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## Update: Mediobanca SpA

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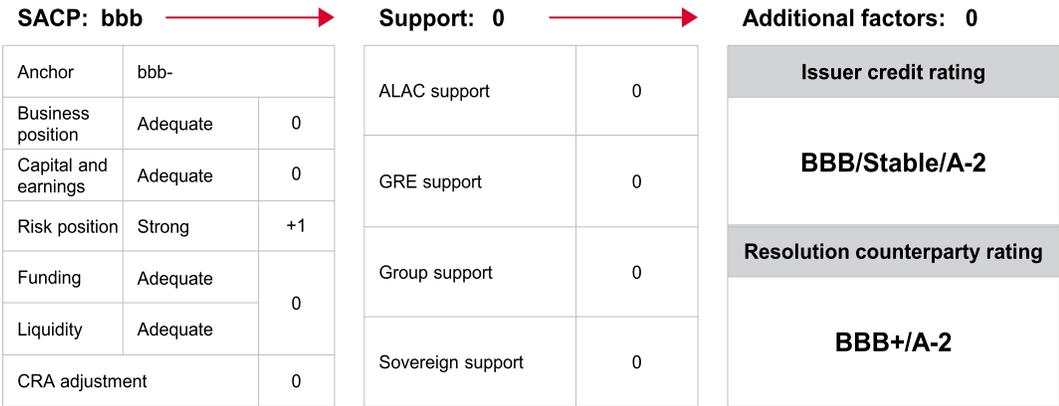
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# Update: Mediobanca SpA

## Ratings Score Snapshot

Global Scale Ratings	
<b>Issuer Credit Rating</b>	BBB/Stable/A-2
<b>Resolution Counterparty Rating</b>	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

Overview	
Key strengths	Key risks
Stronger-than-peers' credit risk profile, leading to healthier asset-quality metrics.	Exposure to high, albeit diminished, economic risks we see in Italy.
Well-diversified business model, resulting in resilient earnings throughout the cycle.	
Sound capitalization.	

*Thanks to its well-diversified business model, we think Mediobanca is well placed to cope with the main cyclical and structural headwinds that most banks in Europe face.* Mediobanca's recently disclosed 2023-2026 business plan is in line with the group's diversification strategy, which has supported its creditworthiness in previous challenging years. Although management's guidance is higher than our projections, it is consistent with our view that Mediobanca's steady expansion in wealth management, as well as the growing market penetration of its consumer finance business, will support the group's profitability prospects and earnings stability in the coming years, despite macroeconomic uncertainty (see chart 1).

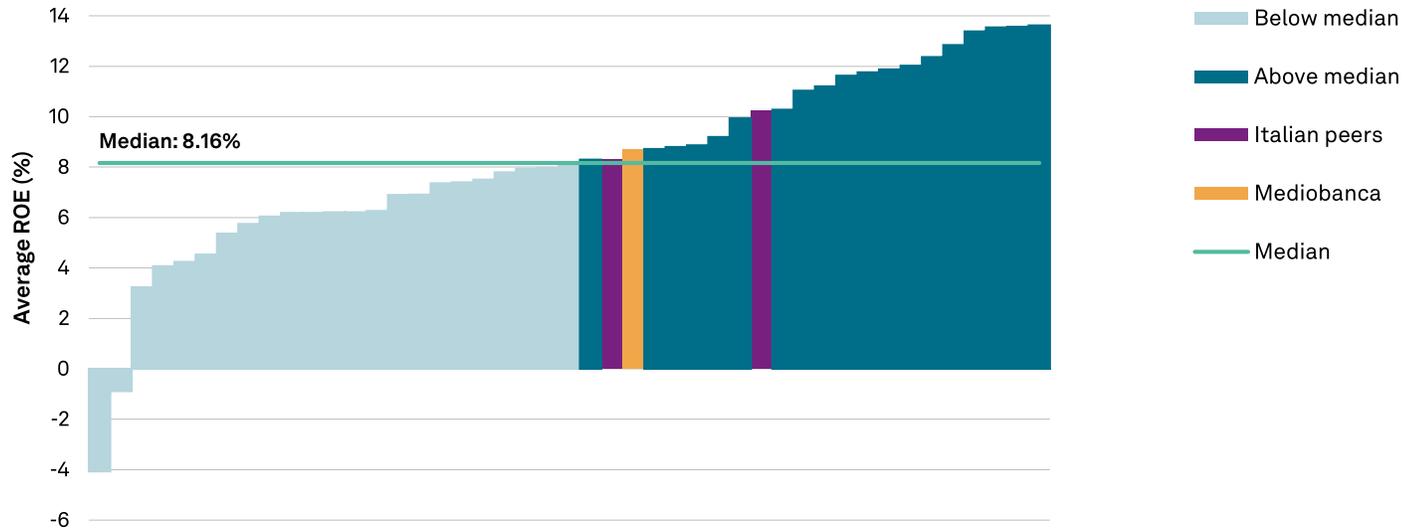
***We also anticipate that the bank will preserve a better risk profile than peers'***. This is primarily because of the bank's lower-than-peers' exposure to small and midsize enterprises and the high geographic diversification in its portfolio of large corporate clients, of which about 75% have turnover outside Italy. This, coupled with its conservative underwriting standards, should help Mediobanca maintain lower-than-system-average credit losses and new inflows of nonperforming exposures.

