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Update: Mediobanca SpA

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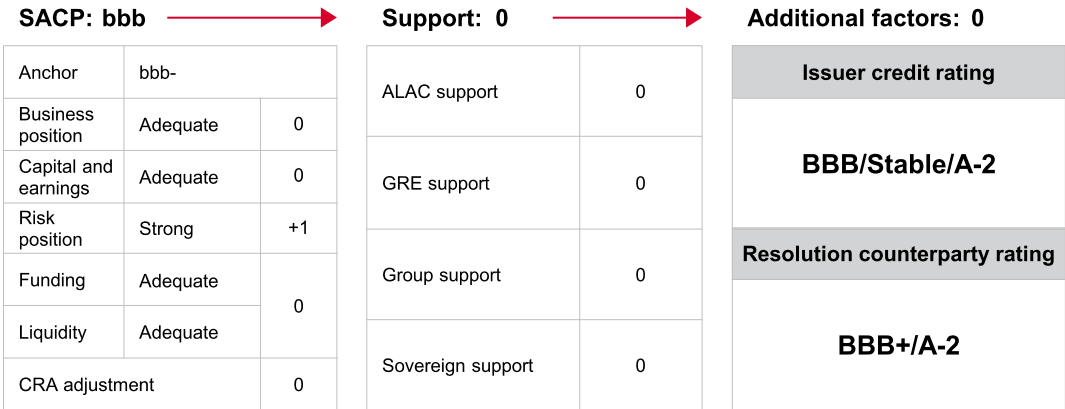
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Related Research

Update: Mediobanca SpA

Ratings Score Snapshot

Global Scale Ratings	
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

Overview	
Key strengths	Key risks
Stronger-than-peers' credit risk profile, leading to healthier asset-quality metrics.	High concentration in Italy.
Well-diversified business model, resulting in resilient earnings throughout the cycle.	
Sound capitalization.	

S&P Global Ratings considers Mediobanca well-placed to benefit from the diminishing industry risks in Italy. We anticipate that Mediobanca's well-diversified business model and strong efficiency will continue to support its creditworthiness over the next few years. Although management's guidance on revenue through 2026 is higher than our projections, it is consistent with our view that Mediobanca's steady expansion in wealth management, and the growing market penetration of its consumer finance business, will support the group's profitability prospects and earnings stability in the coming years.

We project the group's risk-adjusted capital (RAC) ratio will remain 9.5%-10.0% over the next two years. Despite falling interest rates, we anticipate that the bank's earnings capacity will remain strong, and in line with that of EU bank peers (see chart 1). Its recurring and diversified revenue base, outstanding cost efficiency, and contained credit losses

is forecast to provide it with enough funds to remunerate shareholders. In addition, we predict that Mediobanca's 13% stake in Assicurazioni Generali will make a steady contribution amounting to 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. Our RAC projections also take into account the generous shareholder remuneration policy that Mediobanca has announced, which entails a 70% dividend pay-out ratio, plus an additional €1 billion cumulative share buyback over 2023-2026.

