30 June 2017

Public Finance

Republic of Italy
Rating Report

A- STABLE OUTLOOK

Credit strengths

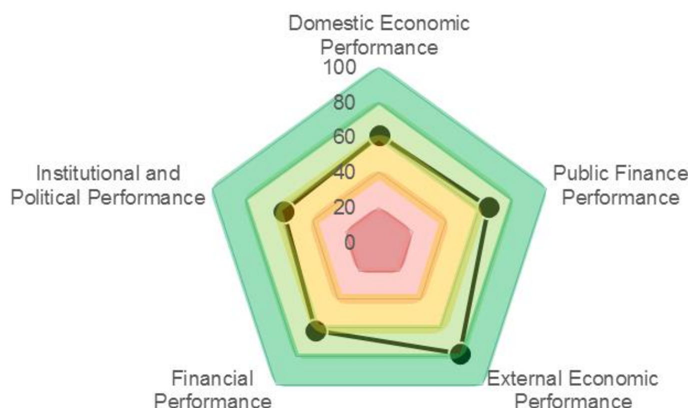
- Large and diversified economy
- Progress on structural reforms
- Track record of primary surpluses
- Resilient debt structure
- Manageable pension liabilities

Credit weaknesses

- GDP growth below potential
- High public debt stock
- High refinancing needs
- High impaired-loans stock
- Political uncertainties

Rating rationale and Outlook: The A- rating reflects Italy's large and diversified economy, relatively strong budgetary position as well as progress in delivering structural reforms. Italy also benefits from a favorable debt structure and a sustainable pension system. However, these strengths are balanced by significant challenges such as high public debt, growth below potential, fragilities in the bankingw sector and political uncertaintiesw. The Stable Outlook reflects Scope's assessment that even though the risks faced by Italy remain significant, options are available for authorities for a timely adjustment.

Figure 1: Summary of sovereign rating categories



Source: Scope Ratings AG

Positive rating-change-drivers

- Sustained improvement in primary balances
- Resumption of strong structural reform efforts

Negative rating-change drivers

- Markedly lower GDP growth
- Weaker-than-expected primary surpluses
- Re-emergence of political volatility

Ratings & Outlook

Foreign currency

Long-term issuer rating	A-/Stable
Senior unsecured debt	A-/Stable
Short-term issuer rating	S-1/Stable

Local currency

Long-term issuer rating	A-/Stable
Senior unsecured debt	A-/Stable
Short-term issuer rating	S-1/Stable

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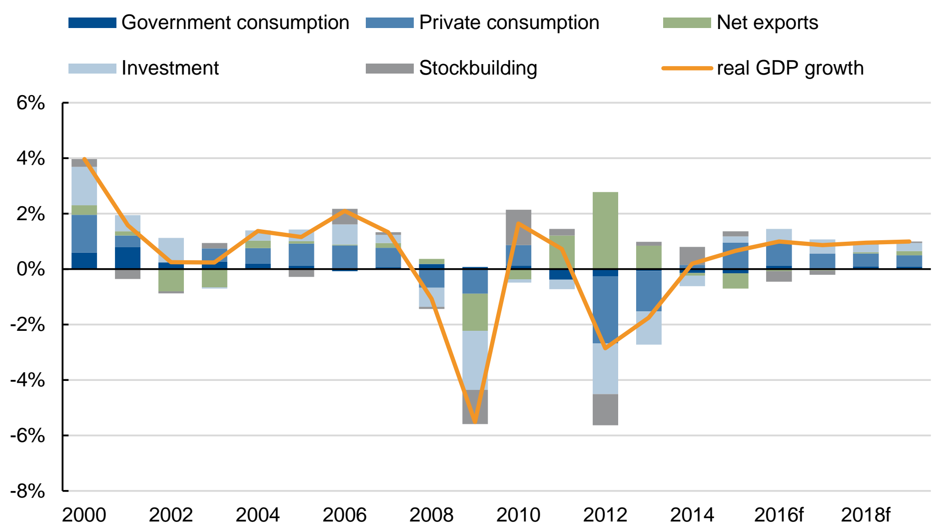
Bloomberg: SCOP

A gradual recovery is underway

Domestic economic risk

Italy's A- ratings are underpinned by its large and diversified economy. The economy's competitive manufacturing sector – the second largest in the euro area after Germany - has helped to generate current-account surpluses since 2013. Unlike many advanced economies Italy did not experience a credit-driven boom-bust cycle in the past 15 years. As a consequence, the country's economic growth remained below euro-area average during the pre-crisis period. Private debt in relation to nominal GDP remains among the lowest in advanced countries and at 125% of GDP in 2016 compares favourably with European peers.

Figure 2: Percentage point contribution to real GDP growth



Source: National statistical accounts, calculations Scope Rating AG

Italian GDP increased moderately in 2016, with a yearly growth rate of 1% compared to 0.7% in 2015. Recent indicators point to an ongoing, yet gradual, recovery. Real GDP grew by 0.2% in the fourth quarter, reflecting increasing business investment. Scope expects moderate economic expansion of around 1% to continue in both 2017 and 2018.

Subdued energy and interest rate costs, as well as the rise in real wages, are likely to continue to support private consumption and business investment. This trend began in 2014 as the Italian economy emerged from recession. From 2011 until 2013 the negative impact of the euro crisis, followed by frontloaded fiscal consolidation, largely outbalanced international trade surpluses.

Italy's production capacity fell in the aftermath of the global financial crisis and subsequent euro debt crisis. At the beginning of 2017, industrial production volumes stood at around 93.7% of 2010 levels. This is in sharp contrast to the strong rise in German industrial production and the stagnation of industrial production in France over the past six years.

