

**City of Milan**

This annex refers to the rating action release of 10 September 2021

Framework assessment: integration with the sovereign - Italian cities						
Category	Weight	Sub-weight	Integration	Score	Weighted score	
Institutionalised support	50%	25%	Transfer & bailout regime	High	100	25
		15%	Borrowing limits	High	100	15
		10%	Funding support	Medium	50	5
Fiscal interlinkage	35%	20%	Tax authority	Medium	50	10
		15%	Fiscal equalisation	Medium	50	8
Political coherence	15%	10%	Distribution of powers	Medium	50	5
		5%	Common policymaking	Medium	50	3
<b>Integration with the sovereign</b>					<b>Σ</b>	<b>70</b>

Integration	Indicative range
0-10	0-10
10-20	0-9
20-30	0-8
30-40	0-7
40-50	0-6
50-60	0-5
60-70	0-4
70-80	0-3
80-90	0-2
90-100	0-1

Individual credit profile - City of Milan									
Category	Weight	QS			CVS			Total (QS-CVS avg)	
		Risk	Score		Score	Weight			
Debt burden and liquidity profile	40%	Debt profile	Low	100	Interest, % op.rev.	50	50%	62	
		Contingent liabilities	Medium	50	Debt, % op.rev	56	25%		
		Funding and liquidity mgmnt	Low	100	Balance before debt, % op.rev.	10	25%		
		<b>Debt QS score</b>	<b>Σ</b>	<b>83</b>	<b>Debt CVS score</b>	<b>Σ</b>	<b>41</b>		
Budget performance and flexibility	30%	Budget management	Low	100	Operating balance, % op.rev.	57	40%	78	
		Expenditure flexibility	Low	100	SD operating balance	76	15%		
		Revenue flexibility	Medium	50	Personnel exp., % op.exp.	100	15%		
					Capex, % tot exp.	56	15%		
					Transfers, % op.rev.	100	15%		
<b>Budget QS score</b>	<b>Σ</b>	<b>83</b>	<b>Budget CVS score</b>	<b>Σ</b>	<b>73</b>				
Economy and social profile	20%	Growth & diversification	Low	100	GDP per capita	100	50%	94	
		Labour market & demographics	Low	100	Unemployment rate	88	25%		
					Old-age dependency ratio	66	25%		
<b>Economy QS score</b>	<b>Σ</b>	<b>100</b>	<b>Economy CVS score</b>	<b>Σ</b>	<b>88</b>				
Quality of governance	10%	Recent events & policy risk	Low	100	Quality	76	33%	80	
		Transparency & accountability	Low	100	Impartiality	37	33%		
					Corruption	66	33%		
<b>Governance QS score</b>	<b>Σ</b>	<b>100</b>	<b>Governance CVS score</b>	<b>Σ</b>	<b>60</b>				
<b>Individual credit profile</b>								<b>Σ</b>	<b>75</b>

Indicative rating: notch adjustment - downwards - from sovereign rating										
Indicative sub-sovereign rating	Individual credit profile:									
	Strong			Medium			Weak			
	≥ 75	≥ 65	≥ 55	≥ 45	≥ 35	≥ 25	< 25			
Indicative maximum notch adjustment from sovereign rating:										
Institutional framework: Integration with sovereign	Full	0 - 1	0	0	0	-1	-1	-1	-1	-1
		0 - 2	-1	-1	-1	-1	-1	-2	-2	-2
		0 - 3	-1	-1	-1	-2	-2	-2	-3	-3
	<b>0 - 4</b>	<b>-1</b>	<b>-1</b>	<b>-2</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>	<b>-4</b>	<b>-4</b>	
	Medium	0 - 5	-1	-2	-2	-3	-3	-4	-5	-5
		0 - 6	-2	-2	-3	-3	-4	-5	-6	-6
		0 - 7	-2	-2	-3	-4	-4	-5	-6	-7
	Low	0 - 8	-2	-3	-4	-4	-5	-6	-7	-8
		0 - 9	-2	-3	-4	-5	-6	-7	-8	-9
		0 - 10	-3	-4	-5	-6	-7	-8	-9	-10

Issuer	City of Milan
Country	Italy
Sovereign rating	BBB+/Stable
Indicative rating adjustment	0
Additional considerations	-
Final rating	<b>BBB+</b>