018	2011Y
Income Statement					
Interest Income	69	70	56	499	84
Interest Expenses	17	18	14	156	35
Net Interest Income	**51**	**52**	**42**	**344**	**49**
Net Fees and Commissions	1	1	1	-1	0
Results from Financial Operations	23	14	7	69	0
Equity Method Results	0	0	0	0	0
Net Income from Insurance Operations	0	0	0	0	0
Other Operating Income	1	1	0	5	1
Total Operating Income	**76**	**67**	**50**	**417**	**50**
Staff Costs	18	16	13	84	13
Other Operating Costs	12	10	8	41	6
Depreciation/Amortisation	1	1	1	6	1
Total Operating Expenses	**31**	**26**	**21**	**131**	**21**
Income Before Provisions and Taxes (IBPT)	**45**	**40**	**28**	**286**	**29**
Loan Loss Provisions	30	12	3	117	6
Securities & Other Financial Assets Impairments	-2	1	2	0	0
Other Impairments	0	0	0	0	0
Other Non-Operating Income (Net)	-1	-2	-4	0	0
Income Before Taxes (IBT)	**16**	**26**	**20**	**169**	**23**
Tax on Profit	5	8	7	63	9
Discontinued Operations	0	0	0	0	0
Other After-tax Items	0	0	0	0	0
Minority Interest	0	0	0	0	0
Net Attributable Income	**11**	**17**	**13**	**106**	**14**

Source: DBRS Morningstar Analysis. Note: (*) data as of February 2018 and December 2018 refer to the extraordinary administration period January 2012-February 2018, and the 10-month period of restored ordinary administration March-December 2018, respectively.

	Istituto per il Credito Sportivo	Istituto per il Credito Sportivo	Istituto per il Credito Sportivo	Istituto per il Credito Sportivo	Istituto per il Credito Sportivo
	2020Y	2019Y	December 2018*	February 2018*	2011Y
Earnings Power					
Earnings					
Net Interest Margin (%)	1.73	1.73	1.81	2.35	2.53
Yield on Average Earning Assets (%)	2.30	2.32	2.39	3.42	4.36
Cost of Interest Bearing Liabilities (%)	0.81	0.83	0.87	1.74	3.26
IBPT over Avg Assets (%)	1.41	1.31	1.18	1.92	1.49
IBPT over Avg RWAs (%)	4.41	4.42	3.97	5.31	2.84
Expenses					
Cost / Income ratio (%)	40.86	39.53	43.05	31.36	41.31
Operating Expenses by Employee	165,096	152,051	153,988	132,539	124,326
LLP / IBPT (%)	66.96	30.49	11.24	40.86	21.28
Profitability Returns					
Return on Avg Equity (ROAE) (%)	1.18	1.96	1.74	1.99	1.83
Return on Avg Assets (ROAA) (%)	0.34	0.57	0.54	0.71	0.72
Return on Avg RWAs (%)	1.07	1.92	1.83	1.96	1.37
Dividend Payout Ratio (%)	45.00	45.00	45.00	45.00	0.00
Internal Capital Generation (%)	0.65	1.12	0.91	1.22	1.84
Risk Profile					
Gross NPLs over Gross Loans (%)	10.26	11.67	15.38	17.26	4.75
Net NPLs over Net Loans (%)	4.94	6.25	9.47	11.37	4.18
NPL Coverage Ratio (%)	55.03	49.82	43.11	38.81	13.04
Net NPLs over IBPT (%)	211.00	276.55	486.57	416.04	274.65
Net NPLs over CET1 (%)	10.32	12.27	19.38	21.48	10.80
Texas Ratio (%)	19.88	21.45	28.98	29.31	11.61
Cost of Risk (%)	1.57	0.69	0.22	1.12	0.32
Level 2 Assets/ Total Assets (%)	0.00	0.00	0.00	0.00	0.00
Level 3 Assets/ Total Assets (%)	2.40	1.40	0.00	0.00	0.00
Funding and Liquidity					
Bank Deposits over Funding (%)	72.46	68.54	62.46	65.75	37.70
- Interbank over Funding (%)	35.16	17.58	9.68	6.53	19.64
- Central Bank over Funding (%)	37.30	50.96	52.78	59.22	18.05
Customer Deposits over Funding (%)	27.54	31.46	37.54	34.25	62.30
Wholesale Funding over Funding (%)	0.00	0.00	0.00	0.00	0.00
- Debt Securities over Funding (%)	0.00	0.00	0.00	0.00	0.00
- Subordinated Debt over Funding (%)	0.00	0.00	0.00	0.00	0.00
Liquid Assets over Assets (%)	36.69	42.45	37.38	37.92	1.98
Non-Deposit Funding Ratio (%)	74.13	69.98	63.29	68.06	42.81
Net Loan to Deposit Ratio (%)	333.93	257.89	229.63	281.38	273.39
LCR (Phased-in) (%)	NA	NA	NA	NA	NA
NSFR (%)	NA	NA	NA	NA	NA
Capitalisation					
CET1 Ratio (Phased-In) (%)	87.30	92.50	101.80	102.76	NA
CET1 Ratio (Fully-Loaded) (%)	NA	NA	NA	NA	NA
Tier 1 Capital Ratio (Phased-In) (%)	87.30	92.50	101.80	102.76	85.51
Total Capital Ratio (Phased-In) (%)	87.30	92.50	101.80	102.76	95.81
Tang. Equity / Tang. Assets (%)	29.40	28.46	29.31	33.38	38.61
Leverage Ratio (DBRS) (%)	29.22	28.23	29.13	31.73	37.25

