

# RatingsDirect®

---

## Summary:

# Mediobanca SpA

### Primary Credit Analyst:

Regina Argenio, Milan (39) 02-72111-208; [regina.argenio@spglobal.com](mailto:regina.argenio@spglobal.com)

### Secondary Contact:

Mirko Sanna, Milan (39) 02-72111-275; [mirko.sanna@spglobal.com](mailto:mirko.sanna@spglobal.com)

## Table Of Contents

---

Major Rating Factors

Outlook

Rationale

Related Criteria

Related Research

Summary:

# Mediobanca SpA

<b>SACP</b>	<b>bbb</b>		+	<b>Support</b>	<b>0</b>	+	<b>Additional Factors</b>	<b>0</b>
<b>Anchor</b>	<b>bbb-</b>			<b>ALAC Support</b>	<b>0</b>		<b>Issuer Credit Rating</b>  <b>BBB/Stable/A-2</b>	
<b>Business Position</b>	<b>Adequate</b>	<b>0</b>		<b>GRE Support</b>	<b>0</b>			
<b>Capital and Earnings</b>	<b>Adequate</b>	<b>0</b>		<b>Group Support</b>	<b>0</b>			
<b>Risk Position</b>	<b>Strong</b>	<b>+1</b>		<b>Sovereign Support</b>	<b>0</b>			
<b>Funding</b>	<b>Average</b>	<b>0</b>						
<b>Liquidity</b>	<b>Adequate</b>							

## Major Rating Factors

Strengths:	Weaknesses:
<ul style="list-style-type: none"> <li>• Sound asset quality ratios.</li> <li>• Satisfactory capitalization.</li> <li>• Improving earning stability.</li> </ul>	<ul style="list-style-type: none"> <li>• Higher reliance on wholesale funding than domestic peers.</li> <li>• Single-name concentration</li> <li>• Business concentraion in Italy.</li> </ul>

## Outlook: Stable

S&P Global Ratings' outlook on Mediobanca is stable reflecting our expectation that the bank's asset quality will continue to outperform the Italian financial system average, in line with its track record, while preserving its sound capitalization in the next 24 months. We expect its risk-adjusted capital (RAC) ratio to remain around 8% over the same period.

We could raise the rating on Mediobanca if we raised the ratings on Italy and, at the same time, we considered that Mediobanca's capitalization had materially strengthened, leading our measure of the bank's RAC ratio to increase above 10%. We could also take this action if the Italian operating environment improved, ultimately resulting in a strengthening of bank's creditworthiness and, therefore, leading to a higher anchor for the bank.

We could lower the ratings if we downgraded Italy, as we believe it is unlikely that Mediobanca will continue to fulfil its obligations in a timely manner in the event of an Italian sovereign default, given its domestic concentration. Although appears unlikely at this stage, we could also lower the ratings on Mediobanca if we anticipated that the bank's superior asset quality had deteriorated or if we anticipated that it could not maintain its RAC ratio sustainably above 7%, most likely due to material expansion of the bank's business not sustained by internal capital generation.

## Rationale

The ratings on Mediobanca primarily reflect our view that the bank will maintain stronger-than-peers' asset quality and sound capitalization.

Mediobanca's superior asset quality is the result of the bank's prudent risk selection process, strict controls and efficient nonperforming exposure (NPEs) management. This results in a considerably lower stock of NPEs than peers. As of September 2017, the NPE ratio was 5.4% compared with an average 18.7% for Italian banks.

In addition, the bank's specific coverage of NPEs, at about 55% as of September 2017, compares well with Mediobanca's domestic peers'. We expect the bank to maintain lower-than-Italian average cost of risk at about 80 basis points over the next 24 months. That said, Mediobanca's shows some single-name concentration in its equity and loan book, which adds some risk in our view.

We expect Mediobanca to maintain satisfactory capitalization overall, in relation to its risk profile. Specifically, we forecast that its RAC ratio will remain around 8.0-8.5% in June 2019 from about 8.2% in June 2016. This incorporates the benefits of the ongoing reduction in equity exposure. We are also factoring in that capital above about 12% Common Equity Tier 1 ratio will be used to finance acquisition to expand its wealth management business or distributed to shareholders, if no acquisition materializes.

We also consider that Mediobanca will continue to expand in the retail business and benefit from a solid domestic corporate and investment banking franchise. We anticipate that Mediobanca's successful completion of this business plan would allow the bank to improve its profitability prospects as well as its earnings stability.

The bank has a higher-than-domestic-peers' recourse to wholesale funding, with 25.9% of its funding coming from bonds placed with institutional investors, 9% from deposits from the European Central Bank, and 12.8% from

interbank deposits, as of Sept. 30, 2017. That said, its demonstrated capacity to obtain retail funds partly offsets this risk, in our view. In addition, the bank's long-term funding maturities are well spread over time and we calculated that the bank's broad liquid assets covered by more than 1x its short-term wholesale funding, as of end-June 2017.

## Related Criteria

- 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
- Criteria - Financial Institutions - Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

## Related Research

- Positive Actions Taken On Italian Banks On Reduced Economic Risks And Sovereign Upgrade, Oct. 31, 2017
- Italy Upgraded To 'BBB/A-2' On Firming Economic Recovery; Outlook Stable, Oct. 27, 2017
- The ECB's Proposed Guidance For Nonperforming Exposures Could Beef Up Banks' Balance Sheets, Oct. 16, 2017

Anchor Matrix										
Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

**Additional Contact:**

Financial Institutions Ratings Europe; FIG\_Europe@spglobal.com

Copyright © 2017 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.