

# Mediobanca - Banca di Credito Finanziario SPA

## Update

### Key Rating Drivers

**Capitalisation a Rating Strength:** Mediobanca - Banca di Credito Finanziario SPA's (Mediobanca) ratings are supported by its strong capitalisation relative to the Viability Rating (VR) and Fitch Ratings' expectation it will remain resilient under various downside scenarios to our baseline. The ratings also reflect Mediobanca's specialised business model with strong competitive positions in selected businesses and a moderate risk appetite, which underpin its better operating profitability and asset quality relative to domestic peers' through the cycle.

**Domestic Footprint, Strong Franchises:** Mediobanca is a leading corporate and investment bank and consumer lender in Italy, with an international footprint in the former segment, although this is small relative to its domestic operations. Mediobanca is successfully expanding its wealth management franchise, mainly in the affluent and private segment, and its customer deposits base domestically, but its national market shares remain small.

**Satisfactory Capital Buffers:** The common equity Tier 1 (CET1) ratio of 16.3% at end-March 2021 was one of the highest among domestic rated banks and has ample buffers over its Supervisory Review and Evaluation Process (SREP) requirement. Its fully-loaded CET1 ratio of 14.6% is satisfactory and provides comfortable loss-absorption capacity, and the bank also has low encumbrance by unreserved impaired loans. Holdings of Italian government bonds are modest and therefore do not affect our assessment of capitalisation.

**Limited Asset-Quality Deterioration Expected:** In 2020 Mediobanca recorded moderate inflows of new impaired loans, mainly in its consumer business, but its impaired loan ratio still compares well domestically and improved in the nine months to end-March 2021. We expect only modest deterioration in the impaired loan ratio in the coming quarters given the bank's tight control over credit risk and contained risk from outstanding loan moratoriums.

**Profitability Challenges:** Weaker-than-expected economic recovery could put pressure on earnings generation and inflate loan impairment charges (LICs). Mediobanca's operating profitability has proved more resilient to the low-interest-rate environment than that of other domestic banks. This is because of the bank's strong pricing power in consumer lending, increased fee generation from wealth management as well as controlled operating costs. Profitability should remain slightly below pre-crisis levels in the near-to-medium term.

**Stable Funding and Liquidity:** Mediobanca's funding is diversified due to its established market access, which allowed the bank to regularly issue debt during 2020 and 1H21 with no additional burden on its funding costs. Its customer deposit base is smaller and less established than that of the largest domestic banks. Medium-term funding needs are manageable and liquidity is underpinned by adequate buffers of unencumbered eligible assets.

### Rating Sensitivities

**Sovereign Rating, Operating Environment:** Mediobanca's ratings are sensitive to a downgrade of Italy's sovereign rating or to a downgrade of our assessment of Italy's operating environment due to permanently difficult operating conditions. For Mediobanca's ratings to be upgraded, Italy needs to be upgraded and pressures on asset quality and profitability to ease.

**Capital Erosion:** The ratings are also sensitive to the depth and duration of the economic crisis and its impact on Mediobanca's financial profile. They could be downgraded if the CET1 ratio falls below 13%, without a prospect of recovering, due to prolonged damage to asset quality and earnings, and with unreserved impaired loans rising substantially on a sustained basis.

### Ratings

#### Foreign Currency

|                                |           |
|--------------------------------|-----------|
| Long-Term IDR                  | BBB-      |
| Short-Term IDR                 | F3        |
| Derivative Counterparty Rating | BBB-(dcr) |

|                  |      |
|------------------|------|
| Viability Rating | bbb- |
|------------------|------|

|                      |          |
|----------------------|----------|
| Support Rating       | 5        |
| Support Rating Floor | No Floor |

#### Sovereign Risk

|   |      |
|---|------|
| Long-Term Foreign and Local-Currency IDRs | BBB- |
| Country Ceiling                           | AA-  |

#### Outlooks

|   |        |
|---|--------|
| Long-Term Foreign-Currency IDR                      | Stable |
| Sovereign Long-Term Foreign and Local-Currency IDRs | Stable |

### Applicable Criteria

[Bank Rating Criteria \(February 2020\)](#)

