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## Mediobanca SpA

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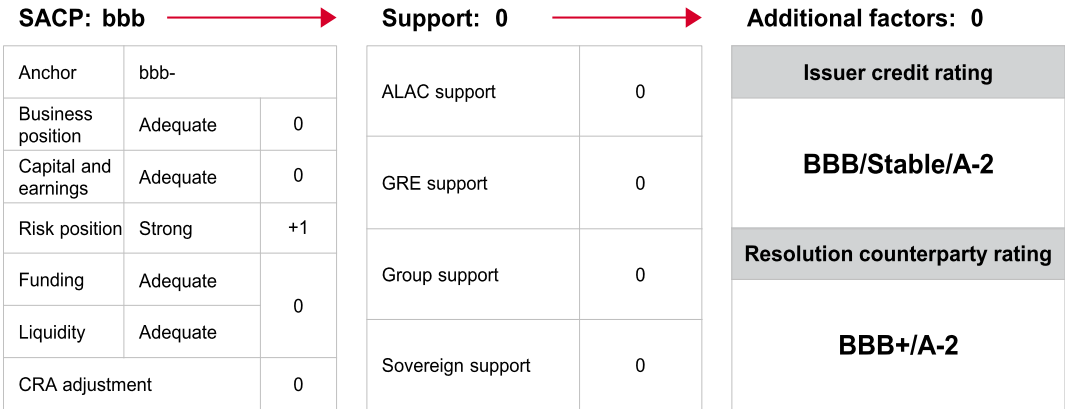
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# Mediobanca SpA

## 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

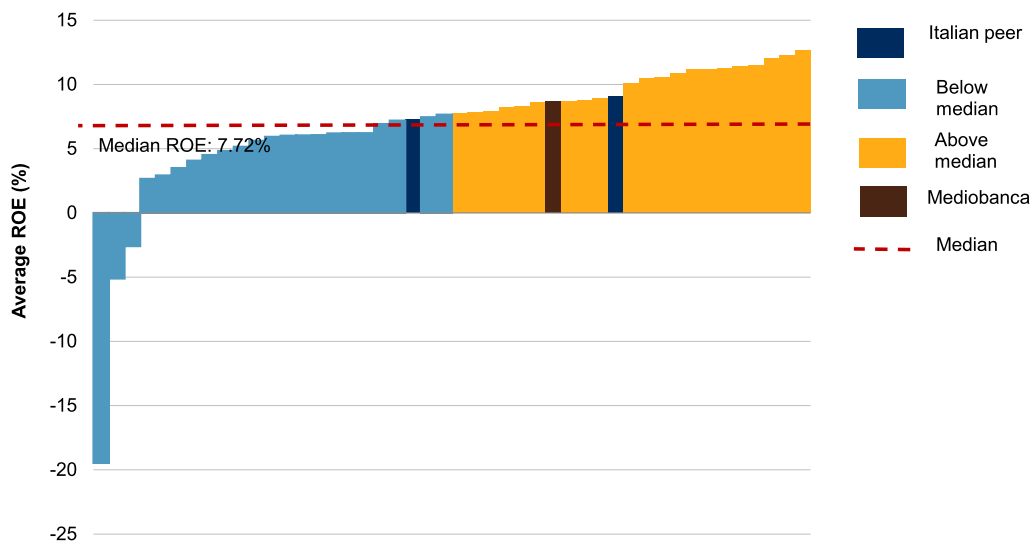
Overview	
Key strengths	Key risks
Stronger-than-peers credit risk profile, leading to healthier asset quality metrics.	Exposure to the high, albeit decreasing, economic risks we see in Italy.
Well-diversified business profile, resulting in resilient earnings throughout the cycle.	
Sound capitalization.	

*We anticipate Mediobanca's well-diversified business model will continue to support its profitability prospects and earnings stability in the coming years, despite macroeconomic uncertainty.* The bank's diversification into four core businesses--wealth management, corporate and investment banking (CIB), consumer finance, and insurance--has supported a track record of sound and resilient returns over the years, and we expect this will remain a competitive advantage. Overall, we expect Mediobanca's return on equity to be about 12% over the next two to three years, indicating that its profitability will likely remain stronger than that of most of its domestic and international peers (see chart 1).

## Chart 1

**Mediobanca's ROE is better than some Italian peers and European banks' median**

Average ROE of 2020a-2025f



f--Forecast. a--Actual. ROE--Return on equity. Source: S&amp;P Global Ratings.

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***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 (SMEs) and its high geographic diversification in its portfolio of large corporate clients. This, coupled with its conservative underwriting standards, should help Mediobanca maintain lower-than-system-average credit losses and new inflows of nonperforming exposures (NPEs).

