

RatingsDirect®

Update: Mediobanca SpA

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Table Of Contents

Ratings Score Snapshot

Credit Highlights

Outlook

Key Metrics

Environmental, Social, And Governance

Key Statistics

Appendix

Related Criteria

Related Research

Update: Mediobanca SpA

Ratings Score Snapshot

Global Scale Ratings	
Issuer Credit Rating	BBB/Stable/A-2
Resolution Counterparty Rating	BBB+/-/A-2

SACP: **bbb** → Support: **0** → Additional factors: **0**

Anchor	bbb-	
Business position	Adequate	0
Capital and earnings	Adequate	0
Risk position	Strong	+1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment	0	

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
BBB/Stable/A-2
Resolution counterparty rating
BBB+/A-2

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Key strengths

Stronger-than-peers credit risk profile, leading to healthier asset-quality metrics.
Well-diversified business model resulting in resilient earnings throughout the cycle.
Sound capitalization.

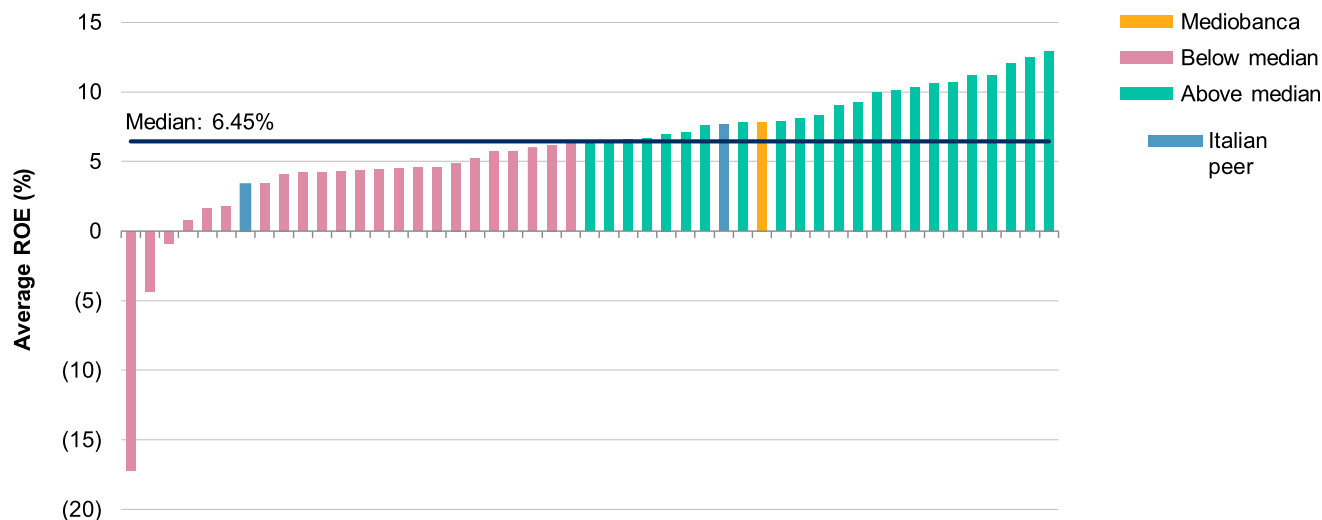
Key risks

Exposure to high economic risks we see in Italy.

In S&P Global Ratings' view, Mediobanca's well-diversified business model will continue to support its creditworthiness amid the main cyclical and structural headwinds that most banks in Europe face. We anticipate that the bank's business diversification into wealth management, corporate and investment banking, and consumer lending will confirm its track record of sound and resilient returns over the next years and we expect it to remain a competitive advantage. We therefore anticipate the bank's operating efficiency to remain outstanding, with a cost-to-income ratio at about 50% and return on equity at about 8% over the next couple of years, a higher level than most of its domestic peers and closer to the best-performing and highly rated European banks (see chart 1).

Chart 1

Mediobanca's ROE Is Better Than Italian Peers And The European Median Average ROE of 2018-2023f



f--Forecast. ROE--Return on equity. Source: S&P Global Ratings.