### Related Research

[Fitch Affirms Mediobanca at 'BBB-/Stable' \(February 2021\)](#)

[Global Economic Outlook - June 2021 \(June 2021\)](#)

[Fitch Affirms Italy at 'BBB-'; Outlook Stable \(June 2021\)](#)

[Western European Banks: Asset Quality Cliff-Edge Risk Avoided \(June 2021\)](#)

### Analysts

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**Debt Rating Classes<sup>a</sup>**

| Rating level         | Rating  |
|----------------------|---------|
| Deposits             | BBB/F3  |
| Senior preferred     | BBB-/F3 |
| Senior non-preferred | BB+     |
| Tier 2 subordinated  | BB      |

<sup>a</sup> Including the ratings of the senior debt issued by Mediobanca's funding vehicle, Mediobanca International (Luxemburg) SA, which are equalised with that of the parent because the debt is unconditionally and irrevocably guaranteed by Mediobanca and Fitch expects the parent to honour this  
Source: Fitch Ratings

Mediobanca's long-term deposit rating is one notch above its Long-Term Issuer Default Rating (IDR). Fitch believes that Mediobanca has sufficient combined buffers of junior and senior debt that result in a lower probability of default on deposits relative to the Long-Term IDR. Fitch also expects that Mediobanca will maintain sufficient buffers to comply with the minimum requirement for own funds and eligible liabilities (MREL). Mediobanca has a MREL of 21.8% of risk-weighted assets (RWAs). At end-2020 its eligible liabilities and own funds totalled about EUR18 billion (38% of RWAs) implying a surplus of around 16%, which has not materially changed in 2021 to date.

The senior non-preferred notes are rated one notch below the bank's Long-Term IDR. This is to reflect the risk of below-average recoveries arising from the use of senior preferred debt to meet resolution buffer requirements and that the combined buffer of additional Tier 1, Tier 2 and senior non-preferred debt is unlikely to exceed 10% of RWAs. For the same reason, the rating of senior preferred debt is in line with the Long-Term IDR.

Tier 2 subordinated debt is rated two notches below the VR for loss severity to reflect poor recovery prospects.

Ratings Navigator

Mediobanca - Banca di Credito Finanziario SPA



Banks  
Ratings Navigator

|      | Peer Ratings | Operating Environment | Company Profile | Management & Strategy | Risk Appetite | Asset Quality | Earnings & Profitability | Capitalisation & Leverage | Funding & Liquidity | Viability Rating | Support Rating Floor | Issuer Default Rating |
|------|--------------|-----------------------|-----------------|-----------------------|---------------|---------------|--------------------------|---------------------------|---------------------|------------------|----------------------|-----------------------|
| aaa  |              |                       |                 |                       |               |               |                          |                           |                     | aaa              | AAA                  | AAA                   |
| aa+  |              |                       |                 |                       |               |               |                          |                           |                     | aa+              | AA+                  | AA+                   |
| aa   |              |                       |                 |                       |               |               |                          |                           |                     | aa               | AA                   | AA                    |
| aa-  |              |                       |                 |                       |               |               |                          |                           |                     | aa-              | AA-                  | AA-                   |
| a+   |              |                       |                 |                       |               |               |                          |                           |                     | a+               | A+                   | A+                    |
| a    |              |                       |                 |                       |               |               |                          |                           |                     | a                | A                    | A                     |
| a-   |              |                       |                 |                       |               |               |                          |                           |                     | a-               | A-                   | A-                    |
| bbb+ |              |                       |                 |                       |               |               |                          |                           |                     | bbb+             | BBB+                 | BBB+                  |
| bbb  |              |                       |                 |                       |               |               |                          |                           |                     | bbb              | BBB                  | BBB                   |
| bbb- |              |                       |                 |                       |               |               |                          |                           |                     | bbb-             | BBB-                 | BBB- Stable           |
| bb+  |              |                       |                 |                       |               |               |                          |                           |                     | bb+              | BB+                  | BB+                   |
| bb   |              |                       |                 |                       |               |               |                          |                           |                     | bb               | BB                   | BB                    |
| bb-  |              |                       |                 |                       |               |               |                          |                           |                     | bb-              | BB-                  | BB-                   |
| b+   |              |                       |                 |                       |               |               |                          |                           |                     | b+               | B+                   | B+                    |
| b    |              |                       |                 |                       |               |               |                          |                           |                     | b                | B                    | B                     |
| b-   |              |                       |                 |                       |               |               |                          |                           |                     | b-               | B-                   | B-                    |
| ccc+ |              |                       |                 |                       |               |               |                          |                           |                     | ccc+             | CCC+                 | CCC+                  |
| ccc  |              |                       |                 |                       |               |               |                          |                           |                     | ccc              | CCC                  | CCC                   |
| ccc- |              |                       |                 |                       |               |               |                          |                           |                     | ccc-             | CCC-                 | CCC-                  |
| cc   |              |                       |                 |                       |               |               |                          |                           |                     | cc               | CC                   | CC                    |
| c    |              |                       |                 |                       |               |               |                          |                           |                     | c                | C                    | C                     |
| f    |              |                       |                 |                       |               |               |                          |                           |                     | f                | NF                   | D or RD               |