***Despite Mediobanca's recently announced generous shareholder remuneration policy, we project the group's risk-adjusted capital (RAC) ratio to range between 8.5% and 9.0% over the next two years.*** This is close to the 9.1% reported in June 2022 and is still consistent with our capital assessment on the group. We also factor into our RAC projections our view that Mediobanca's 13% stake in Assicurazioni Generali will continue to support its internal capital generation.

***We also think that Mediobanca's ownership structure and large stake in Assicurazioni Generali add complexity to its governance.*** We expect the termination in October 2023 of the existing board and management team's mandate to test the group's governance stability. Although we do not anticipate any meaningful deviation, we will continue to monitor how any change in the bank's governance structure might affect Mediobanca's strategy.

## 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.

### 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'.

### 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.

### 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 revise 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--				
	2021a	2022a	2023f	2024f	2025f
Growth in customer loans	2.7	7.5	1.0-2.0	1.5-2.5	2.0-3.0
Growth in operating revenue	2.7	8.5	10.0-11.0	5.5-6.5	3.0-4.0
Cost to income ratio	47.1	46.0	44.0-45.0	43.5-44.5	43.5-44.5
New loan loss provisions/average customer loans (basis points)	40	55	65-75	70-80	60-70
Gross nonperforming assets/customer loans	4.0	3.2	2.7-3.2	3.0-3.5	2.5-3.0
Risk-adjusted capital ratio	9.3	9.1	9.0-9.5	8.8-9.3	8.5-9.0

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

## Anchor: 'bbb-', Based On Mediobanca's High Exposure To Italy

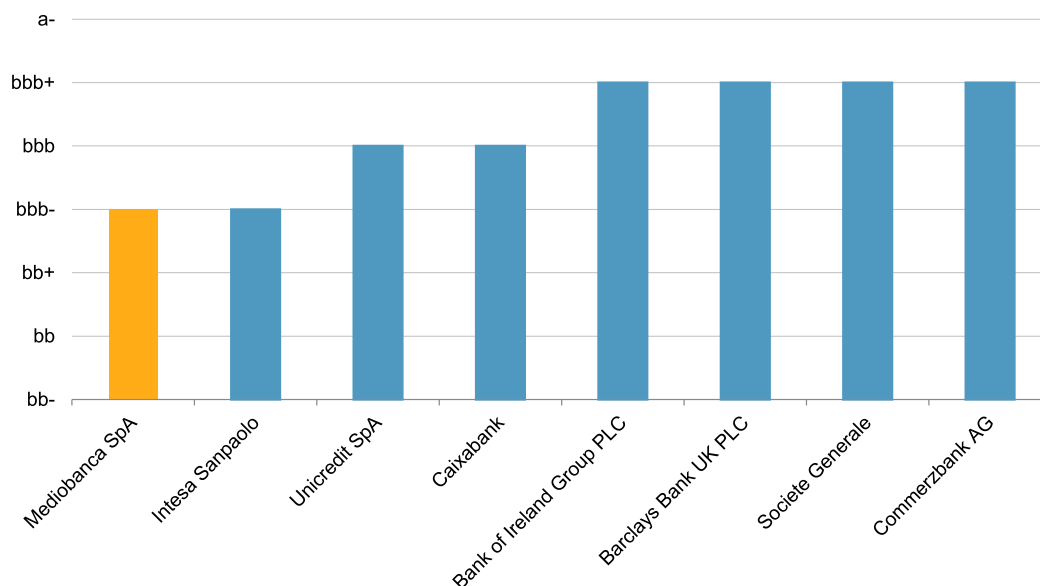
Our 'bbb-' anchor for Mediobanca is weaker than for most large European bank peers (see chart 2). The anchor reflects the bank's material exposure to the Italian economy, which carries a higher, albeit decreasing, economic risk than

other European banking sectors, in our view. This is despite Mediobanca's international corporate and investment banking (CIB) activities, which enable it to enjoy higher geographical business diversification than most other domestic banks, with about 25% of its total exposure abroad.

**Chart 2**

**Mediobanca has a lower anchor than peers because of the higher economic risks of its footprint**

Data as of June 19, 2023



Source: S&P Global Ratings.