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We also anticipate Mediobanca's risk profile will remain more resilient than that of most domestic peers. This is primarily because the bank is less exposed than peers to small and midsize enterprises (SMEs) and to sectors that are vulnerable to the economic slowdown. Moreover, its corporate loan book benefits from high geographic diversification in its portfolio of large clients, although some single-name concentration adds a degree of risk. The bank grants about 75% of its corporate loans to clients whose turnover is mainly outside Italy. Coupled with a proactive loan collection approach to its consumer finance portfolio, this should help Mediobanca maintain a lower-than-system-average new inflow of nonperforming exposures and credit losses. The high cash coverage of Stage 2 and Stage 3 loan (at 11.3% and 72.4%, respectively) and about €300 million of provision overlays, unchanged since June 2021, offer a comfortable buffer to absorb a potential increase in loan default rates in the coming quarters.

We anticipate that Mediobanca's stronger-than-peer operating performance will preserve its capitalization. As a result of the bank's recurring revenue generation, outstanding cost efficiency, and contained credit losses, we expect its RAC ratio to remain in the range of 9.0%-9.5%, at least until 2024, the highest among the other Italian peer banks. This includes the bank's planned distribution policy to its shareholders. We also factor into our RAC projections our expectation that equity income from the Assicurazioni Generali (AG) stake will continue to support Mediobanca's earnings. The material gap between our measure of the bank's capitalization and its relatively sound regulatory capital ratios has stemmed from our view of higher economic risks and the relatively weaker sovereign creditworthiness than peer countries. For instance, the bank's fully loaded Common Equity Tier 1 (CET1) ratio stood at 14% as of end-September 2022, around 610 basis points (bps) above its regulatory Supervisory Review and Evaluation Process

(SREP) requirement and about 150 bps over its 12.5% CET1 2023 floor.

We believe Mediobanca's ownership structure and its large stake in AG (13%) add complexity to its governance. We will continue to monitor how the latest, or further, changes to the bank's shareholder structure might affect Mediobanca's governance and strategy. That includes Delfin's increased stake in the bank's capital to 19.8% from the original 9.9%. That said, we do not anticipate any meaningful change to the bank's strategy. The term of the board and management team was extended for three years until October 2023, and we expect management to remain committed to implementing the 2019-2023 business plan.

Outlook

The stable outlooks on Mediobanca and its core subsidiary, MB Funding Lux, mirror that on Italy and reflect our view that Mediobanca's credit profile will remain resilient over the next two years.

Downside scenario

We could lower the ratings on Mediobanca and MB Funding Lux if we lower the long-term rating on Italy. This is because we believe the bank is unlikely to withstand the effects of a hypothetical sovereign default stress scenario, given its high exposure to the Italian economy. In addition, a negative rating action could result if we concluded that the economic and operating conditions in Italy have deteriorated, materially undermining Mediobanca's creditworthiness.

Upside scenario

We could consider an upgrade if we raised our long-term rating on Italy and concluded that Mediobanca's creditworthiness and solvency had strengthened. The latter scenario would most likely be linked to lower economic risks we might see in Italy, resulting in our projections for the bank's RAC ratio moving to 10% over the next two years, its risk profile remaining resilient, and its operating performance continuing to exceed its peers'.

Hybrids

We do not assign outlooks to bank issue ratings. However, we will continue to notch down the ratings on Mediobanca's hybrids from the lower of the stand-alone credit profile (SACP) and issuer credit rating (ICR). Therefore, if we were to lower the ICR or revised downward our assessment of the SACP, we would also lower the ratings on its rated subordinated debt and senior nonpreferred instruments.

Key Metrics

Mediobanca SpA Key Ratios And Forecasts

(%)	--Fiscal year ended June 30 --				
	2020a	2021a	2022a	2023f	2024f
Growth in customer loans	6.2	2.7	7.5	0.5-1.5	2.5-3.5
Cost to income ratio	51.3	49.0	51.4	49-54	49-54

Mediobanca SpA Key Ratios And Forecasts (cont.)