The drop in industrial production capacity is a reflection of the vulnerabilities within Italy's production infrastructure. More than 90% of manufacturing output is generated by micro firms concentrated in industrial districts. Even though international trade statistics exhibit competitiveness within their niche markets (luxury clothing, household goods, food processing, mechanical, goods, motor vehicles), they are also susceptible to market shocks. Their financing capacities are limited and were hit hard during the euro debt crisis.

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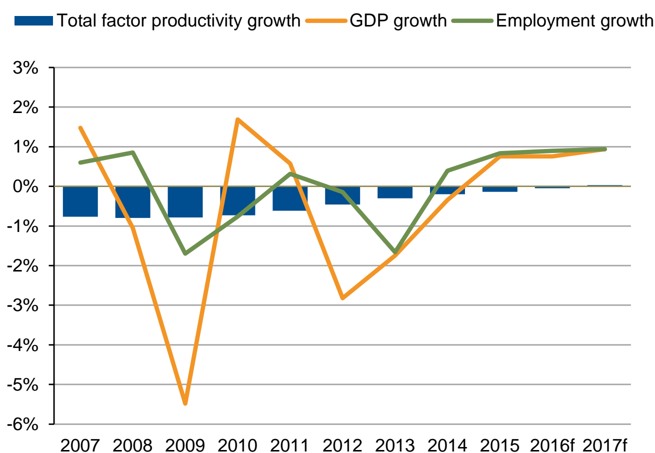
However, Italy's manufacturing sector output grew by more than three percentage points during 2014-2017, supporting economic recovery and underscoring the country's role as the second-largest manufacturing power in Europe and the seventh worldwide. Over the last several years, increases in export values have tended to outbalance volume growth, leading to an ongoing rise in value added to Italian exports.

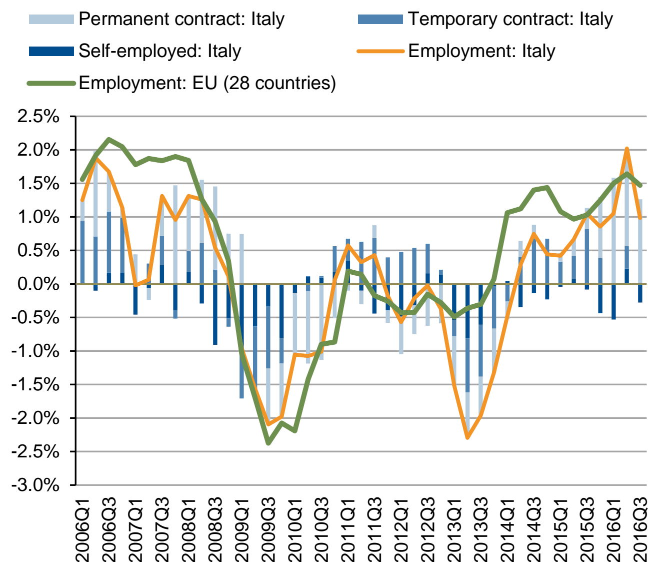
The government launched a three-year, EUR 13bn industrial plan in the autumn of 2016, providing a range of incentives designed to promote R&D investment, largely through tax credits. Government consumption is likely to remain subdued due to a lack of fiscal spending room. At the same time, new political uncertainties, as well as ongoing challenges for the banking sector, will weaken the sustainability of the recovery. Nonetheless, Italy's competitive manufacturing sector is likely to continue to benefit from the improving growth outlook for the euro area and Italy's main trading partners, thus stabilising growth contribution from foreign trade.

Figure 3: GDP, productivity and employment growth



Source: OECD

Figure 4: Contribution (in % points) to Italy's employment growth



Source: Eurostat, calculations Scope Rating AG

Reforms, especially the Jobs Act, have begun to reverse damage caused by the recession

Years of recession took Italy's GDP per capita below the EU28 average. Furthermore, as was the case in many Eurozone countries, unemployment rates rose significantly during the crisis to over 10% of the workforce, with youth unemployment peaking at over 40% in 2013. In the years before the global downturn, Italy's unemployment rate was among the lowest in Europe. The Renzi government's labour market reform led to the creation of over 800,000 jobs – proof that the Jobs Act, implemented in the spring of 2015, has started to deliver, even if unemployment and labour costs (tax wedge) remain high. Labour market reforms will continue to play a decisive role in improving Italy's growth prospects. There is substantial capacity for increasing the labour market participation rate, which at 65% is among the lowest of the developed countries.

Public finance risk

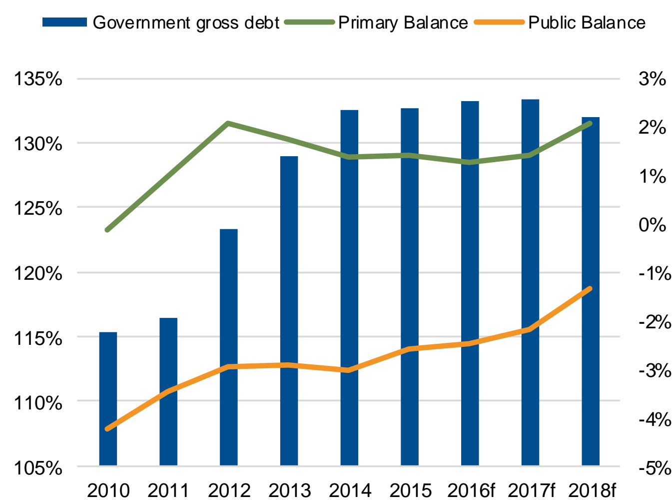
Fiscal policy to tread fine line between consolidation and support for the recovery

Italy's fiscal consolidation effort, after easing moderately in 2015 and 2016 to support the economic recovery, is expected to resume from 2017, with primary surpluses set to average approximately 3% in 2018-20. The ruling government is committed to fiscal sustainability and is expected to continue to reduce the deficit ratio gradually. Scope expects that lower interest payments and moderate economic expansion will keep the government budget deficit at 2.4% of GDP in 2017 and help to put it on a downward trend in 2018. The 2017 Budget Law provides a number of fiscal measures, amounting to approximately EUR 11bn (0.7% of GDP). These include incentives to boost investment, the reversal of a VAT hike scheduled for January 2017, and the two-year extension of social-security-contribution exemptions for new permanent contracts. The government's emphasis on investment, in combination with a cut in the corporate income tax rate from 27.5% to 24%, should support economic activity over the medium term.