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Banks in Italy face higher economic risks than most of its peers, despite the country's open and diversified economy, low leverage, and wealthy households. The substantial time needed for creditors in Italy to recover collateral and settle lawsuits--due to the less effective insolvency and foreclosure procedures and judicial system--remains a weakness compared with most advanced economies. High inflation, tightening monetary policy, and the economic slowdown will likely result in asset-quality deterioration. We anticipate that Italian banks' nonperforming exposures (NPEs) will increase somewhat in 2023 as economic conditions become less favorable and some previously implemented support measures expire. Nevertheless, we believe the deterioration will remain manageable for most banks. We therefore expect credit losses in 2023-2024 will remain just above the norm for Italian banks, at 90-100 basis points (bps) per year. These levels remain much lower than those in previous crises.

Industry risks are also relatively high, in our opinion. Despite the benefits of ongoing consolidation in reducing overcapacity in the banking sector, several players may not have enough earnings capacity to invest continuously and adequately to keep abreast of innovation and rapidly evolving customer preferences. Short to medium-term

refinancing risk has largely abated in recent years considering the large amount of customer deposits. However, the end of the TLTRO could still expose the weakness of some laggard banks, in our view. In addition, more than 80% of the Italian banking sector is under the direct supervision of the ECB.

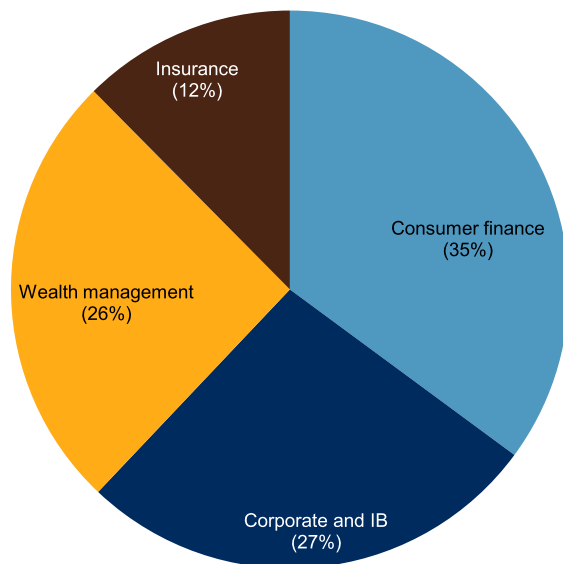
## Business Position: Key Competitive Advantage From Its Diversification Strategy

We consider that 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 (see chart 3). In particular, we understand the group intends to achieve €3.8 billion revenues by end-June 2026 through balanced growth in all four core businesses, including wealth management, corporate and investment banking, consumer finance, and insurance, with capital-light revenue contributing 50%, up from 30%. While 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.

### Chart 3

#### Mediobanca's revenues are well diversified

Data as of December 2022



Source: S&P Global ratings' estimate on company's public data, not including holding function.  
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Given its track record, we believe Mediobanca is well placed to achieve its profitability targets, but this would entail

better macroeconomic and market conditions than those we are currently factoring in our forecasts for the group. Overall, expect the group's return on equity to be about 12% over the next two to three years, indicating that its profitability will likely remain stronger than that of most domestic and international peers.

At the same time, we foresee that Mediobanca's 13% stake in Assicurazioni Generali will continue to steadily contribute about 13% to Mediobanca's revenue target. In our view, this confirms Assicurazioni Generali's important countercyclical contribution to the resilience of the group's profitability. We therefore think it would be difficult to replace Assicurazioni Generali in case of a sale, unless the group undertakes a significant acquisition with potential for high earnings and synergies generation. That said, we acknowledge that management has historically been disciplined and prudent in executing its acquisition strategy while preserving its solvency.

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 19.8% shares, followed by Mr. Francesco Gaetano Caltagirone, an Italian businessman, with a 5.6% stake. 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. The term of the current board and management team expires in October 2023, and we expect this to test the group's governance stability. Although we do not anticipate any meaningful deviation, we will continue to monitor how any change in the bank's governance structure might affect its strategy.

## **Capital And Earnings: Capitalization Sustained By Strong Operating Performance, Despite Generous Profit Distribution**