	--Fiscal year ended June 30 --				
(%)	2020a	2021a	2022a	2023f	2024f
Return on average common equity	6.2	7.8	8.4	7.5-8.5	7.5-8.5
New loan loss provisions/average customer loans	0.9	0.6	0.4	0.5-0.7	0.5-0.7
Gross nonperforming assets/customer loans	4.8	4.0	3.2	4.0-4.5	3.5-4.0
Risk-adjusted capital ratio before diversification adjustments	8.9	9.3	9.1	8.9-9.4	9.0-9.5

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. Mediobanca's fiscal year ends on June 30. Year-end financial statements are audited, consolidated, and prepared according to International Financial Reporting Standards. The data and ratios are S&P Global Ratings' adjustments or calculations of data from publicly disclosed financial statements, and may differ from the issuer's own data and ratios.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	E-2	E-3	E-4	E-5	S-1	S-2	S-3	S-4	S-5	G-1	G-2	G-3	G-4	G-5
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ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

Key Statistics

Table 1

Mediobanca SpA--Key Figures

	--Year-ended June 30--				
(Mil. €)	2023*	2022	2021	2020	2019
Adjusted assets	90,585	89,730	81,855	78,134	77,343
Customer loans (gross)	52,803	52,817	49,133	47,826	45,039
Adjusted common equity	8,936	8,674	8,673	8,419	7,851
Core earnings	266.7	924.4	896.4	623.0	783.1

*Data as of Sept. 30. Mediobanca's fiscal year ends on June 30. Year-end financial statements are audited, consolidated, and prepared according to International Financial Reporting Standards. The data and ratios are S&P Global Ratings' adjustments or calculations of data from publicly disclosed financial statements, and may differ from the issuer's own data and ratios.

Table 2

Mediobanca SpA--Business Position

	--Year-ended June 30--				
(%)	2023*	2022	2021	2020	2019
Loan market share in country of domicile	N/A	3.5	3.5	3.3	3.1
Deposit market share in country of domicile	N/A	1.4	1.3	1.3	1.3
Total revenues from business line (currency in millions)	757.0	2,854.2	2,837.3	2,633.7	2,571.2
Commercial & retail banking/total revenues from business line	54.3	59.0	56.6	62.5	64.3

Table 2

Mediobanca SpA--Business Position (cont.)					
	--Year-ended June 30--				
(%)	2023*	2022	2021	2020	2019
Trading and sales income/total revenues from business line	8.5	5.7	6.9	(0.7)	(0.3)
Insurance activities/total revenues from business line	11.4	12.6	9.6	11.5	12.4
Asset management/total revenues from business line	26.2	25.1	21.7	22.2	21.3
Other revenues/total revenues from business line	(0.5)	(2.4)	5.1	4.5	2.2
Return on average common equity	10.3	8.4	7.8	6.2	8.5

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Table 3

Mediobanca SpA--Capital And Earnings					
	--Year-ended June 30--				
(%)	2023*	2022	2021	2020	2019
Tier 1 capital ratio	15.1	15.7	16.3	16.1	14.1
S&P Global Ratings' RAC ratio before diversification	N/A	9.1	9.3	8.9	8.9
S&P Global Ratings' RAC ratio after diversification	N/A	N/A	8.4	8.2	8.4
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	52.4	52.4	50.0	56.3	56.1
Fee income/operating revenues	27.7	23.4	25.0	23.0	22.6
Market-sensitive income/operating revenues	8.5	3.8	6.9	5.3	7.9
Cost to income ratio	42.5	51.4	49.0	51.3	50.6
Provision operating income/average assets	1.9	1.6	1.8	1.6	1.6
Core earnings/average managed assets	1.2	1.1	1.1	0.8	1.0

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Table 4

Mediobanca Banca di Credito Finanziario SpA RACF [Risk-Adjusted Capital Framework] Data					
(€ 000s)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global RWA	Average S&P Global RW (%)
Credit risk					
Government & central banks	15,042,665	211,304	1	4,580,866	30
Of which regional governments and local authorities	307	63	20	146	48
Institutions and CCPs	8,516,097	1,552,077	18	697,503	8
Corporate	30,635,055	16,882,360	55	26,430,104	86
Retail	27,970,169	12,403,970	44	25,379,579	91
Of which mortgage	12,413,969	1,566,892	13	7,199,447	58
Securitization§	1,021,253	103,507	10	1,095,913	107
Other assets†	2,329,383	2,633,928	113	4,776,849	205
Total credit risk	85,514,623	33,787,146	40	62,960,814	74

Table 4

Mediobanca Banca di Credito Finanziario SpA RACF [Risk-Adjusted Capital Framework] Data (cont.)					
Credit valuation adjustment					
Total credit valuation adjustment	--	373,402	--	0	--
Market Risk					
Equity in the banking book	5,431,351	9,517,251	175	23,054,275	424
Trading book market risk	--	2,430,969	--	3,565,476	--
Total market risk	--	11,948,219	--	26,619,751	--
Operational risk					
Total operational risk	--	4,269,186	--	5,376,425	--
(€ 000s)					
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global RWA	% of S&P Global RWA
RWA before diversification	--	50,377,954	--	94,956,990	100
(€ 000s)					
		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)
Capital ratio		Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA
Capital ratio before adjustments		7,894,334	15.7	8,673,725	9.1

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of 'June. 30 2022', S&P Global Ratings.