***Despite Mediobanca's recently announced generous shareholder remuneration policy, we forecast the group's risk-adjusted capital (RAC) ratio to be 9.5%-10.0% over the next two years.*** The bank's recurring and diversified revenue generation, outstanding cost efficiency, and contained credit losses will continue to support its internal capital generation. In addition, we foresee that Mediobanca's 13% stake in Assicurazioni Generali will continue to steadily contribute about 13% of Mediobanca's revenue target. In our view, this confirms Assicurazioni Generali's important countercyclical contribution to the resilience of the group's profitability.

***We think Mediobanca's ownership structure and its large stake in Assicurazioni Generali add complexity to its governance.*** Delfin is currently the group's largest shareholder with 19.7% shares, followed by Mr. Francesco Gaetano Caltagirone, an Italian businessman, who recently increased his stake to almost 10% from 5.6%. Of the remaining capital, about 45% is held by institutional investors, 10.9% is split between a few investors who signed a consultation agreement, and most of the rest is held by other retail investors. We will continue to monitor how the latest, or any further, changes to the bank's shareholder structure might affect Mediobanca's governance and strategy. At end-October 2023, the term of the board and management team was extended for further three years. We therefore do not anticipate any meaningful change to the bank's strategy, and we expect management to remain committed to implementing the recently disclosed 2023-2026 business plan.

Chart 1

Mediobanca's ROE compares well with European and Italian peers  
2020-2025f



f--Forecast. ROE--Return on equity. Source: S&P Global Ratings.  
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## 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 lowered the long-term rating on Italy. This is because we think the bank is unlikely to withstand the effects of a hypothetical sovereign default, given its high exposure to the Italian economy. In addition, we could take a negative rating action if we concluded that the bank's governance structure would lead to a more aggressive or risky strategy.

### Upside scenario

We could consider an upgrade if we raised our long-term rating on Italy and concluded that Mediobanca's intrinsic creditworthiness had strengthened. In particular, we would consider an upgrade if our two-year projections for the bank's RAC ratio were to move closer to 10%, owing to better-than-expected internal capital generation, and, at the same time, the bank maintained stronger operating performance than peers' and its risk profile remained resilient to macroeconomic uncertainty.

### Hybrids

We do not assign outlooks to bank issue ratings. However, we will continue to derive the ratings on Mediobanca's hybrids by deducting notches from the lower of the stand-alone credit profile (SACP) and the long-term issuer credit rating. Therefore, if we were to lower the issuer credit rating or revise downward our assessment of the SACP, we would also lower the ratings on the bank's subordinated debt and senior nonpreferred instruments.

## Key Metrics

### Mediobanca SpA--Key ratios and forecasts

(%)	--Fiscal year ended Jun. 30 --				
	2021a	2022a	2023a	2024f	2025f
Growth in customer loans	2.7	7.5	1.5	1.5-2.5	2.0-3.0
Growth in operating revenue	2.7	8.5	15.9	0.5-1.5	0.0-1.0
Cost to income ratio	47.1	46.0	42.8	44.0-45.0	45.0-46.0
New loan loss provisions/ average customer loans (basis points)	41	55	52	60-70	50-60
Gross nonperforming assets/ customer loans	4.0	3.2	3.0	3.0-3.5	2.5-3.0
Risk-adjusted capital ratio	9.3	9.9§	9.5-10.0*	9.5-10.0	9.5-10.0

All figures are S&P Global Ratings-adjusted. \*Estimate. §With economic risk score of '5' for Italy's BICRA. a--Actual. f--Forecast. NIM--Net interest margin.