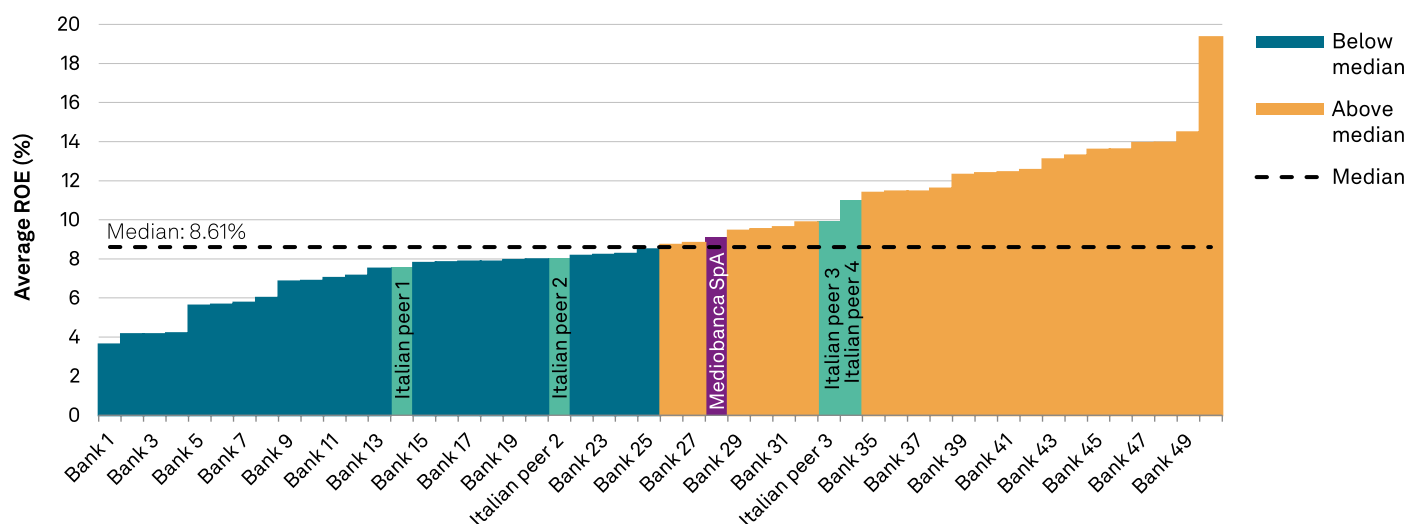
Finally, we anticipate that Mediobanca's risk profile will remain stronger than that of peers'. This is primarily because its exposure to small and midsize enterprises is lower than peers' and its portfolio of large corporate clients demonstrates high geographic diversification. About 70% of its large corporate clients generate some of their turnover outside Italy. Coupled with the bank's conservative underwriting standards, we expect this to help Mediobanca maintain credit losses and new inflows of nonperforming exposures that are below the system average.

In our view, Mediobanca's ownership structure and its large stake in Assicurazioni Generali add complexity to its governance. The group's largest shareholder, Delfin, currently hold 19.7% of the shares, followed by Mr. Francesco Gaetano Caltagirone, an Italian businessman, who recently increased his stake to almost 10% from 5.6%. Of the remaining shares, about 45% is held by institutional investors and 10.9% is split between a few investors who signed a consultation agreement; most of the rest is held by other retail investors. We will continue to monitor how changes to the bank's shareholder structure, including the most recent change, affect Mediobanca's governance and strategy. At the end of October 2023, the term of the board and management team was extended for a further three years, indicating that the bank's strategy is unlikely to show meaningful change over this period. We expect management to remain committed to implementing its 2023-2026 business plan.

Chart 1

Mediobanca's ROE compares well with that of European and Italian peers

Average ROE of 2021-2026f



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 our ratings on Mediobanca and MB Funding Lux if we lowered our long-term sovereign 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. We could also lower the ratings on the bank and its subsidiary if we concluded that its governance structure likely to 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 we conclude that domestic operating conditions have improved or if our two-year projections for the bank's RAC ratio exceed 10%, provided that the bank's operating performance and risk profile remained stronger than peers'.

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 our ratings on the bank's subordinated debt and senior nonpreferred instruments.

Key Metrics

Mediobanca SpA--Key ratios and forecasts

(%)	--Fiscal year ended Jun. 30 --				
	2022a	2023a	2024f	2025f	2026f
Growth in customer loans	7.5	1.5	(2.5)-(3.5)	2.5-3.5	2.5-3.5
Growth in operating revenue	8.5	15.9	5.0-6.0	(0.5)-0.5	2.5-3.5
Cost to income ratio	46.0	42.8	43.0-44.0	44.0-45.0	44.0-45.0
New loan loss provisions/average customer loans (basis points)	54.9	52.1	55-65	50-60	50-60
Gross nonperforming assets/customer loans	3.2	3.0	3.0-3.5	2.5-3.0	2.5-3.0
Risk-adjusted capital ratio	9.1	10.0*	9.5-10	9.5-10	9.5-10

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

Key Statistics

Table 1

Mediobanca SpA--Key figures					
--Year-ended June 30--					
(Mil. €)	Six months to Dec. 31, 2023	2023	2022	2021	2020
Adjusted assets	93,805.6	90,842.3	89,730.0	81,854.6	78,133.7
Customer loans (gross)	52,128.3	53,625.6	52,816.9	49,133.4	47,826.2
Adjusted common equity	9,456.0	9,675.2	8,673.7	8,673.5	8,419.4
Core earnings	640.1	1,167.9	989.1	874.9	623.0