Recent Developments

Majority Shareholder Increases Stake, Neutral to Strategy and Governance

In July 2021 Leonardo Del Vecchio, Mediobanca’s largest shareholder, further increased its stake in the bank to about 19%. The Italian entrepreneur doubled his investment in the bank over the past twelve months, moving close to the 20% threshold that ECB authorised in August 2020. In May 2021, holding company Fininvest S.p.A. sold its 2% stake in the bank and, as a result, the existing shareholders’ pact reduced its weight to about 10.7% of the ownership (down from the previous 12.6%). We do not expect these changes in ownership to alter Mediobanca’s corporate governance nor to affect its strategic direction in the near-to-medium term.

Credit Risk under Control

Mediobanca’s impaired loan ratio of about 4.1% at end-March 2021, which decreases to 3.4% when excluding purchased non-performing loans, remains one of the lowest among Fitch-rated domestic banks and compares well internationally and with the Italian sector average of about 6%. We expect a modest pandemic-related deterioration in Mediobanca’s asset quality. The bank’s outstanding moratoriums represent a contained proportion of total loans (less than 2% at end-March 2021). Default rates on expired payment holidays have been low, which should ease concerns over lending quality trends.

Specialised Business Model Supports Earnings, but Challenges Remain

Mediobanca entered into 2021 with a pronounced recovery in its investment banking activities. This confirmed the strength of its domestic competitive position in equity capital markets and M&A advisory, while business gathered pace in the mid-cap segment and in French operations undertaken through its partnership with Messier et Associés.

Asset Quality

(End-March 2021 - gross loans)

| (EURm)             | Total         | Stage 3      | Moratoria  |
|--------------------|---------------|--------------|------------|
| Corporate          | 16,329        | 232          | -          |
| Consumer           | 12,761        | 1,032        | 130        |
| Wealth Management  | 14,268        | 217          | 252        |
| Specialty          | 2,542         | 382          | -          |
| Leasing            | 1,785         | 172          | 474        |
| <b>Total loans</b> | <b>47,685</b> | <b>2,035</b> | <b>856</b> |

Source: Fitch Ratings, Mediobanca

Bar Chart Legend

Vertical bars – VR range of Rating Factor  
 Bar Colors – Influence on final VR  
 Higher influence (Red)  
 Moderate influence (Blue)  
 Lower influence (Light Blue)  
 Bar Arrows – Rating Factor Outlook  
 Positive (Up arrow)  
 Negative (Down arrow)  
 Evolving (Double arrow)  
 Stable (Square)

Its growing wealth management business has been resilient throughout the pandemic and remained vibrant in the first nine months of its fiscal year. We expect its contribution to remain supportive of profitability in the medium term given the bank's strong strategic focus on this

business and its growth record, together with its earning model being largely reliant on management fees.

Mediobanca's moderate appetite for acquisitions could result in external growth in wealth management, but we expect business combination or acquisition to be aimed at expanding distribution (i.e. financial advisers) and the product offering, and not to be transformational in the near-term for the group.