## Key Statistics

**Table 1**

Mediobanca SpA--Key figures					
	--Year-ended June 30--				
(Mil. €)	2023	2022	2021	2020	2019
Adjusted assets	90,842.3	89,730.0	81,854.6	78,133.7	77,343.0
Customer loans (gross)	53,625.6	52,816.9	49,133.4	47,826.2	45,038.5
Adjusted common equity	9,681.8	8,673.7	8,673.5	8,419.4	7,850.8
Core earnings	1,167.9	989.1	874.9	623.0	783.1

Mediobanca's fiscal years end 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	3.8	3.5	3.5	3.3	3.1
Deposit market share in country of domicile	1.6	1.4	1.3	1.3	1.3
Total revenues from business line (currency in millions)	3,304.5	2,850.8	2,628.4	2,633.7	2,571.2
Commercial & retail banking/total revenues from business line	51.4	59.1	61.1	62.5	64.3
Trading and sales income/total revenues from business line	6.2	5.7	7.5	(0.7)	(0.3)
Insurance activities/total revenues from business line	13.7	12.6	10.3	11.5	12.4
Asset management/total revenues from business line	24.5	25.1	23.5	22.2	21.3
Other revenues/total revenues from business line	4.1	(2.5)	(2.4)	4.5	2.2
Return on average common equity	9.3	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	15.9	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	8.2	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	54.7	52.4	53.9	56.3	56.1
Fee income/operating revenues	24.6	28.7	27.0	23.0	22.6
Market-sensitive income/operating revenues	6.2	5.7	7.5	5.3	7.9
Cost to income ratio	42.8	46.0	47.1	51.3	50.6
Provision operating income/average assets	2.1	1.8	1.7	1.6	1.6

Table 3

Mediobanca SpA--Capital and earnings (cont.)					
	--Year-ended June 30--				
(%)	2023	2022	2021	2020	2019
Core earnings/average managed assets	1.3	1.1	1.1	0.8	1.0

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Table 4

Mediobanca Banca di Credito Finanziario S.p.A--Risk-adjusted capital framework data						
(€ 000s)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)	
<b>Credit risk</b>						
Government & central banks	15,042,664.7	211,304.2	1.4	4,580,866.4	30.5	
Of which regional governments and local authorities	306.9	62.5	20.4	145.9	47.6	
Institutions and CCPs	8,516,097.0	1,552,077.3	18.2	697,502.6	8.2	
Corporate	30,635,055.2	16,882,359.8	55.1	23,965,301.1	78.2	
Retail	27,970,169.3	12,403,970.1	44.3	21,256,628.8	76.0	
Of which mortgage	12,413,969.0	1,566,891.5	12.6	5,748,448.5	46.3	
Securitization§	1,021,253.1	103,506.9	10.1	1,095,912.7	107.3	
Other assets†	2,329,383.3	2,633,928.1	113.1	4,322,313.4	185.6	
Total credit risk	85,514,622.5	33,787,146.3	39.5	55,918,524.9	65.4	
<b>Credit valuation adjustment</b>						
Total credit valuation adjustment	--	373,402.3	--	0.0	--	
<b>Market Risk</b>						
Equity in the banking book	5,431,351.0	9,517,250.5	175.2	23,053,938.7	424.5	
Trading book market risk	--	2,430,968.7	--	3,565,476.1	--	
Total market risk	--	11,948,219.2	--	26,619,414.8	--	
<b>Operational risk</b>						
Total operational risk	--	4,269,186.3	--	5,376,425.0	--	
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA	
<b>Diversification adjustments</b>						
RWA before diversification	--	50,377,954.1	--	87,914,364.7	100.0	
Total Diversification/ Concentration Adjustments	--	--	--	7,552,601.2	8.6	
RWA after diversification	--	50,377,954.1	--	95,466,965.9	108.6	
		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)	
Capital ratio before adjustments		7,894,333.6	15.7	8,673,725.0	9.9	
Capital ratio after adjustments‡		7,894,333.6	15.7	8,673,725.0	9.1	