Source: DBRS Morningstar Analysis. Notes: (*) data as of February 2018 and December 2018 refer to the extraordinary administration period January 2012-February 2018, and the 10-month period of restored ordinary administration March-December 2018, respectively. Ratios for these two periods have been annualised when needed. Average items are computed on the basis of last two years.

Rating Methodology

The applicable methodologies are the *Global Methodology for Rating Banks and Banking Organisations* (19 July 2021) and *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (3 February 2021) which can be found on our website under Methodologies.

Ratings

Issuer	Obligation	Rating	Rating Action	Trend
Istituto per il Credito Sportivo	Long-Term Issuer Rating	BBB	Assigned	Negative
Istituto per il Credito Sportivo	Short-Term Issuer Rating	R-2 (high)	Assigned	Negative
Istituto per il Credito Sportivo	Long-Term Senior Debt	BBB	Assigned	Negative
Istituto per il Credito Sportivo	Short-Term Debt	R-2 (high)	Assigned	Negative
Istituto per il Credito Sportivo	Long-Term Deposits	BBB (high)	Assigned	Negative
Istituto per il Credito Sportivo	Short-Term Deposits	R-1 (low)	Assigned	Negative

Previous Actions

- DBRS Morningstar Assigns First-Time Public Ratings to Istituto per il Credito Sportivo; LT Issuer Rating at BBB, Negative Trend, 2 August 2021.

Related Research

- Italian Banks: COVID-19 Weighs on Q4 2020 Results; Limited Asset Quality Impact to Date, 16 February 2021.
- Italian Banks Maintain Adequate Capital Buffers but are Vulnerable to Future Asset Quality Deterioration, 22 January 2021.
- European Banks' Outlook Remains Challenging in 2021, 14 January 2021.
- Italian Banks: Revenue Recovery and Lower LLPs in Q3 2020, but COVID Pressure Likely to Persist in Q4, 10 November 2020.
- Italian Banks Continue to Report Higher LLPs in Q2 2020; Pressure on Core Revenues, 11 August 2020.

European Bank Ratios & Definitions

- European Bank Ratios & Definitions, 11 June 2019.

About DBRS Morningstar

DBRS Morningstar is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 3,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

DBRS Morningstar is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

That's why DBRS Morningstar is the next generation of credit ratings.

Learn more at dbrsmorningstar.com.

The DBRS Morningstar group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(EU CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(UK CRA, NRSRO affiliate, DRO affiliate). For more information on regulatory registrations, recognitions and approvals of the DBRS Morningstar group of companies, please see: https://www.dbrsmorningstar.com/research/225752/highlights.pdf.

The DBRS Morningstar group of companies are wholly-owned subsidiaries of Morningstar, Inc.