Low interest rates and growth are key drivers of debt stabilization

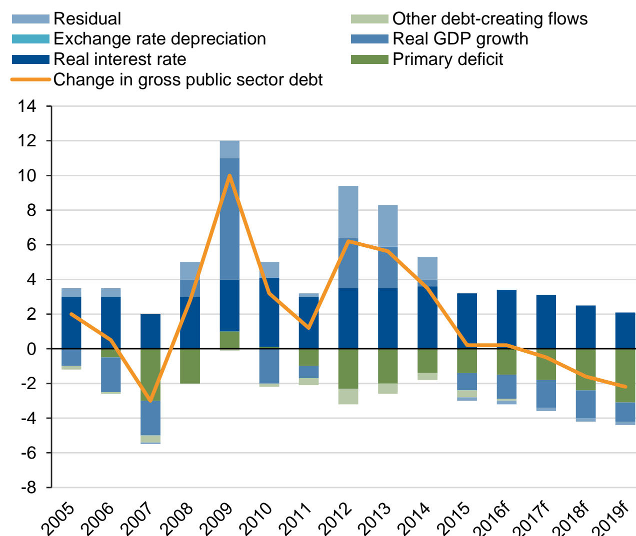
Scope considers Italy's debt-to-GDP ratio to have peaked in 2016 at 132.6% and expects it to stabilise in both 2017 and 2018 at levels slightly above 130%. The interest-growth rate differential is likely to benefit from low interest rates, helping to dampen the snowball effect on the debt stock. Primary surpluses are expected to remain in place despite the budget providing tax credits to boost recovery and promote business investment. However, should GDP growth and primary surpluses turn out at substantially lower levels than anticipated, this would negatively impact the public debt trajectory. Sensitivity analysis points to the level of GDP growth and primary surpluses as remaining the key determinants of Italy's public-debt trajectory in the medium term.

Figure 5: Fiscal developments (% GDP)



Source: IMF

Figure 6: Debt-creating flows (% GDP)



Source: IMF

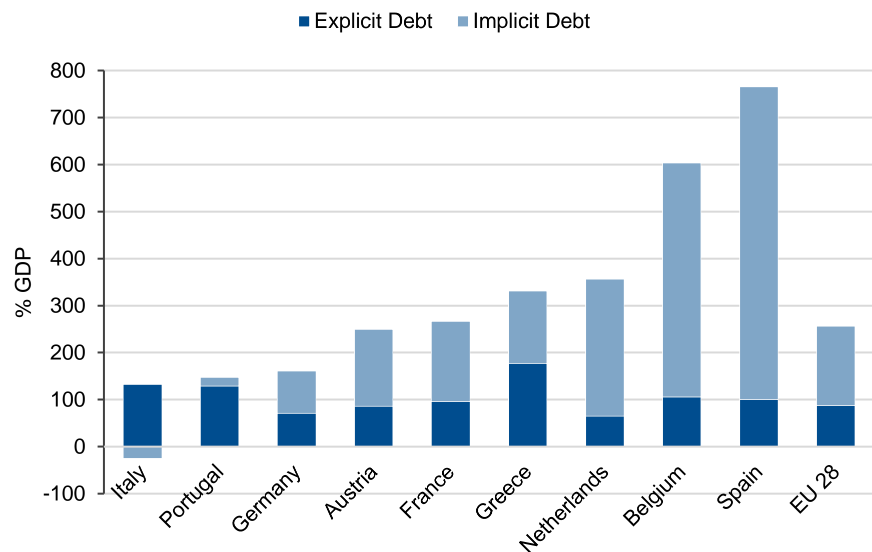
Debt-servicing flexibility and strong domestic investor base mitigate risks

The large stock of public debt remains a key vulnerability for Italy, even though financing risks are mitigated by a relatively long seven-year average maturity of debt stock, nearly 70% of which is held by residents (compared to 56.7% in 2010). The Italian sovereign is therefore less exposed to sudden shifts in international investor confidence. Moreover, rising interest rates, beyond the current average cost of the overall debt of stock of 3% (the marginal cost issuance has been 0.55% in 2016 and 0.8% in the first half of 2017), take time to feed through the relatively long government bond maturity structure. Another important mitigating factor is the improvement in funding conditions since the end of 2012, supported by the ECB's quantitative easing programme, with ongoing substantial Italian government bond purchases continuing until the end of 2017 at the latest. Yields

on 10-year Italian government bonds remain below 2.5%, despite an increase over the past months.

Despite the immediate challenges that accompany a high stock of public debt, Italian public finances are relatively sound in terms of long-term sustainability. This is mainly due to a well-financed pension system that has not generated unfunded pension liabilities. As a consequence, there is no implicit public debt in Italy. This is in sharp contrast to most euro area countries, which currently face age-related liabilities that are a multiple of the explicit general government debt.