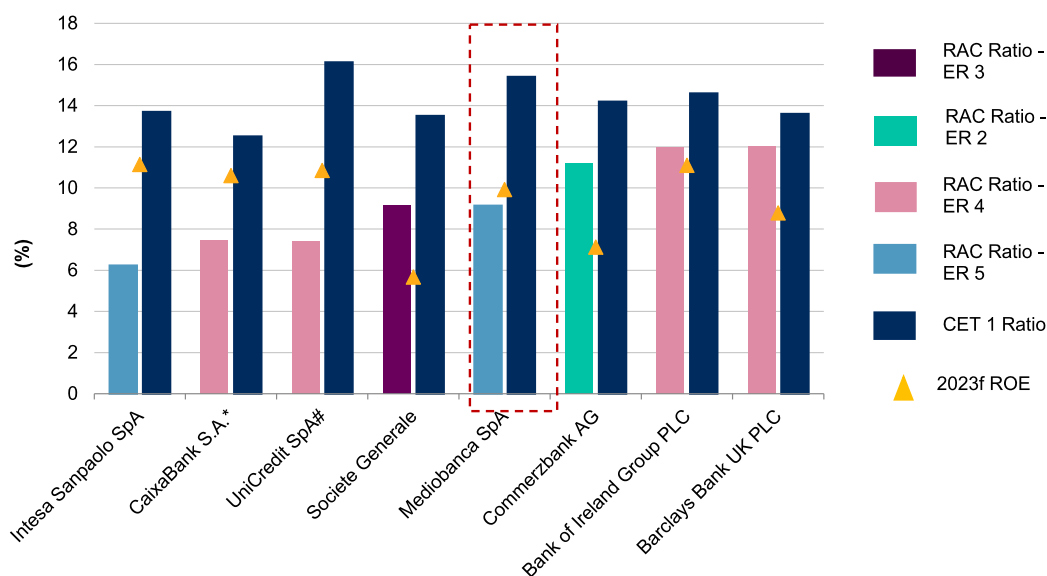
As a result of the bank's recurring and diversified revenue generation, outstanding cost efficiency, and contained credit losses, we expect the bank's RAC ratio to range between 8.5% and 9.0% over the next two years, higher than most other Italian banks (see chart 4). This is despite the generous shareholder remuneration policy that it recently disclosed in its new business plan.

The group aims to distribute €3.7 billion of capital to shareholders by maintaining the current 70% payout ratio on earnings, plus an additional €1 billion cumulative share buyback over the next three years. If implemented, the amount of capital distribution would be higher than that previously factored into our RAC projections, due to the share buyback. That said, a lower than previously expected increase in risk-weighted assets, based on the group's ambitions to pursue a selective asset growth, might partially offset the more generous capital distribution.



**Chart 4**

**Mediobanca's capitalization compares favourably with peers**



Footnote: CET1 as of March 2023. RAC as of December 2022 for all the entities, for Mediobanca as of June 2022, for UniCredit, Societe Generale, BOI Group as of December 2021. RAC--Risk-adjusted capital. CET1--Common equity Tier 1. ROE--Return on equity. f--Forecast. Source: S&P Global Ratings. Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

We also acknowledge that our RAC calculation is sensitive to potential changes in economic risk and the sovereign credit ratings on Italy. We estimate that potentially diminishing economic risks in Italy could add about 70-75 basis points (bps) to our RAC ratio forecasts.

Higher economic risks and weaker sovereign creditworthiness than in peer countries of operation have been the primary reasons for the material gap between our view of the bank's capitalization and its relatively sound regulatory capital ratios. Mediobanca expects to maintain a Common Equity Tier 1 (CET1) ratio of at least 14.5% by 2026. This includes the impact of Basel IV and about 100 bps of permanent benefit from the "Danish compromise" on its insurance stake, which compares with a 14% fully loaded ratio reported at end-March 2023.

Management remains open to potential acquisitions up to a maximum of 100 bps CET1 depletion, or not below its 13.5% internal floor. This level will remain well above its 7.95% CET1 regulatory Supervisory Review and Evaluation Process requirement. Our projections factor in that management will continue to pursue a disciplined and prudent acquisition strategy while preserving its solvency, as several bolt-on acquisitions completed over the past five years have demonstrated.

Finally, although Mediobanca's exposure to market risk declined following its disposal of a significant part of its equity

stakes, our estimate of the bank's RAC ratio remains subject to the volatility of the share price of Assicurazioni Generali, which accounts for the largest proportion of these stakes.