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--					
(%)	Six months to Dec. 31, 2023	2023	2022	2021	2020
Loan market share in country of domicile	3.7	3.8	3.5	3.5	3.3
Deposit market share in country of domicile	1.3	1.6	1.4	1.3	1.3
Total revenues from business line (currency in millions)	1,730.6	3,304.5	2,850.8	2,628.4	2,633.7
Commercial & retail banking/total revenues from business line	50.3	51.4	59.1	61.1	62.5
Trading and sales income/total revenues from business line	5.4	6.2	5.7	7.5	(0.7)
Insurance activities/total revenues from business line	12.6	13.7	12.6	10.3	11.5
Asset management/total revenues from business line	26.2	24.5	25.1	23.5	22.2
Other revenues/total revenues from business line	5.5	4.1	(2.5)	(2.4)	4.5
Return on average common equity	11.0	9.3	8.4	7.8	6.2

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Table 3

Mediobanca SpA--Capital and earnings					
--Year-ended June 30--					
(%)	Six months to Dec. 31, 2023	2023	2022	2021	2020
Tier 1 capital ratio	15.3	15.9	15.7	16.3	16.1
S&P Global Ratings' RAC ratio before diversification	--	9.4	9.1	9.3	8.9
S&P Global Ratings' RAC ratio after diversification	--	8.5	8.2	8.4	8.2
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	57.6	54.7	52.4	53.9	56.3
Fee income/operating revenues	24.4	24.6	28.7	27.0	23.0
Market-sensitive income/operating revenues	5.4	6.2	5.7	7.5	5.3
Cost to income ratio	42.5	42.8	46.0	47.1	51.3

Table 3

Mediobanca SpA--Capital and earnings (cont.)					
	--Year-ended June 30--				
(%)	Six months to Dec. 31, 2023	2023	2022	2021	2020
Preprovision operating income/average assets	2.1	2.1	1.8	1.7	1.6
Core earnings/average managed assets	1.4	1.3	1.1	1.1	0.8

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 4

Mediobanca SpA--Risk-adjusted capital framework data					
(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government and central banks	12,645	106	1	3,726	29
Of which regional governments and local authorities	0	0	20	0	48
Institutions and CCPs	9,218	1,811	20	671	7
Corporate	30,647	17,498	57	23,546	77
Retail	29,333	12,727	43	22,292	76
Of which mortgage	13,127	1,961	15	6,124	47
Securitization§	835	102	12	786	94
Other assets†	2,135	2,200	103	3,913	183
Total credit risk	84,812	34,445	41	54,933	65
Credit valuation adjustment					
Total credit valuation adjustment	--	400	--	0	--
Market risk					
Equity in the banking book	4,475	9,809	219	32,422	724
Trading book market risk	--	2,093	--	3,067	--
Total market risk	--	11,902	--	35,490	--
Operational risk					
Total operational risk	--	4,684	--	5,890	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	51,432	--	96,313	100
Total diversification/ concentration adjustments	--	--	--	10,364	11
RWA after diversification	--	51,432	--	106,676	111
		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio before adjustments		8,178	15.9	9,675	10.0
Capital ratio after adjustments‡		8,178	15.9	9,675	9.1

Table 4**Mediobanca SpA--Risk-adjusted capital framework data (cont.)**

The calculation is based on Italy's BICRA Economic Risk 5, revised in October 2023. *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 (for example, 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, 2023, S&P Global Ratings.