Figure 7: Sustainability Gap 2016



Source: Market Economy Foundation, Freiburg

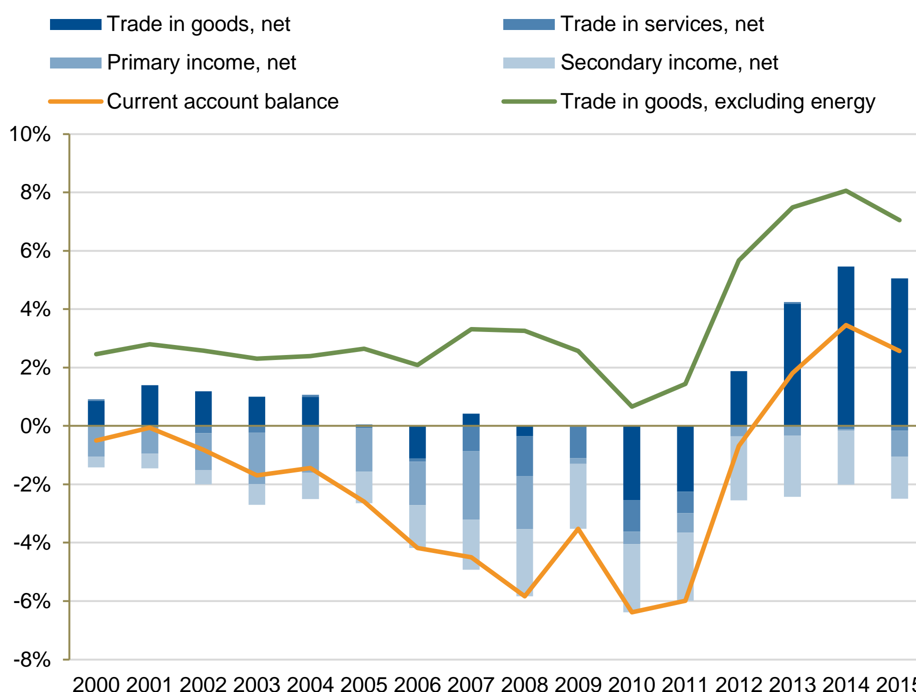
External economic risk

Current-account surplus expands further

Italy's current-account position has improved considerably, moving into a surplus since 2013. This expansion was initially driven by the sharp contraction in imports as a result of the prolonged recession, followed, more recently, by the depreciation of the euro and lower interest costs. The current account is estimated to have reached 2.8% of GDP in November 2016, almost double the surplus for the same period in 2015.

This outcome was the result of improvements in the balance on investment income due to increased revenue from portfolio assets (predominantly foreign investment funds) and the growing merchandise surplus, which benefited from a further decrease in energy prices.

Figure 8: Current-account balance % of GDP



Source: IMF, Eurostat, calculations Scope Rating AG

Financial stability risk

Banking sector challenges limit lending potential

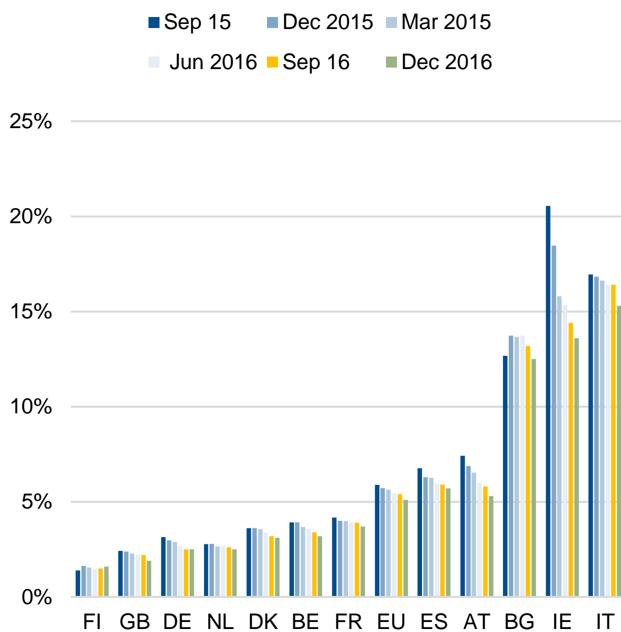
In contrast to many Eurozone banking systems, Italian banks did not receive government support during the first two waves of the global and European banking crisis, as the subprime crisis and the subsequent Eurozone crisis hit bank balance sheets worldwide. However, the third wave was characterised by the five-year Italian economic recession finally hitting bank loan portfolios. This led to public intervention and fears of a potential bail-in. Since the introduction of the Bank Resolution and Restructuring Directive (BRRD) in January 2015, policymakers in Italy seem to have underestimated the build-up of non-performing loans on bank balance sheets and the negative impact on lending to the economy.

The government approved a law last year and set aside EUR 20 bn to revamp the banking sector and to support lending activity. The recent intervention in Banca Popolare di Vicenza and Veneto Banca SpA – two small banks in the Veneto region - consists of EUR 5.2bn capital support for Intesa Sanpaolo Bank which thus purchased their best

assets without compromising capital ratios. Problematic assets will go into a government “bad bank”. Additionally, up to EUR 12 bn are available to cover potential further losses. Since these government funds had been already set aside their call does not alter the sovereign’s deficit and debt metrics. The government may be able to recover part of the funds, depending on recovery of currently nonperforming assets on the bad bank’s balance sheet.