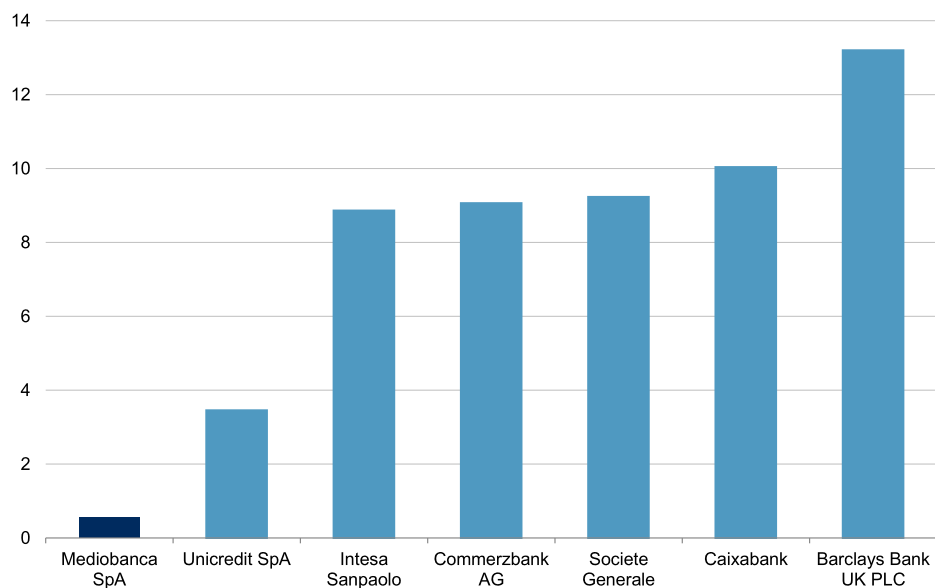
## **Risk Position: A Key Strength Supporting The Bank's Creditworthiness**

Mediobanca's risk profile will likely continue to benefit from its lower-than-peers exposure to small and midsize enterprises (SMEs) and economic sectors affected by the pandemic. Moreover, its corporate loan book enjoys high geographic diversification within its large client portfolio. The bank grants about 75% of its corporate loans to clients whose turnover is mainly outside Italy. Consequently, we anticipate that Mediobanca's credit losses will remain lower than those of most Italian banks throughout 2023-2025.

We also expect Mediobanca's NPE ratios to remain substantially below those of most domestic peers (see chart 5). The net NPE ratio was already an outstanding 0.6% as of end-March 2023, without taking into account the sizable loan loss reserves on Stage 1 and Stage 2 loans. The conservative underwriting standards and proactive loan collection process, enhanced by digital channels, should help the bank maintain a lower-than-system-average inflow of NPEs in its consumer loan book. In addition, the high level of NPE coverage through provisions, which includes €285 million of provision overlays not yet released, mostly against consumer loans, should provide a comfortable buffer to absorb the impact of potential asset quality deterioration in the coming quarters.

**Chart 5****Mediobanca's net nonperforming assets to TAC indicate better asset quality than peers**

As of December 2022



\*Including purchased NPEs. TAC--Total adjusted capital. Source: S&P Global Ratings. Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

Mediobanca does not have a complex balance sheet, although it operates in the investment banking business. The bank has a low asset-liability mismatch, and it limits its underwriting risk to short periods. We therefore consider that our RAC ratio adequately captures all Mediobanca's risks.

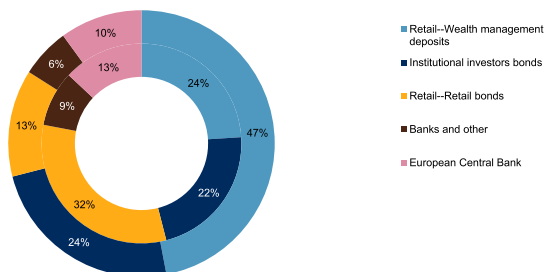
## Funding And Liquidity: High Reliance On Wholesale Funding, Despite Increased Retail Financing

We anticipate that Mediobanca will continue to sustainably finance its long-term funding needs through stable sources. As of Dec. 31, 2022, we estimate that the bank's net stable funding ratio was about 110%.

In the past few years, Mediobanca has progressively rebalanced its funding position and increased retail funding--which is now its main financing source--through its retail and private banking subsidiaries (see chart 6). Although the bank's reliance on wholesale funding remains higher than peers' (see chart 7), we think Mediobanca has spread its long-term wholesale funding maturities well. Over the past quarters, the bank prefunded the upcoming bond maturities, as well as more than half of the ECB's TLTRO expiring in 2024. As such, we anticipate that Mediobanca will comfortably manage the refinancing risks related to its remaining ECB's TLTRO financing. This amounted to €6.2 billion as of end-March 2023, after it had prepaid about €2.3 billion since December 2022.