Table 5**Mediobanca SpA--Risk position**

(%)	--Year-ended June 30--				
	Six months to Dec. 31, 2023	2023	2022	2021	2020
Growth in customer loans	(5.6)	1.5	7.5	2.7	6.2
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	10.2	10.8	9.8	9.3
New loan loss provisions/average customer loans	0.5	0.5	0.5	0.4	0.9
Gross nonperforming assets/customer loans + other real estate owned	2.5	3.0	3.2	4.0	4.8
Loan loss reserves/gross nonperforming assets	125.6	105.7	97.1	85.5	69.0

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

(%)	--Year-ended June 30--				
	Six months to Dec. 31, 2023	2023	2022	2021	2020
Core deposits/funding base	49.3	53.5	51.4	50.6	48.2
Customer loans (net)/customer deposits	135.6	137.5	140.1	147.9	153.8
Long-term funding ratio	79.5	86.0	85.7	87.0	87.7
Stable funding ratio	104.5	108.5	110.8	107.0	108.0
Short-term wholesale funding/funding base	23.1	16.1	16.3	15.2	14.1
Regulatory net stable funding ratio	119.6	119.0	115.0	116.0	N/A
Broad liquid assets/short-term wholesale funding (x)	1.5	2.0	2.0	1.9	2.0
Broad liquid assets/customer deposits	71.1	61.1	64.9	57.3	56.9
Regulatory liquidity coverage ratio (%)	156.0	1.8	1.6	1.6	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

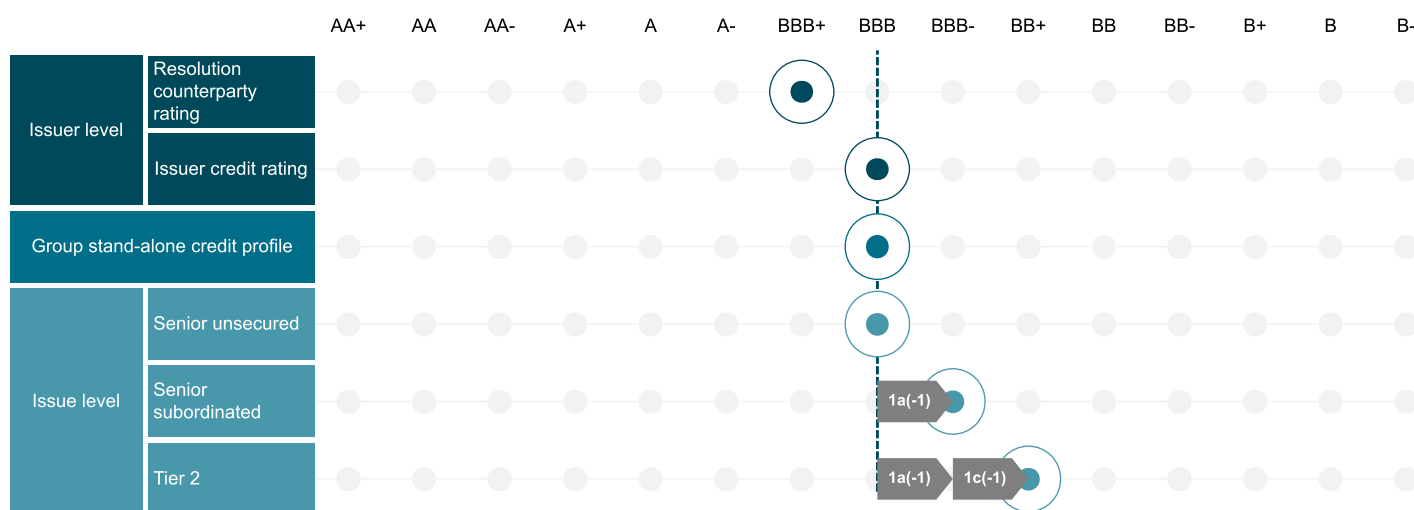
Mediobanca SpA--Rating component scores (cont.)

Issuer credit rating	BBB/Stable/A-2
Capital and earnings	Adequate
Risk position	Strong
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

- Issuer credit rating
- Group stand-alone credit profile
- 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

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April, 30, 2024
- 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
- 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, June 19, 2024
- Iccrea Banca Outlook Now Positive On Improved Domestic Operating Conditions; Seven Italian Banks Affirmed At 'BBB-/A-3', June 18, 2024
- Italy, April 22, 2024
- Mediobanca, Dec. 13, 2023
- Various Rating Actions On Italian Banks On Balance Sheets' Resilience To Economic Cycles, Oct. 25, 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 July 10, 2024)*

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+

Ratings Detail (As Of July 10, 2024)*(cont.)

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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