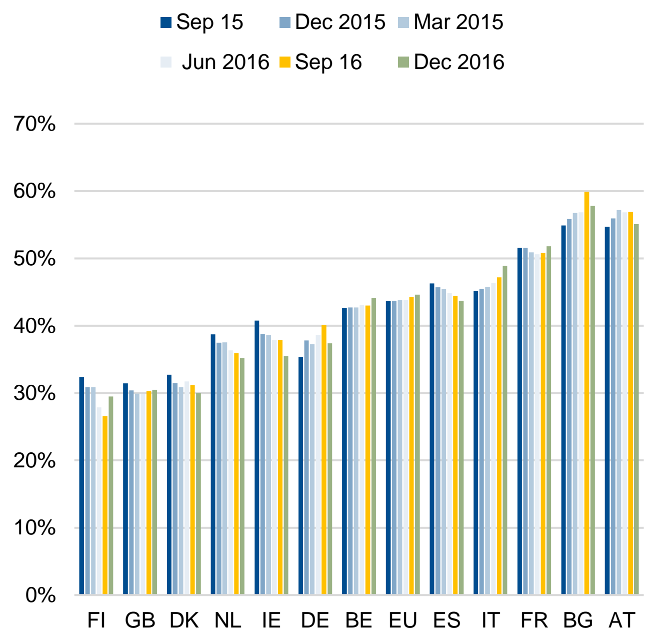
According to the European Central Bank, Italian banks’ non-performing loans (NPLs) stood at around 14.4% of gross loans in 2016. At the same time, the fiscal room for public intervention has become limited. ECB figures indicate that the NPL portfolio is a challenge for Italian banks, but at the same time they are not an outlier among the countries that suffered from years of recession. In our view, bad debts and other non-performing exposures (NPEs) are largely a legacy of the past and, contrary to certain claims, are not expected to lead to widespread bank failures or to weigh heavily on public finances. Although NPE levels remain a justified concern, asset quality trends have been improving for several years. As Scope has already stated in its comment ‘Italian Banks’ Asset Quality: Still a Problem but on an Improving Path’, Scope considers asset quality to be less of a problem today than in recent years. The Italian economy is picking up and Italian banks have continued to work out recapitalisation plans. Privately funded and government-sponsored solutions, such as the Atlas Fund, which is supported by the Italian Treasury’s guarantee schemes (GACS), are in place.

Figure 9: Harmonised NPLs exposure ratios



Source: EBA, Risk dashboard

Figure 10: Harmonised NPLs coverage ratios



Source: EBA, Risk dashboard

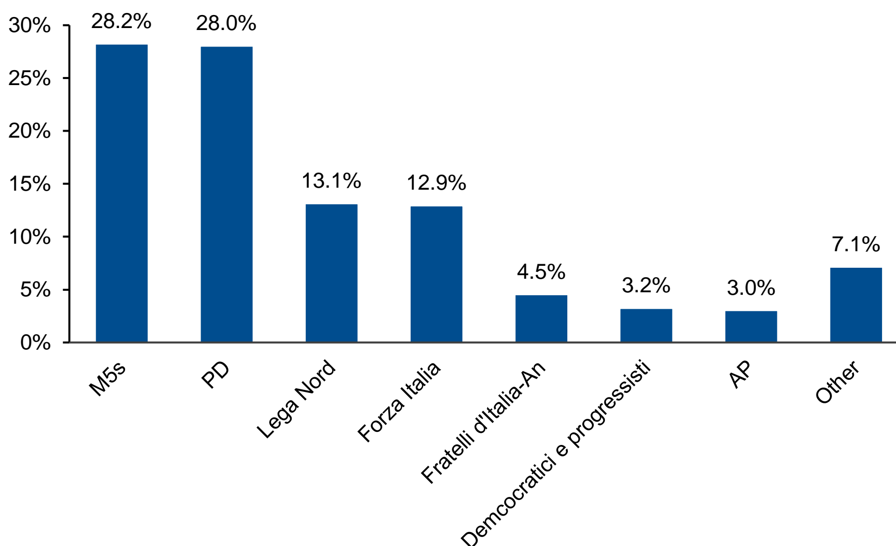
Institutional and political risk

Recent reform efforts followed by new political uncertainty

Some of the structural challenges to Italian society have become particularly pressing since the outbreak of the financial and economic crisis in 2008. Very high youth unemployment is not the only major social challenge. According to Eurostat, nearly one-third of the total population is at risk of either poverty or social exclusion. As a consequence, the prolonged recession, together with fiscal austerity measures, appears to have sparked rising euro scepticism and political radicalisation in a traditionally pro-European country.

In 2014, Matteo Renzi committed to political and constitutional reforms, to speed up the country's ability to react to the challenges posed by the crisis. In a bid to gain more room to manoeuvre politically and implement political and economic changes, he had planned to streamline and rationalise both the structure and the work of the senate upper house. These plans were soundly rejected in a referendum in December 2016, prompting Renzi's resignation. Paolo Gentiloni of the ruling Democratic Party (PD) was then asked by President Sergio Mattarella to lead the government until the end of the current legislative period, with a general election planned for the spring of 2018. Until then, one of the government's major tasks will be the harmonisation of the electoral laws applying to the lower house and the senate as well as to reach an agreement on an electoral system that will foster political stability. Scope expects parliament to agree on a form of proportional representation, with a majority bonus for those political parties that achieve a clear lead of at least 40% of the votes. This will prove a challenge, given the fragmentation of the political landscape.

Figure 11: Election voting intentions, 23 June 2017



Source: Opinion Polls termometropolitico, june 2017

There is uncertainty surrounding the potential makeup of any ruling coalition after the general election scheduled for the spring of 2018. This uncertainty may slow down economic recovery and the implementation of reforms. Anti-establishment political forces, such as the Five Star movement of Beppe Grillo, were strengthened by the economic crisis and have benefitted from divisions in the ruling PD party, as well as on the centre-right. The PD suffered a split in February 2017, reflecting internal battles around its former leader Matteo Renzi and future political strategies. Recent developments are likely to complicate future coalition-building and may consequently hinder the formulation and further implementation of economic and fiscal reform policies.

Methodology

The methodology applicable for this rating and/or rating outlook "Public Finance Sovereign Ratings" is available on www.scoperatings.com.

Historical default rates of Scope Ratings can be viewed in the rating performance report on https://www.scoperatings.com/governance-and-policies/regulatory/esma-registration.
Please also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

A comprehensive clarification of Scope's definition of default, definitions of rating notations can be found in Scope's public Credit Rating methodologies on www.scoperatings.com.

The rating outlook indicates the most likely direction of the rating if the rating were to change within the next 12 to 18 months. A rating change is, however, not automatically ensured.