### Chart 6

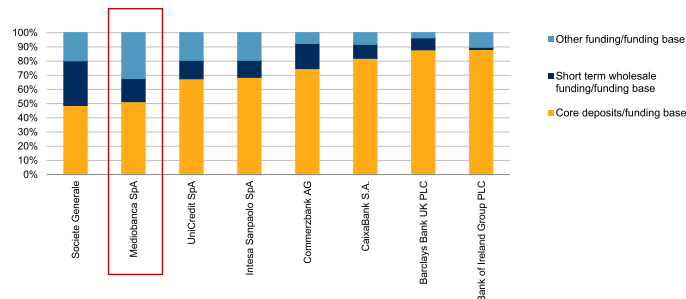
Mediobanca's funding composition has improved 2012 versus March 2023



Inner circle refers to 2012. Outer circle refers to March 2023.  
 Source: S&P Global Ratings.  
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### Chart 7

But its reliance on wholesale funding remains higher than peers As of December 2022



Source: S&P Global Ratings.  
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We also anticipate that Mediobanca will retain its comfortable liquidity buffers thanks to conservative liquidity management. Its regulatory Liquidity Coverage Ratio of 157%, as of end-March 2023, is close to the EU bank average of 165%, as of end-December 2022. In addition, the group's broad liquid assets covered its short-term wholesale funding by almost 2x, as of Dec. 31, 2022. Mediobanca's liquid assets are also highly diversified, with only €4 billion--or about 50% of its CET1--accounting for Italian government bonds (with a duration of 2.6 years), the lowest level among its domestic peers.

## Comparable Ratings Analysis (CRA) Adjustment: None

We currently do not apply any adjustment to arrive at the bank's SACP, based on our comparable ratings analysis.

## Extraordinary External Support: No Uplift For Additional Loss-Absorbing Capacity (ALAC)

We assess the resolution regime in Italy as effective and expect Mediobanca to be subject to a resolution that entails a bail-in if it reaches nonviability. However, we do not apply any uplift for ALAC because we expect the amount of ALAC on S&P Global Ratings' RWA to remain below the threshold we set for a higher potential ICR. Mediobanca's ALAC threshold is lower than our typical ALAC threshold of 3% due to its large equity investment in Generali, representing about 20% of the group's RWA, which would not need recapitalization in a resolution scenario. In our ALAC calculation, we include capital instruments issued by Mediobanca that have the capacity to absorb losses without triggering a default on senior obligations--namely subordinated debt, including €1 billion senior nonpreferred notes, and €300 million Tier 2 instruments that were issued in January 2023.

## Environmental, Social, And Governance: No Material Influence On Our Credit Rating Analysis Of Mediobanca

## ESG Credit Indicators

E-1	<b>E-2</b>	E-3	E-4	E-5	S-1	<b>S-2</b>	S-3	S-4	S-5	G-1	<b>G-2</b>	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.

We view positively management's strategy, aimed at preserving the bank' strong corporate and investment banking franchise while expanding in more stable businesses such as retail banking and asset management. We also consider that the recent changes to the bank's article of association have enhanced its governance structure by increasing minorities' representation at the board of directors. At the same time, we think Mediobanca's ownership structure and its large stake in Assicurazioni Generali add complexity to its governance. We will continue to monitor how the recent changes, as well as any further amendments, to the bank's shareholder structure might affect Mediobanca's governance and strategy. That said, we do not anticipate any meaningful changes to the bank's strategy.

In our view, Mediobanca's wealth management and consumer finance businesses expose the bank to conduct risks, but no differently from its peers. We have not observed any specific cases that have affected the bank recently. The bank's environmental exposure is mostly indirect, primarily through its financing and investing operations. It is facing transition risk because evolving environmental legislation and norms could affect the credit quality of its retail, small business, and corporate loan portfolios. Positively, the bank is including ESG criteria in all its new investing activities and it aims to further expand its offering of ESG products and services within its wealth management, consumer finance, and CIB business lines over the horizon of its new business plan. This, coupled with the signatory to the Net-Zero Banking Alliance in November 2021, and the issuance of an inaugural €500 million green bond in September 2020, demonstrates Mediobanca's efforts to play an active role in the transition to a greener economy, like other international players.

## Rated Subsidiaries

We align our ratings on MB Funding Lux with our rating on Mediobanca, reflecting our assessment that it is core to the parent. We base this on MB Funding Lux's integration into its parent, and the unconditional and irrevocable guarantees provided by Mediobanca, among other factors.

## Resolution Counterparty Ratings (RCRs)

Our RCRs on Mediobanca are one notch above our long-term ICR. The RCRs exceed the foreign currency long-term sovereign credit rating on Italy by one notch because we see a considerable likelihood that a sovereign default would not immediately trigger a default on the RCR liabilities. This reflects our view that, in a hypothetical stress scenario, authorities would initiate a resolution of Mediobanca, bailing in eligible liabilities that would be sufficient to help the bank absorb the impact of such an adverse scenario. We assume that, as part of the resolution process, Mediobanca would receive sufficient and timely liquidity support, primarily from the ECB, to meet the likely meaningful liquidity

outflows it would face. This means we rate MB Funding Lux's collateralized notes at 'BBB+'.

