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Mediobanca SpA

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Table Of Contents

Mediobanca SpA

SACP	bbb	+	Support	0	+	Additional Factors	0

Anchor	bbb-	
Business Position	Adequate	0
Capital and Earnings	Adequate	0
Risk Position	Strong	+1
Funding	Average	0
Liquidity	Adequate	

ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating
BBB/Negative/A-2

Resolution Counterparty Rating
BBB+/--/A-2

Major Rating Factors

Strengths:	Weaknesses:
• Asset-quality ratios that are better than peers'. • Sound capitalization. • Diversified business profile.	• Single-name loan concentration. • Higher reliance on wholesale funding than domestic peers'. • High exposure to Italy.

Outlook: Negative

The negative outlooks on Mediobanca and its subsidiary, MB Funding Lux, primarily reflect heightened pressure on revenue and asset quality, as well as significant risks S&P Global Ratings sees to its base-case expectations over the next two years.

Downside scenario

We could lower the ratings over the next 12-24 months if economic and operating conditions in Italy materially deteriorate further, either because the downturn is deeper and longer, or the recovery weaker, than we anticipate, therefore potentially triggering a substantial weakening of Mediobanca's capital, profitability, and asset quality. In addition, we could take a negative rating action if we concluded that the bank's strategy shifted to become substantially more aggressive or risky.

Upside scenario

We could revise the outlook on Mediobanca to stable if we were to see easing domestic economic conditions and/or diminished risks compared with our expectations.

Hybrids

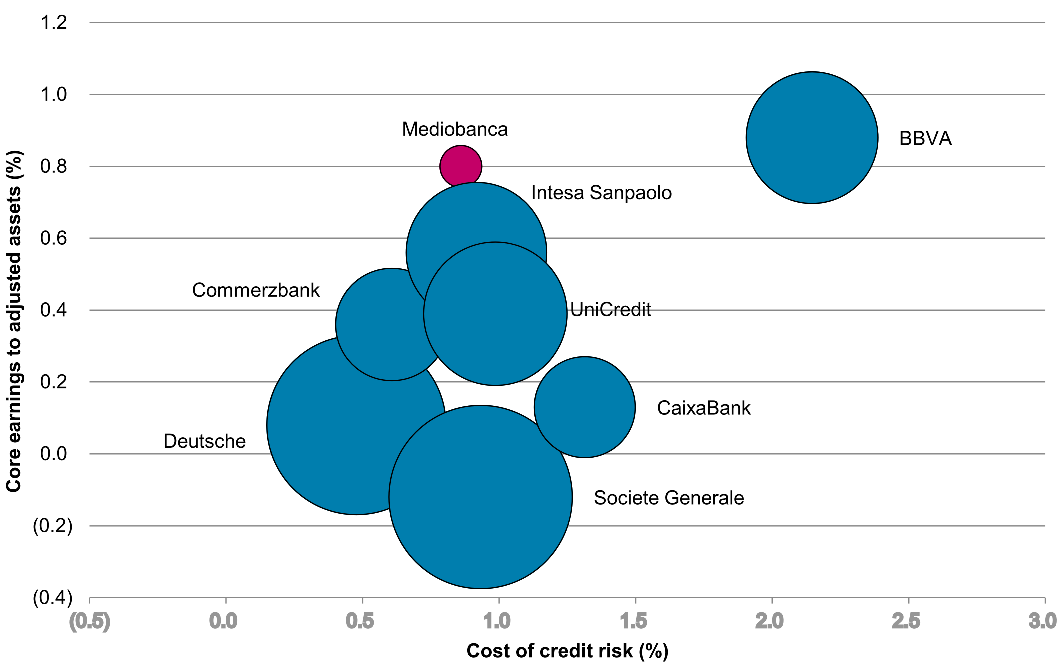
We do not assign outlooks to bank issue ratings. However, we will continue to notch down the ratings on Mediobanca's hybrids from the lower of the stand-alone credit profile (SACP) and issuer credit rating (ICR). Therefore, if we were to lower the ICR, we would also lower the rating on the bank's rated subordinated debt.

Rationale

Our ratings on Mediobanca reflect the bank's well-diversified business model and better-than-peers' asset quality. These strengths will likely enable Mediobanca to maintain stronger earning resilience and controlled cost of credit risk compared with those of most Italian banks, amid the difficult economic conditions caused by the COVID-19 pandemic, in our view (see chart 1). More specifically, we expect Mediobanca to keep its risk adjusted capital (RAC) ratio sustainably above 8%, despite the likely pressure on earnings we expect in 2021. The bank's new nonperforming loans formation and credit losses should remain manageable overall, in our opinion.

Chart 1

Mediobanca Enjoys More Resilient Profitability And A More Contained Credit Risk Than Most Peers



Bubble size represents total assets. Data as of June 2020.Source: S&P Global Ratings.

The latter stems from Mediobanca's good corporate loan diversification by sector and geography, and proactive loan collection approach on its consumer finance portfolio, which should help it maintain lower-than-system-average inflow of nonperforming exposure (NPE).