**Table 4****Mediobanca Banca di Credito Finanziario S.p.A--Risk-adjusted capital framework data (cont.)**

The calculation is based on Italy's BICRA economic risk of '5', recently revised. \*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). RAC--Risk-adjusted capital. RW--Risk weight. RWA--Risk-weighted assets. 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	1.5	7.5	2.7	6.2	7.1
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	10.8	9.8	9.3	6.2
New loan loss provisions/average customer loans	0.5	0.5	0.4	0.9	0.5
Gross nonperforming assets/customer loans + other real estate owned	3.0	3.2	4.0	4.8	5.1
Loan loss reserves/gross nonperforming assets	105.7	97.1	85.5	69.0	60.2

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**Table 6****Mediobanca SpA--Funding and liquidity**

(%)	--Year-ended June 30--				
	2023	2022	2021	2020	2019
Core deposits/funding base	53.5	51.4	50.6	48.2	47.7
Customer loans (net)/customer deposits	137.5	140.1	147.9	153.8	146.9
Long-term funding ratio	86.0	85.7	87.0	87.7	83.0
Stable funding ratio	108.5	110.8	107.0	108.0	105.0
Short-term wholesale funding/funding base	16.1	16.3	15.2	14.1	19.4
Regulatory net stable funding ratio	119.0	115.0	116.0	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	2.0	2.0	1.9	2.0	1.5
Broad liquid assets/customer deposits	61.1	64.9	57.3	56.9	62.0
Regulatory liquidity coverage ratio (LCR) (x)	1.8	1.6	1.6	N/A	N/A

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**Mediobanca SpA--Rating component scores**

Issuer Credit Rating	BBB/Stable/A-2
SACP	bbb
Anchor	bbb-
Economic risk	5
Industry risk	5
Business position	Adequate
Capital and earnings	Adequate
Risk position	Strong

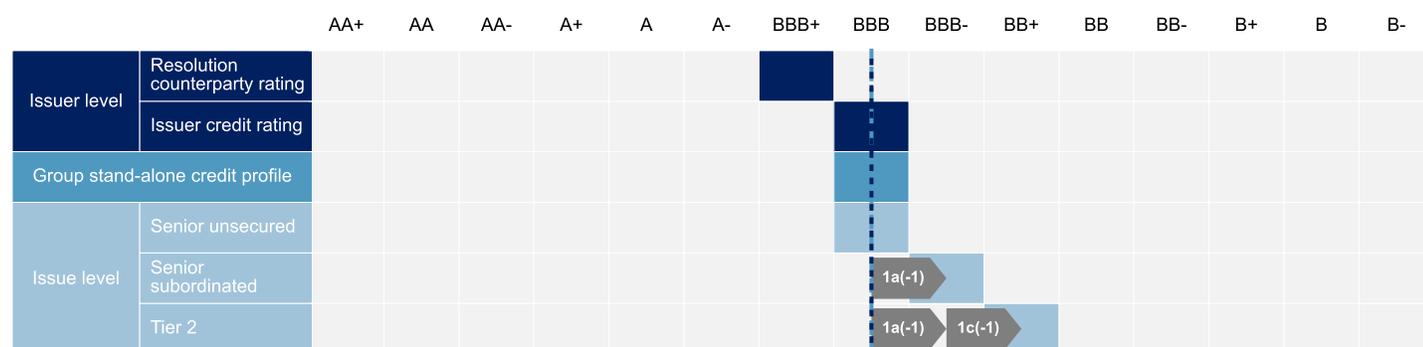
### Mediobanca SpA--Rating component scores (cont.)

Issuer Credit Rating	BBB/Stable/A-2
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

## Appendix

### Mediobanca SpA: Notching



#### 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 | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, 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

- Various Rating Actions On Italian Banks On Balance Sheets' Resilience To Economic Cycles, Oct. 25, 2023
- Italy 'BBB/A-2' Ratings Affirmed; Outlook Stable, Oct. 20, 2023
- Bulletin: Mediobanca SpA's Diversified And Prudent Growth Strategy Balances A More Generous Capital Distribution, May 24, 2023
- Bulletin: Mediobanca's Latest Results Suggest Resilience To Anticipated Challenges, Feb. 9, 2023

### Ratings Detail (As Of December 13, 2023)\*

#### 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

#### 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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