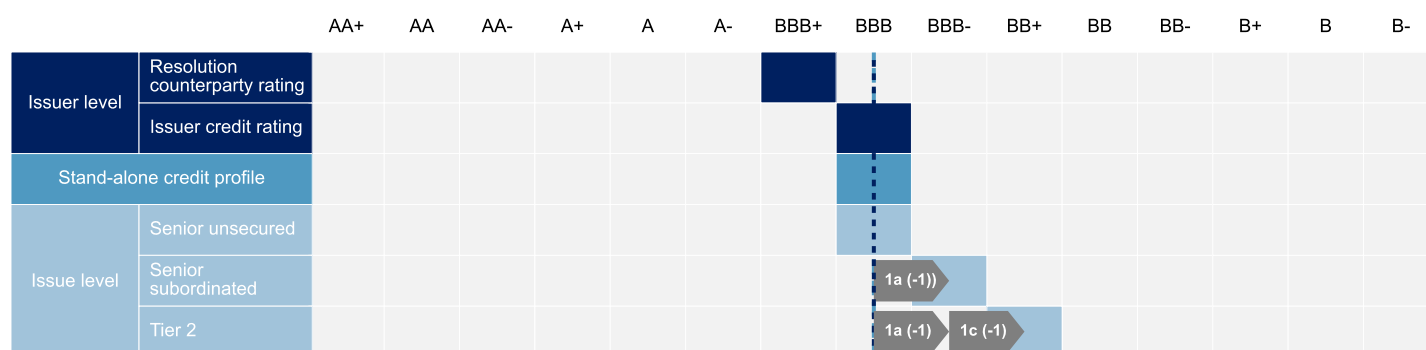
## Hybrid Instruments

We rate Mediobanca's hybrid instruments by applying our standard notching-down from the bank's 'bbb' SACP (see chart 8). This means we currently rate the bank's senior nonpreferred notes at 'BBB-', one notch below its SACP, owing to our view that these notes are subordinated to more senior obligations, and do not carry additional default risk relative to that represented by the SACP. We anticipate that the senior nonpreferred notes would be subject to a possible conversion or write-down only in resolution.

Our 'BB+' ratings on Mediobanca's Tier 2 instruments are two notches lower than the SACP. We deduct one notch for subordination and one notch to reflect the risk that regulators may force the write-down/conversion to equity of those instruments even outside a resolution/liquidation scenario.

Chart 8

### Mediobanca SpA: Notching



**Key to notching**

- 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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## Key Statistics

Table 1

Mediobanca SpA--Key figures					
	--Year ended June 30--				
(Mil. €)	2023*	2022	2021	2020	2019
Adjusted assets	91,012.1	89,730.0	81,854.6	78,133.7	77,343.0
Customer loans (gross)	53,223.0	52,816.9	49,133.4	47,826.2	45,038.5

**Table 1**

<b>Mediobanca SpA--Key figures (cont.)</b>					
	<b>--Year ended June 30--</b>				
<b>(Mil. €)</b>	<b>2023*</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Adjusted common equity	9,540.9	8,673.7	8,673.5	8,419.4	7,850.8
Core earnings	868.7	989.1	874.9	623.0	783.1

\*Data as of March 31. 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**

<b>Mediobanca SpA--Business position</b>					
	<b>--Year ended June 30--</b>				
<b>(%)</b>	<b>2023*</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
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)	2,417.9	2,850.8	2,628.4	2,633.7	2,571.2
Commercial & retail banking/total revenues from business line	53.3	59.1	61.1	62.5	64.3
Trading and sales income/total revenues from business line	7.1	5.7	7.5	(0.7)	(0.3)
Insurance activities/total revenues from business line	12.0	12.6	10.3	11.5	12.4
Asset management/total revenues from business line	25.4	25.1	23.5	22.2	21.3
Other revenues/total revenues from business line	2.2	(2.5)	(2.4)	4.5	2.2
Return on average common equity	10.4	8.4	7.8	6.2	8.5

\*Data as of March 31. 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. N/A--Not applicable.

**Table 3**

<b>Mediobanca SpA--Capital and earnings</b>					
	<b>--Year ended June 30--</b>				
<b>(%)</b>	<b>2023*</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Tier 1 capital ratio	15.4	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	8.4	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	53.7	52.4	53.9	56.3	56.1
Fee income/operating revenues	27.2	28.7	27.0	23.0	22.6
Market-sensitive income/operating revenues	7.1	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	2.0	1.8	1.7	1.6	1.6
Core earnings/average managed assets	1.3	1.1	1.1	0.8	1.0

\*Data as of March 31. 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. RAC--Risk-adjusted capital. N/A--Not applicable.