Table 5

Mediobanca SpA--Risk Position					
(%)	--Year-ended June 30--				
	2023*	2022	2021	2020	2019
Growth in customer loans	N/A	7.5	2.7	6.2	7.1
New loan loss provisions/average customer loans	0.6	0.4	0.6	0.9	0.5
Gross nonperforming assets/customer loans + other real estate owned	3.2	3.2	4.0	4.8	5.1
Loan loss reserves/gross nonperforming assets	99.0	97.1	85.5	69.0	60.2

*Data as of Sept. 30. N/A--Not applicable. Mediobanca's fiscal year ends on June 30. Year-end financial statements are audited, consolidated, and prepared according to International Financial Reporting Standards. The data and ratios are S&P Global Ratings' adjustments or calculations of data from publicly disclosed financial statements, and may differ from the issuer's own data and ratios.

Table 6

Mediobanca SpA--Funding And Liquidity				
(%)	--Year ended June 30--			
	2022	2021	2020	2019
Core deposits/funding base	51.4	50.6	48.2	47.7
Customer loans (net)/customer deposits	140.1	147.9	153.8	146.9
Long-term funding ratio	85.7	87.0	87.7	83.0
Stable funding ratio	110.8	107.0	108.0	105.0
Short-term wholesale funding/funding base	16.3	15.2	14.1	19.4
Broad liquid assets/short-term wholesale funding (x)	2.0	1.9	2.0	1.5
Broad liquid assets/total assets	26.2	22.2	21.6	23.5

Table 6

Mediobanca SpA--Funding And Liquidity (cont.)				
(%)	--Year ended June 30--			
	2022	2021	2020	2019
Broad liquid assets/customer deposits	64.9	57.3	56.9	62.0

Mediobanca's fiscal year ends on June 30. Year-end financial statements are audited, consolidated, and prepared according to International Financial Reporting Standards. The data and ratios are S&P Global Ratings' adjustments or calculations of data from publicly disclosed financial statements, and may differ from the issuer's own data and ratios.

Appendix

Mediobanca SpA: Notching

		AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-
Issuer level	Resolution counterparty rating															
	Issuer credit rating															
Stand-alone credit profile																
Issue level	Senior unsecured															
	Senior subordinated															
	Tier 2															

Key to notching

----- Group stand-alone credit profile

----- Issuer credit rating

1a Contractual subordination

1c Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.

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Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment: Italy, Sept. 1, 2022
- Outlook On 11 Italian Banks Revised To Stable From Positive Following Similar Action On Sovereign; Ratings Affirmed, July 29, 2022
- Italy Outlook Revised To Stable From Positive On Risks To Reforms; Ratings Affirmed, July 26, 2022
- Mediobanca SpA, May 25, 2022
- Bulletin: Mediobanca's Diversified And Predictable Business Strategy Remains Key To Support Its Resilient Returns, May 12, 2022

Ratings Detail (As Of November 28, 2022)*

Mediobanca SpA

Issuer Credit Rating	BBB/Stable/A-2
Resolution Counterparty Rating	BBB+/-/A-2
Commercial Paper	
<i>Foreign Currency</i>	A-2
Senior Unsecured	BBB
Short-Term Debt	A-2
Subordinated	BB+

Issuer Credit Ratings History

29-Jul-2022	BBB/Stable/A-2
23-Nov-2021	BBB/Positive/A-2
11-Mar-2021	BBB/Stable/A-2
30-Oct-2018	BBB/Negative/A-2

Sovereign Rating

Italy	BBB/Stable/A-2
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Related Entities

MB Funding Lux S.A.

Issuer Credit Rating	BBB/Stable/A-2
Resolution Counterparty Rating	BBB+/-/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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