

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings affirms Mediobanca S.p.A.'s ratings, outlook on issuer and senior unsecured debt ratings changed to negative**

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31 Jan 2025

#### **Rating action follows the announcement of an acquisition offer by Banca Monte dei Paschi di Siena S.p.A.**

Paris, January 31, 2025 -- Moody's Ratings (Moody's) has today affirmed all ratings and assessments of Mediobanca S.p.A.'s (Mediobanca) including its: Baa1/Prime-2 long-term (LT) and short-term (ST) deposit ratings, Baa1 LT issuer and senior unsecured debt ratings, (P)Baa1 senior unsecured Euro Medium-Term Note (MTN) programme ratings, Baa1/Prime-2 LT and ST Counterparty Risk Ratings (CRR), Baa3 junior senior unsecured debt, (P)Baa3 junior senior unsecured Euro MTN programme ratings, Ba1 and (P)Ba1 subordinated debt and Euro MTN programme ratings respectively, Prime-2 and (P)Prime-2 commercial paper and Other Short Term ratings respectively, Baa2(cr)/Prime-2(cr) LT and ST Counterparty Risk Assessment as well as its baa3 Baseline Credit Assessment (BCA) and Adjusted BCA.

We also changed the outlook on the LT issuer and senior unsecured debt ratings to negative from stable. The outlook on the LT deposit ratings remains stable.

Additionally we affirmed all the ratings of Mediobanca International (Luxembourg) SA, a fully-owned subsidiary of Mediobanca, whose issuances are fully guaranteed by Mediobanca: its Baa1 backed senior unsecured debt ratings, its (P)Baa1 backed senior unsecured Euro MTN programme ratings, its Prime-2 and (P)Prime-2 backed commercial paper and backed Other Short Term ratings respectively.

Finally, we changed the outlook on Mediobanca International (Luxembourg) SA's backed senior unsecured debt ratings to negative from stable.

The rating action is prompted by the announcement made by Banca Monte dei Paschi di Siena S.p.A. (MPS) on 24 January 2025, that it had launched a voluntary public tender offer fully in shares for all the shares of Mediobanca.

## RATINGS RATIONALE

### -- DETAILS OF THE TRANSACTION

The MPS offer involves share swaps valued at €13.3 billion, with the objective of delisting Mediobanca's shares. To finance this acquisition, MPS will convene an extraordinary shareholders meeting on 17 April 2025 to approve a capital increase of approximately €13 billion. MPS intends to initiate the exchange offer to Mediobanca's shareholders in June or July 2025, aiming to finalize the deal in the third quarter of the year.

The exchange offer is contingent upon obtaining a minimum acceptance level of 66.67% of Mediobanca's shareholders and all necessary regulatory approvals.

At this time, it is uncertain whether MPS will proceed with merging the entities or will keep Mediobanca as a separate subsidiary.

### -- AFFIRMATION OF THE BASELINE CREDIT ASSESSMENT

The affirmation of Mediobanca's baa3 BCA reflects the bank's robust solvency profile, underpinned by strong capitalization and diversified revenue streams. Those have significantly benefited from high-margin diversified businesses, including the rapid growth in consumer finance lending, as well as the solid performance of its other main business divisions. These strengths are counterbalanced by asset risks that exceed the Italian average, due to the concentration in its loan book inherent to its corporate and investment banking operations and its significant holding in Assicurazioni Generali S.p.A (Generali, A3 stable). The BCA also highlights the bank's high reliance on wholesale market funding.

Additionally, the affirmation of the bank's BCA reflects our assessment that, upon completion of the acquisition, Mediobanca would become part of a weaker group. This is balanced by the potential synergies from the business combination, as well as benefits such as earnings diversification and a stronger retail deposit base.

### -- AFFIRMATION OF LT DEPOSIT, ISSUER AND SENIOR UNSECURED DEBT RATINGS

The affirmation of Mediobanca's Baa1 LT deposit ratings and LT issuer and senior unsecured debt ratings takes into account the bank's baa3 BCA.

Mediobanca's LT deposit ratings are currently constrained at two notches above the Italian Baa3 sovereign rating.

Furthermore, considering the limited data on the mid-term funding of the combined entity, our assumptions of loss-given failure for junior deposits and senior unsecured debt through our Advanced Loss Given Failure (LGF) analysis remain unchanged. As a result, we continue to apply two notches of rating uplift for both the deposits and

senior unsecured debt ratings.

In the context of a combined entity, we assess the likelihood of government support for junior depositors and senior unsecured bondholders to remain low. Consequently, we do not assign any additional rating uplift.

## -- OUTLOOK

The outlook on Mediobanca's LT deposit ratings remains stable. Any potential downward pressure on its creditworthiness from a possible combination with MPS would likely be counterbalanced by an increase in the rating uplift for this liability class under our Advanced LGF analysis if the bank's BCA is downgraded. The current rating uplift from our Advanced LGF analysis is of three notches, but capped at two notches above the sovereign bond rating, as per our Banks methodology.

The stable outlook on the LT deposit ratings of Mediobanca is also in line with the stable outlook on Italy's sovereign rating.

The outlook on the bank's LT issuer and senior unsecured debt ratings was changed to negative, reflecting the downward pressure on Mediobanca's creditworthiness that could result from the combination with a weaker group such as MPS. This would not be off set by a higher degree of protection provided to senior creditors from the stock of bail-in-able liabilities.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade of Mediobanca's LT issuer and senior unsecured debt ratings is unlikely given the negative outlook on these obligations.

Additionally, an upgrade of Mediobanca's baa3 BCA and Baa1 LT deposit ratings is unlikely as long as the Italy's government bond rating is at Baa3.

Mediobanca's LT deposit ratings are unlikely to be downgraded following a deterioration of its credit profile in the context of MPS' acquisition, as a one-notch downgrade of its BCA would be offset by an equal one notch increase under our Advanced LGF analysis.

Factors that could lead to a downgrade of Mediobanca's LT issuer and senior unsecured debt ratings include a lower BCA triggered by significant capital-eroding losses, a deterioration in asset quality and liquidity, rising governance risks or a weakening in the bank's business model and earnings profile in case of MPS' acquisition, less loss absorbing capacity of liabilities instruments, or a downgrade of the sovereign debt rating below Baa3.

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2024 and available at <https://ratings.moodys.com/rmc-documents/432741>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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