As part of this strategy, in February 2021 Mediobanca announced the acquisition of a London-based distressed debt manager, Bybrook Capital LLP, a deal which it is about to close. Bybrook will be merged into Mediobanca's affiliate Cairn Capital with the combined entity having about EUR7 billion of assets under management (AuM, EUR2 billion from Bybrook).

Consumer lending has been recovering in 2021 from historical lows reported in 2020 but turnover remains below pre-pandemic levels. We expect only a gradual recovery in business volumes following the easing of restrictions, as households are likely to remain cautious on spending given persisting uncertainty over the speed of the economic recovery in Italy.

A recovery in loan volumes to pre-pandemic levels in all business segments together with good control over funding cost, and increased utilisation of cheap central bank funding (up to EUR7 billion at end-March 2021 from EUR6.2 billion at end-December 2020), should mitigate pressure on net interest margin from lower-for-longer interest rates and competition.

The bank maintains a prudent approach in managing impairment overlays despite more benign impaired loan inflows and improved macroeconomic scenario in 2021. We expect Mediobanca to keep LICs under control in 2021 and in line with its guidance for the fiscal year to end-June 2021 at 53bp-55bp. This is because it has already largely provisioned for expected pandemic-related asset quality deterioration and intends to operate with coverage ratios above pre-pandemic levels.

### Operating Environment Still on Negative Trend

We expect the operating environment for the Italian banking sector to remain challenging and broadly unchanged from 2020. Fitch has recently revised its GDP forecast for 2021 to 4.8% from 4.3% in 2021 and maintained it at 4.3% for 2022 after a severe contraction of about 9% in 2020.

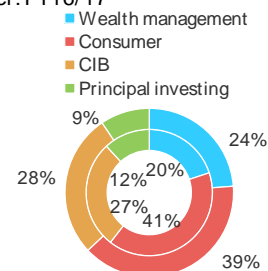
The negative outlook on the operating environment for the banking sector reflects potential risks from amplified credit risks and pressurised earnings and profitability, particularly if a recovery is delayed. However, the acceleration of the vaccination programme, together with the re-opening of the vast majority of economic activities, means that if this scenario becomes permanent we could revise the outlook to stable in the coming months.

Revenue prospects for 2021 will be similar to 2020, but a recovery in the low-growth, yet deep and diversified, Italian economy still presents business opportunities for the banks. Inflows of new impaired loans are likely to resume as payment suspension schemes come to an end, although the experience from expired loan moratoriums to date is benign. We expect banks to continue adjusting provisioning to reflect actual impaired loan flows and continued de-risking.