I. Appendix: CVS and QS Results

Sovereign rating scorecards

Scope's Core Variable Scorecard (CVS), which is based on relative rankings of key sovereign credit fundamentals, signals an indicative (a) rating range for the Italian sovereign. This indicative rating range can be adjusted by the Qualitative Scorecard (QS) by up to three notches depending on the size of relative credit strengths or weaknesses versus peers based on analysts' qualitative analysis.

For Italy the QS signals relative credit strengths for the following analytical categories: 1) current account vulnerabilities; 2) external debt sustainability. Relative credit weaknesses are signalled for 1) growth potential of the economy; 2) macroeconomic stability and imbalances; 3) fiscal flexibility; 4) political risk; 5) financial sector performance; and 6) macro-financial vulnerabilities and fragility.

Combined relative credit strengths and weaknesses generate a downward adjustment and signal an A-sovereign rating for Italy. The results have been discussed and confirmed by a rating committee.

Rating overview	
CVS indicative rating range	a
QS adjustment	A-
Final rating	A-

To calculate the rating score within the CVS, Scope uses a minimum-maximum algorithm to determine a rating score for each of the 22 indicators. Scope calculates the minimum and maximum of each rating indicator and places each sovereign within this range. Sovereigns with the strongest results for each rating indicator receive the highest rating score; sovereigns with the weakest results receive the lowest rating score. The result is converted into to an indicative rating range that is always presented in a lower-case rating score.

Within the QS assessment the analyst conducts a comprehensive review of the qualitative factors. This includes but is not limited to economic scenario analysis, review of debt sustainability, fiscal and financial performance, and policy implementation assessments.

There are three assessments per category for a total of fifteen. For each assessment, the analyst examines the relative position of a given sovereign within its peer group. For this purpose, additional comparative analysis beyond the variables included in the CVS is conducted. These assessments are then aggregated using the same weighting system as in the CVS.

The result is the implied QS notch adjustment which is the basis for the analyst recommendation to the rating committee.

Foreign- versus local-currency ratings

Italy's debt is predominantly issued in euros, or hedged. Because of its history of openness to trade and capital flows, and the euro's reserve currency status, Scope sees no evidence that Italy would differentiate among any of its contractual debt obligations based on currency denomination.

II. Appendix: CVS and QS results

CVS

Rating indicator	Category weight
Domestic economic risk	**35%**
Economic growth	
Real GDP growth	
Real GDP volatility	
GDP per capita	
Inflation rate	
Labour & population	
Unemployment rate	
Population growth	
Public finance risk	**30%**
Fiscal balance	
GG public balance	
GG primary balance	
GG gross financing needs	
Public debt	
GG net debt	
Interest payments	
External economic risk	**15%**
International position	
International investment position	
Importance of currency	
Current-account financing	
Current-account balance	
T-W effective exch. rate	
Total external debt	
Institutional and political risk	**10%**
Control of corruption	
Voice & accountability	
Rule of law	
Financial risk	**10%**
Non-performing loans	
Liquid assets	
Credit-to-GDP gap	
Indicative rating range	**a**
QS adjustment	**A-**
Final rating	**A-**

QS

Maximum adjustment = 3 notches

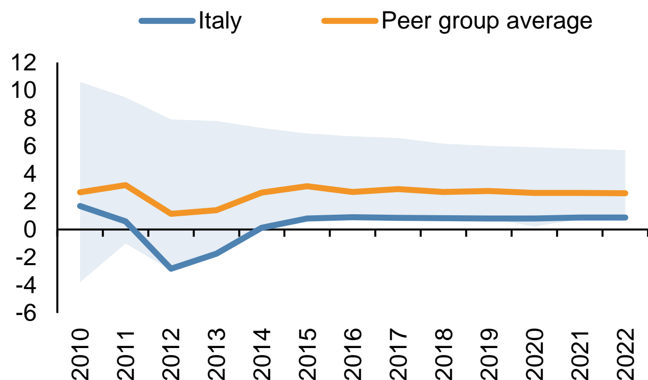
	+2 notch	+1 notch	0 notch	-1 notch	-2 notch
Growth potential of the economy	○ Excellent outlook, strong growth potential	○ Strong outlook, good growth potential	○ Neutral	◉ Weak outlook, growth potential under trend	○ Very weak outlook, growth potential well under trend or negative
Economic policy framework	○ Excellent	○ Good	◉ Neutral	○ Poor	○ Inadequate
Macroeconomic stability and imbalances	○ Excellent	○ Good	○ Neutral	○ Poor	◉ Inadequate
Fiscal performance	○ Exceptionally strong performance	○ Strong performance	○ Neutral	◉ Weak performance	○ Problematic performance
Debt sustainability	○ Exceptionally strong sustainability	○ Strong sustainability	◉ Neutral	○ Weak sustainability	○ Not sustainable
Market access and funding sources	○ Excellent access	○ Very good access	◉ Neutral	○ Poor access	○ Very weak access
Current account vulnerabilities	○ Excellent	◉ Good	○ Neutral	○ Poor	○ Inadequate
External debt sustainability	○ Excellent	◉ Good	○ Neutral	○ Poor	○ Inadequate
Vulnerability to short-term shocks	○ Excellent resilience	○ Good resilience	◉ Neutral	○ Vulnerable to shock	○ Strongly vulnerable to shocks
Perceived willingness to pay	○ Excellent	○ Good	◉ Neutral	○ Poor	○ Inadequate
Recent events and policy decisions	○ Excellent	○ Good	○ Neutral	◉ Poor	○ Inadequate
Geo-political risk	○ Excellent	○ Good	◉ Neutral	○ Poor	○ Inadequate
Financial sector performance	○ Excellent	○ Good	○ Neutral	◉ Poor	○ Inadequate
Financial sector oversight and governance	○ Excellent	○ Good	◉ Neutral	○ Poor	○ Inadequate
Macro-financial vulnerabilities and fragility	○ Excellent	○ Good	○ Neutral	◉ Poor	○ Inadequate