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 and 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	26,430,103.7	86.3
Retail	27,970,169.3	12,403,970.1	44.3	25,379,579.2	90.7
Of which mortgage	12,413,969.0	1,566,891.5	12.6	7,199,447.2	58.0
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	4,776,849.5	205.1
Total credit risk	85,514,622.5	33,787,146.3	39.5	62,960,814.0	73.6
<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	23,054,274.9	424.5
Trading book market risk	--	2,430,968.7	--	3,565,476.1	--
Total market risk	--	11,948,219.2	--	26,619,751.0	--
<b>Operational risk</b>					
Total operational risk	--	4,269,186.3	--	5,376,425.0	--
	<b>Exposure</b>	<b>Basel III RWA</b>	<b>Average Basel II RW (%)</b>	<b>S&amp;P Global Ratings RWA</b>	<b>% of S&amp;P Global Ratings RWA</b>
<b>Diversification adjustments</b>					
RWA before diversification	--	50,377,954.1	--	94,956,990.1	100.0
		<b>Tier 1 capital</b>	<b>Tier 1 ratio (%)</b>	<b>Total adjusted capital</b>	<b>S&amp;P Global Ratings RAC ratio (%)</b>
<b>Capital ratio</b>					
Capital ratio before adjustments		7,894,333.6	15.7	8,673,725.0	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	1.0	7.5	2.7	6.2	7.1
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	8.3	9.8	9.3	6.2
New loan loss provisions/average customer loans	0.6	0.5	0.4	0.9	0.5



**Table 5**

<b>Mediobanca SpA--Risk position (cont.)</b>					
<b>(%)</b>	<b>--Year ended June 30--</b>				
	<b>2023*</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Gross nonperforming assets/customer loans + other real estate owned	2.9	3.2	4.0	4.8	5.1
Loan loss reserves/gross nonperforming assets	109.2	97.1	85.5	69.0	60.2

\*Data as of March 31. 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. RWA--Risk-weighted asset. N/A--Not applicable.

**Table 6**

<b>Mediobanca SpA--Funding and liquidity</b>					
<b>(%)</b>	<b>--Year ended June 30--</b>				
	<b>2023*</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Core deposits/funding base	52.9	51.4	50.6	48.2	47.7
Customer loans (net)/customer deposits	146.6	140.1	147.9	153.8	146.9
Long-term funding ratio	N.A.	85.7	87.0	87.7	83.0
Stable funding ratio	N.A.	110.8	107.0	108.0	105.0
Short-term wholesale funding/funding base	18.3	16.3	15.2	14.1	19.4
Regulatory net stable funding ratio	116.0	115.0	116.0	N.A.	N.A.
Broad liquid assets/short-term wholesale funding (x)	N.A.	2.0	1.9	2.0	1.5
Broad liquid assets/customer deposits	N.A.	64.9	57.3	56.9	62.0
Regulatory liquidity coverage ratio (LCR) (x)	1.6	1.6	1.6	N.A.	N.A.

\*Data as of March 31. 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. N/A--Not applicable.

### **Mediobanca SpA--Rating component scores**

<b>Issuer credit rating</b>	<b>BBB/Stable/A-2</b>
SACP	bbb
Anchor	bbb-
Economic risk	5
Industry risk	5
Business position	Adequate
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

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

<b>Issuer credit rating</b>	<b>BBB/Stable/A-2</b>
Additional factors	0

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

**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**

- Bulletin: Mediobanca SpA's Diversified And Prudent Growth Strategy Balances A More Generous Capital Distribution, May 24, 2023
- Banca Popolare dell'Alto Adige Outlook Revised To Positive On Reducing Economic Risks For Italian Banks, May 19, 2023
- Italy 'BBB/A-2' Ratings Affirmed; Outlook Stable, April 21, 2023
- Bulletin: Mediobanca's Latest Results Suggest Resilience To Anticipated Challenges, Feb. 9 2023
- 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

**Ratings Detail (As Of June 19, 2023)\***

<b>Mediobanca SpA</b>	
Issuer Credit Rating	BBB/Stable/A-2
Resolution Counterparty Rating	BBB+/--/A-2

## Ratings Detail (As Of June 19, 2023)\*(cont.)

Commercial Paper	
<i>Foreign Currency</i>	A-2
Senior Unsecured	BBB
Short-Term Debt	A-2
Subordinated	BB+
<b>Issuer Credit Ratings History</b>	
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
<b>Sovereign Rating</b>	
Italy	BBB/Stable/A-2
<b>Related Entities</b>	
<b>MB Funding Lux S.A.</b>	
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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