### Operating Income

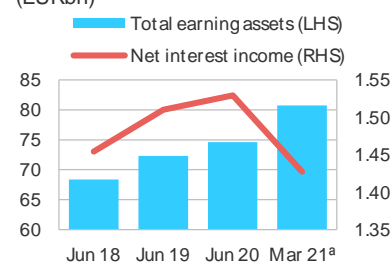
Outer: 9M20/21

Inner: FY16/17



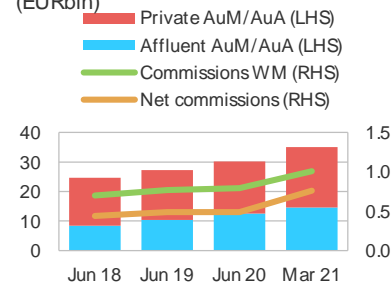
Source: Fitch Ratings, Mediobanca

### Interest Margin Under Pressure (EURbn)



<sup>a</sup> Annualised NII  
Source: Fitch Ratings, Mediobanca

### Resilient Wealth Management (EURbln)



Source: Fitch Ratings, Mediobanca

## Summary Financials and Key Ratios

|  | 31 Mar 21                        |                                  | 30 Jun 20             | 30 Jun 19             | 30 Jun 18             |
|--|----------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
|  | 9 months - 3rd quarter<br>(USDm) | 9 months - 3rd quarter<br>(EURm) | Year end<br>(EURm)    | Year end<br>(EURm)    | Year end<br>(EURm)    |
|  | Unaudited                        | Unaudited                        | Unaudited             | Audited - unqualified | Audited - unqualified |
| <b>Summary income statement</b>        |                                  |                                  |                       |                       |                       |
| Net interest and dividend income       | 1,256                            | 1,071.4                          | 1,529.1               | 1,510.0               | 1,454.3               |
| Net fees and commissions               | 670                              | 571.2                            | 486.7                 | 440.5                 | 456.3                 |
| Other operating income                 | 376                              | 321.0                            | 414.7                 | 456.6                 | 475.7                 |
| Total operating income                 | 2,302                            | 1,963.6                          | 2,430.5               | 2,407.1               | 2,386.3               |
| Operating costs                        | 1,062                            | 905.5                            | 1,230.7               | 1,209.7               | 1,167.0               |
| Pre-impairment operating profit        | 1,241                            | 1,058.1                          | 1,199.8               | 1,197.4               | 1,219.3               |
| Loan and other impairment charges      | 175                              | 149.3                            | 402.7                 | 210.5                 | 216.0                 |
| Operating profit                       | 1,066                            | 908.8                            | 797.1                 | 986.9                 | 1,003.3               |
| Other non-operating items (net)        | -89                              | -75.7                            | 17.8                  | 95.8                  | 92.5                  |
| Tax                                    | 265                              | 225.9                            | 213.5                 | 256.5                 | 228.1                 |
| Net income                             | 712                              | 607.2                            | 601.4                 | 826.2                 | 867.7                 |
| Other comprehensive income             | 687                              | 586.0                            | -221.6                | -145.2                | -106.5                |
| Fitch comprehensive income             | 1,399                            | 1,193.2                          | 379.8                 | 681.0                 | 761.2                 |
| <b>Summary balance sheet</b>           |                                  |                                  |                       |                       |                       |
| <b>Assets</b>                          |                                  |                                  |                       |                       |                       |
| Gross loans                            | 57,912                           | 49,391.6                         | 47,820.6              | 45,038.5              | 41,623.2              |
| - Of which impaired                    | 2,386                            | 2,035.0                          | 2,240.2               | 2,017.5               | 2,231.0               |
| Loan loss allowances                   | 2,001                            | 1,706.6                          | 1,590.0               | 1,373.5               | 1,525.3               |
| Net loans                              | 55,911                           | 47,685.0                         | 46,230.6              | 43,665.0              | 40,097.9              |
| Interbank                              | n.a.                             | n.a.                             | 2,393.4               | 2,750.5               | 1,114.5               |
| Derivatives                            | n.a.                             | n.a.                             | 3,744.6               | 3,186.8               | 3,789.1               |
| Other securities and earning assets    | 38,763                           | 33,060.4                         | 19,946.5              | 24,987.0              | 23,353.4              |
| Total earning assets                   | 94,674                           | 80,745.4                         | 72,315.1              | 74,589.3              | 68,354.9              |
| Cash and due from banks                | n.a.                             | n.a.                             | 3,808.8               | 997.4                 | 1,450.4               |
| Other assets                           | 3,541                            | 3,020.0                          | 2,825.8               | 2,658.0               | 2,495.2               |
| Total assets                           | 98,215                           | 83,765.4                         | 78,949.7              | 78,244.7              | 72,300.5              |
| <b>Liabilities</b>                     |                                  |                                  |                       |                       |                       |
| Customer deposits                      | 29,554                           | 25,205.6                         | 25,192.1              | 22,791.6              | 20,291.1              |
| Interbank and other short-term funding | 18,772                           | 16,010.2                         | 13,991.4              | 15,067.2              | 13,292.4              |
| Other long-term funding                | 22,292                           | 19,012.8                         | 19,973.9              | 20,134.0              | 20,608.5              |
| Trading liabilities and derivatives    | 11,933                           | 10,177.6                         | 8,422.2               | 8,442.0               | 6,695.5               |
| Total funding                          | 82,551                           | 70,406.2                         | 67,579.6              | 66,434.8              | 60,887.5              |
| Other liabilities                      | 2,837                            | 2,419.6                          | 1,630.0               | 1,911.0               | 1,680.8               |
| Total equity                           | 12,827                           | 10,939.6                         | 9,740.1               | 9,898.9               | 9,732.2               |
| Total liabilities and equity           | 98,215                           | 83,765.4                         | 78,949.7              | 78,244.7              | 72,300.5              |
| Exchange rate                          |                                  | USD1 =<br>EUR0.85288             | USD1 =<br>EUR0.893017 | USD1 =<br>EUR0.878734 | USD1 =<br>EUR0.8633   |