*** Implied QS notch adjustment = (QS notch adjustment for Domestic Economic Risk)*0.35 + (QS notch adjustment for Public Finance Risk)*0.30 + (QS notch adjustment for External Economic Risk)*0.15 + (QS notch adjustment for Institutional and Political Risk)*0.10 + (QS notch adjustment for Financial Stability Risk)*0.10**

Source: Scope Ratings AG

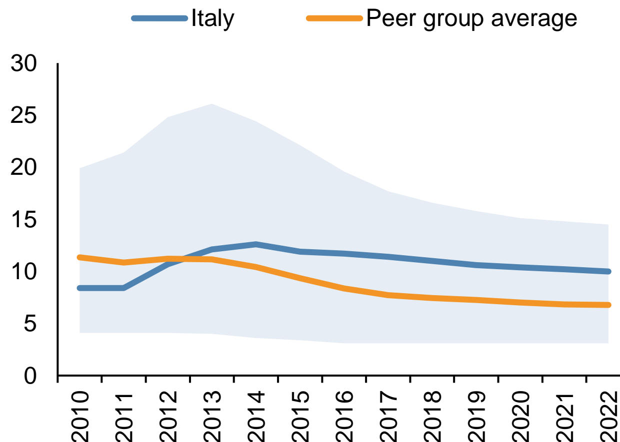
III. Appendix: Peer comparison

Figure 12: Real GDP growth



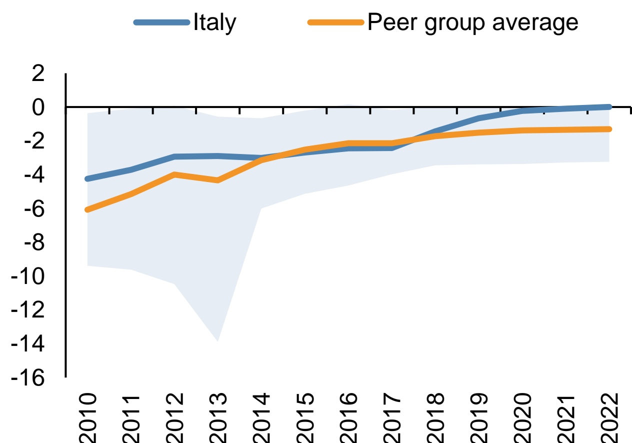
Source: IMF, Calculations Scope Ratings AG

Figure 13: Unemployment rate, % of total labour force



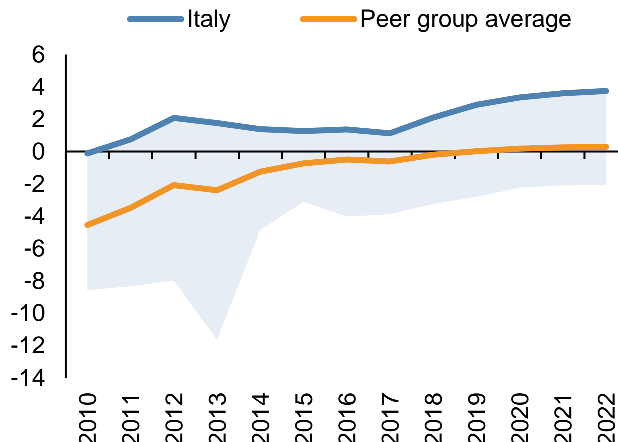
Source: IMF, Calculations Scope Ratings AG

Figure 14: General government balance, % of GDP



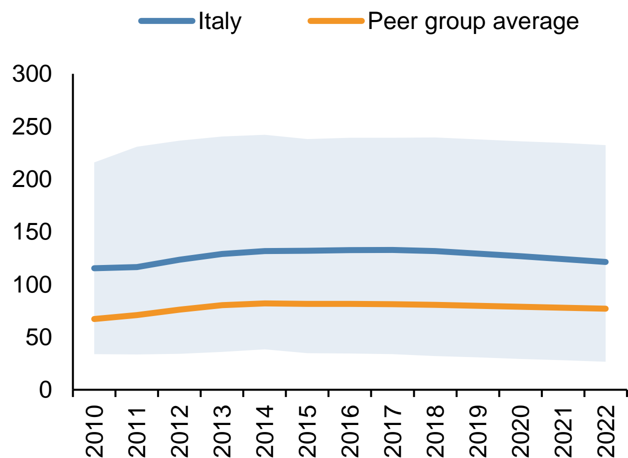
Source: IMF, Calculations Scope Ratings AG

Figure 15: General government primary balance, % of GDP



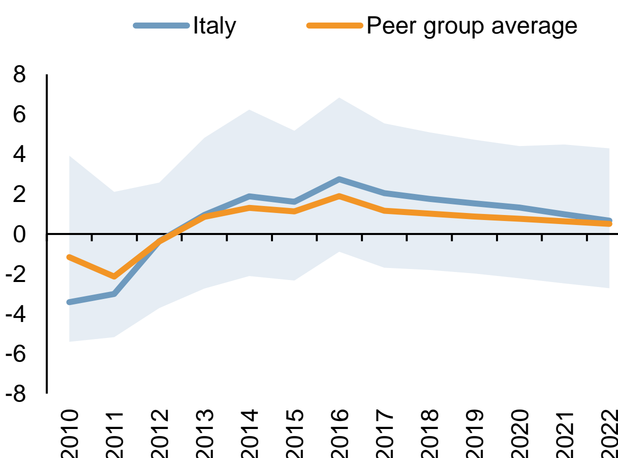
Source: IMF, Calculations Scope Ratings AG