Source: Fitch Ratings, Fitch Solutions, Mediobanca

## Summary Financials and Key Ratios

|   | 31 Mar 21 | 30 Jun 20 | 30 Jun 19 | 30 Jun 18 |
|---|-----------|-----------|-----------|-----------|
| <b>Ratios (annualised as appropriate)</b>   |           |           |           |           |
| <b>Profitability</b>                        |           |           |           |           |
| Operating profit/risk-weighted assets       | 2.5       | 1.7       | 2.1       | 2.1       |
| Net interest income/average earning assets  | 1.8       | 2.0       | 2.1       | 2.1       |
| Non-interest expense/gross revenue          | 50.5      | 57.9      | 58.0      | 55.4      |
| Net income/average equity                   | 7.8       | 6.0       | 8.7       | 9.2       |
| <b>Asset quality</b>                        |           |           |           |           |
| Impaired loans ratio                        | 4.1       | 4.7       | 4.5       | 5.4       |
| Growth in gross loans                       | 3.3       | 6.2       | 8.2       | 6.4       |
| Loan loss allowances/impaired loans         | 83.9      | 71.0      | 68.1      | 68.4      |
| Loan impairment charges/average gross loans | 0.5       | 0.8       | 0.5       | 0.5       |
| <b>Capitalisation</b>                       |           |           |           |           |
| Common equity Tier 1 ratio                  | 16.3      | 16.1      | 14.1      | 14.2      |
| Fully loaded common equity Tier 1 ratio     | 14.6      | 14.5      | 12.8      | 13.1      |
| Tangible common equity/tangible assets      | 13.1      | 11.4      | 11.6      | 12.6      |
| Basel leverage ratio                        | n.a.      | 9.7       | 8.4       | 8.8       |
| Net impaired loans/common equity Tier 1     | 4.2       | 8.4       | 9.9       | 10.5      |
| <b>Funding and liquidity</b>                |           |           |           |           |
| Loans/customer deposits                     | 196.0     | 189.8     | 197.6     | 205.1     |
| Liquidity coverage ratio                    | 153.0     | 165.0     | 143.0     | 186.0     |
| Customer deposits/funding                   | 35.8      | 40.4      | 36.6      | 35.7      |
| Net stable funding ratio                    | 109.0     | 109.0     | 107.0     | 108.0     |

Source: Fitch Ratings, Fitch Solutions, Mediobanca

## Sovereign Support Assessment

| Support Rating Floor  |          | Value      |          |  |
|---|----------|------------|----------|--|
| Typical D-SIB SRF for sovereign's rating level (assuming high propensity) |          | BBB- to BB |          |  |
| Actual country D-SIB SRF  |          | NF         |          |  |
| <b>Support Rating Floor:</b>  |          | <b>NF</b>  |          |  |
| Support Factors   | Positive | Neutral    | Negative |  |
| <b>Sovereign ability to support system</b>                                |          |            |          |  |
| Size of banking system relative to economy                                |          | ✓          |          |  |
| Size of potential problem   |          | ✓          |          |  |
| Structure of banking system   |          | ✓          |          |  |
| Liability structure of banking system                                     |          | ✓          |          |  |
| Sovereign financial flexibility (for rating level)                        |          | ✓          |          |  |
| <b>Sovereign propensity to support system</b>                             |          |            |          |  |
| Resolution legislation with senior debt bail-in                           |          |            | ✓        |  |
| Track record of banking sector support                                    |          | ✓          |          |  |
| Government statements of support  |          | ✓          |          |  |
| <b>Sovereign propensity to support bank</b>                               |          |            |          |  |
| Systemic importance   |          |            | ✓        |  |
| Liability structure of bank   |          |            | ✓        |  |
| Ownership   |          | ✓          |          |  |
| Specifics of bank failure   |          | ✓          |          |  |
| <b>Policy banks</b>   |          |            |          |  |
| Policy role   |          |            |          |  |
| Funding guarantees and legal status                                       |          |            |          |  |
| Government ownership  |          |            |          |  |