Figure 16: General government gross debt, % of GDP



Source: IMF, Calculations Scope Ratings AG

Figure 17: Current-account balance, % of GDP



Source: IMF, Calculations Scope Ratings AG

IV. Appendix: Statistical Tables

	2012	2013	2014	2015	2016	2017E	2018F
Economic performance							
Nominal GDP (EUR bn)	1,613.3	1,604.6	1,621.8	1,645.4	1,672.4	1,701.6	1,736.1
Population ('000s)	59,733.8	59,668.0	59,585.7	59,504.2	59,429.9	59,359.9	59,291.0
GDP per capita PPP (USD)	36,237.1	36,163.8	36,293.8	37,217.4	-	-	-
GDP per capita (EUR)	27,162.0	26,884.4	26,682.4	27,065.1	27,568.2	28,004.6	28,575.1
Real GDP growth, % change	-2.82	-1.73	0.11	0.78	0.88	0.84	0.82
GDP growth volatility (10-year rolling SD)	2.4	2.5	2.4	2.4	2.3	2.2	2.2
CPI, % change	3.32	1.25	0.23	0.11	-0.05	1.26	1.30
Unemployment rate (%)	10.7	12.1	12.6	11.9	11.7	11.4	11.0
Investment (% of GDP)	17.9	17.0	17.0	17.3	17.0	17.3	17.6
Gross national savings (% of GDP)	17.5	17.9	18.9	18.9	19.8	19.4	19.4
Public finances							
Net lending/borrowing (% of GDP)	-2.9	-2.9	-3.0	-2.7	-2.4	-2.4	-1.2
Primary net lending/borrowing (% of GDP)	2.1	1.8	1.4	1.3	1.4	1.1	2.1
Revenue (% of GDP)	47.8	48.1	47.9	47.8	47.2	46.6	47.4
Expenditure (% of GDP)	50.8	51.0	50.9	50.4	49.6	49.1	48.6
Net interest payments (% of GDP)	5.0	4.7	4.4	4.0	3.8	3.6	3.3
Net interest payments (% of revenue)	10.5	9.7	9.2	8.3	8.1	7.6	7.0
Gross debt (% of GDP)	123.3	129.0	131.8	132.1	132.6	132.8	131.6
Net debt (% of GDP)	105.0	109.9	111.9	112.5	113.3	113.8	113.0
Gross debt (% of revenue)	257.9	267.9	275.1	276.5	281.1	284.7	277.5
External vulnerability							
Gross external debt (% of GDP)	119.4	119.1	124.3	126.0	125.7	-	-
Net external debt (% of GDP)	52.3	56.4	58.7	59.6	56.6	-	-
Current-account balance (% of GDP)	-0.4	1.0	1.9	1.6	2.7	2.0	1.8
Trade balance [FOB] (% of GDP)	-	2.2	2.9	3.1	3.6	2.9	2.8
Net direct investment (% of GDP)	0.3	0.0	0.1	0.2	-0.3	-	-
Official forex reserves (EOP, USD m)	34,816.4	35,533.3	33,312.9	34,441.2	34,083.0	-	-
REER, % change	-1.9%	1.8%	0.3%	-4.2%	0.9%	-	-
Nominal exchange rate (EOP, USD/EUR)	1.3	1.4	1.2	1.1	1.1	-	-
Financial stability							
Non-performing loans (% of total loans)	11.0	12.9	15.8	16.0	14.4	-	-
Tier 1 ratio (%)	10.6	10.6	11.8	12.3	11.5	-	-
Consolidated private debt (% of GDP)	125.1	121.9	120.0	116.8	-	-	-
Domestic credit-to-GDP gap (%)	3.0	-4.5	-11.7	-15.7	-17.5	-	-

Source: IMF, European Commission, European Central Bank, World Bank, United Nations, Scope Ratings AG

V. Regulatory disclosures

Responsibility

This credit rating and/or rating outlook is issued by Scope Ratings AG.

Rating prepared by Dr Giacomo Barisone, Lead Analyst

Person responsible for approval of the rating Dr Stefan Bund, Chief Analytical Officer

The ratings /outlook was first assigned by Scope as subscription rating on January 2003. The subscription ratings/outlooks were last updated on 05.05.2017.

The senior unsecured debt ratings as well as the short term issuer ratings were assigned by Scope for the first time.

As a "sovereign rating" (as defined in EU CRA Regulation 1060/2009 "EU CRA Regulation"), the ratings on Republic of Italy are subject to certain publication restrictions set out in Art 8a of the EU CRA Regulation, including publication in accordance with a pre-established calendar (see "Sovereign Ratings Calendar of 2017" published on 30.06.2017 on www.scoperatings .com). Under the EU CRA Regulation, deviations from the announced calendar are allowed only in limited circumstances and must be accompanied by a detailed explanation of the reasons for the deviation. In this case the deviation was due to the recent revision of Scope's Sovereign Rating Methodology and the subsequent putting the ratings under review, in order to conclude the review and disclose these ratings in a timely manner, as required by the Article 10(1) of the CRA Regulation.

Rating Committee: the main points discussed were (1) impact of GDP growth on debt sustainability, (2) macroeconomic imbalances (banking fragilities), (3) fiscal consolidation outlook, (4) short-term vs. long-term debt sustainability and scenario analysis, (5) latest political developments, (6) peers consideration.

Solicitation, key sources and quality of information

The rating was initiated by Scope and was not requested by the rated entity or its agents. The rated entity and/or its agents did not participate in the ratings process. Scope had no access to accounts, management and/or other relevant internal documents for the rated entity or related third party.

The following material sources of information were used to prepare the credit rating: public domain and third parties. Key sources of information for the rating include: Ministry of Economy and Finance (MEF), Banca d'Italia, ISTAT, European Commission, Eurostat, ECB, IMF and Haver Analytics.

Scope considers the quality of information available to Scope on the rated entity or instrument to be satisfactory. The information and data supporting Scope's ratings originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data.

Prior to publication, the rated entity was given the opportunity to review the rating and/or outlook and the principal grounds upon which the credit rating and/or outlook is based. Following that review, the rating was not amended before being issued.

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