### No Sovereign Support Factored into the Ratings

We believe that Mediobanca's senior creditors cannot rely on extraordinary support from the Italian authorities if the bank is declared non-viable. This is in line with other Italian and eurozone banks and reflects our belief that the authorities' propensity to support the banking system and their ability to do so ahead of senior bondholders participating in losses has decreased materially following the implementation of recovery and resolution legislation.

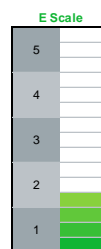
## Environmental, Social and Governance Considerations

### Credit-Relevant ESG Derivation

|   |  |  | Overall ESG Scale   |   |
|---|--|--|---------------------|---|
| Mediobanca - Banca di Credito Finanziario SPA has 5 ESG potential rating drivers  |  |  | key driver          | 5 |
| <ul style="list-style-type: none"> <li>Mediobanca - Banca di Credito Finanziario SPA has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.</li> <li>Governance is minimally relevant to the rating and is not currently a driver.</li> </ul> |  |  | driver              | 4 |
|   |  |  | potential driver    | 3 |
|   |  |  | not a rating driver | 2 |
|   |  |  |                     | 1 |

### Environmental (E)

| General Issues   | E Score | Sector-Specific Issues   | Reference  |
|--|---------|--|--|
| GHG Emissions & Air Quality                                | 1       | n.a.   | n.a.   |
| Energy Management  | 1       | n.a.   | n.a.   |
| Water & Wastewater Management                              | 1       | n.a.   | n.a.   |
| Waste & Hazardous Materials Management; Ecological Impacts | 1       | n.a.   | n.a.   |
| Exposure to Environmental Impacts                          | 2       | Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations | Company Profile; Management & Strategy; Risk Appetite; Asset Quality |



### How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

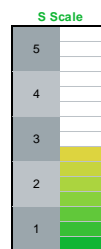
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

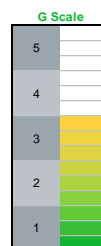
### Social (S)

| General Issues   | S Score | Sector-Specific Issues   | Reference  |
|--|---------|--|--|
| Human Rights, Community Relations, Access & Affordability  | 2       | Services for underbanked and underserved communities: SME and community development programs; financial literacy programs                                  | Company Profile; Management & Strategy; Risk Appetite                        |
| Customer Welfare - Fair Messaging, Privacy & Data Security | 3       | Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)               | Operating Environment; Company Profile; Management & Strategy; Risk Appetite |
| Labor Relations & Practices                                | 2       | Impact of labor negotiations, including board/employee compensation and composition  | Company Profile; Management & Strategy                                       |
| Employee Wellbeing   | 1       | n.a.   | n.a.   |
| Exposure to Social Impacts                                 | 2       | Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices | Company Profile; Financial Profile   |



### Governance (G)

| General Issues         | G Score | Sector-Specific Issues  | Reference  |
|------------------------|---------|---|--|
| Management Strategy    | 3       | Operational implementation of strategy  | Management & Strategy  |
| Governance Structure   | 3       | Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions | Management & Strategy; Earnings & Profitability; Capitalisation & Leverage |
| Group Structure        | 3       | Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership  | Company Profile  |
| Financial Transparency | 3       | Quality and frequency of financial reporting and auditing processes   | Management & Strategy  |



| CREDIT-RELEVANT ESG SCALE  |   |
|--|---|
| How relevant are E, S and G issues to the overall credit rating? |   |
| 5  | Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.                         |
| 4  | Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.                 |
| 3  | Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator. |
| 2  | Irrelevant to the entity rating but relevant to the sector.   |
| 1  | Irrelevant to the entity rating and irrelevant to the sector.   |

Mediobanca's highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).



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