We also factor in our expectation that, once economic and social conditions stabilize in Italy, the bank will continue expanding its activity along all business lines, with a greater focus on wealth management, although we see intense competition in this sector. We expect these efforts to improve diversification will continue to pay off and support Mediobanca's earning stability, in a context of low-for-longer interest rates.

While we do not anticipate that recent changes in the shareholding structure will materially affect the bank's plans, we will monitor if and how they affect governance and strategy.

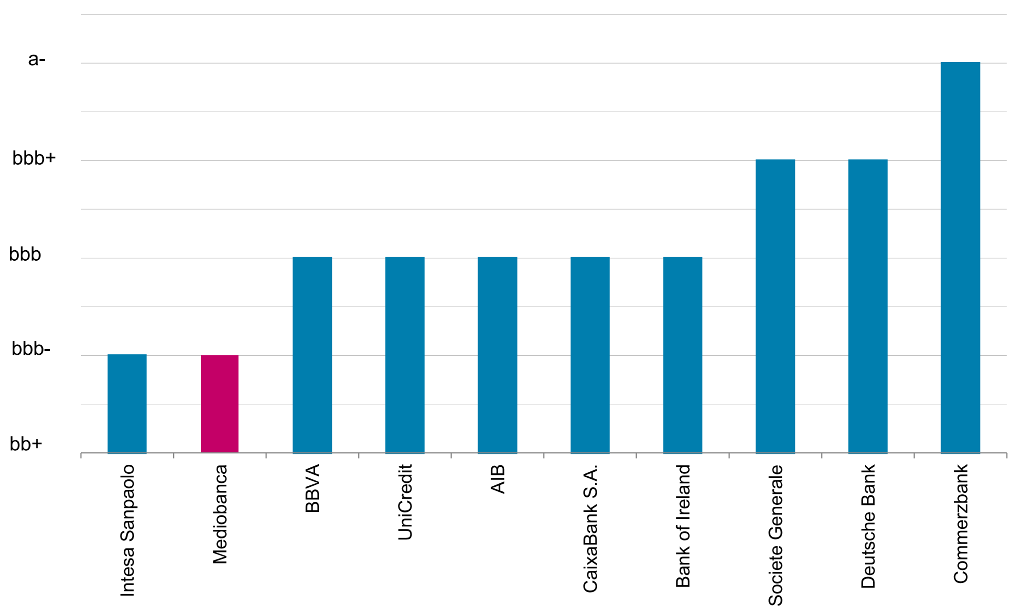
Our ratings on Mediobanca also reflect the bank's efforts, in recent years, to gradually reduce its recourse to wholesale funding. The bank increased its share of funding primarily derived from deposits, reaching about 47% of its total funding base.

Anchor:'bbb-', based on Mediobanca's high exposure to Italy

Our 'bbb-' anchor for Mediobanca is weaker than most large European bank peers (see chart 2) and reflects its material exposure to the Italian economy, which carries a higher economic risk than other European banking sectors, in our view. This is despite Mediobanca's international corporate and investment banking activity, which enable it to enjoy a higher geographical business diversification than all other domestic banks (except for UniCredit), 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



Source: S&P Global Ratings.

We believe Italian banks continue to face higher economic risk than most peers. While most banks had largely absorbed the effect of past recessions and tightened their underwriting standards, some still have meaningful legacy NPEs, an additional burden in a deteriorating economy. Moreover, 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. The sharp contraction in economic activity in 2020 amid the coronavirus outbreak is likely to affect a large number of small and midsize enterprises to which Italian banks are particularly exposed, in our opinion. We anticipate credit losses to double in 2020 and 2021 compared with about 70 basis points (bps) in 2019, before normalizing only in 2022, when we expect Italy's GDP to be back to 2019 levels.

Industry risks for Italian banks are also higher than for banks in peer countries, in our opinion. Their access to affordable unsecured wholesale funding remains constrained occasionally by uncertainties around sovereign creditworthiness and economic prospects. Near-to-medium term refinancing risk has abated, given the abundant liquidity provided by the European Central Bank (ECB), the large deposit funding base, and the banking sector's very low external position, with only 5% reliance on wholesale funding. Failing business volume and margins, combined with structural problems--such as high cost bases and fragmentation--will constrain banks' capacity to absorb the likely rise in credit losses over the next couple of years.

Supportive factors for the Italian banking system are the country's traditional focus on retail and commercial lending, and our view that regulatory standards are aligned with international best practices, mainly thanks to the ECB's direct supervision of more than 80% of the banking sector's total assets.

Table 1

Mediobanca SpA--Key Figures

	--Year ended June 30--				
(Mil. €)	**2021***	**2020**	**2019**	**2018**	**2017**
Adjusted assets	81,047	78,134	77,343	71,561	69,893
Customer loans (gross)	47,404	47,826	45,039	42,050	39,627
Adjusted common equity	8,639	8,419	7,851	7,696	7,357
Operating revenues	626	2,559	2,504	2,431	2,210
Noninterest expenses	288	1,313	1,268	1,179	1,132
Core earnings	201	623	783	823	640

*Data as of Sept. 30. 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.

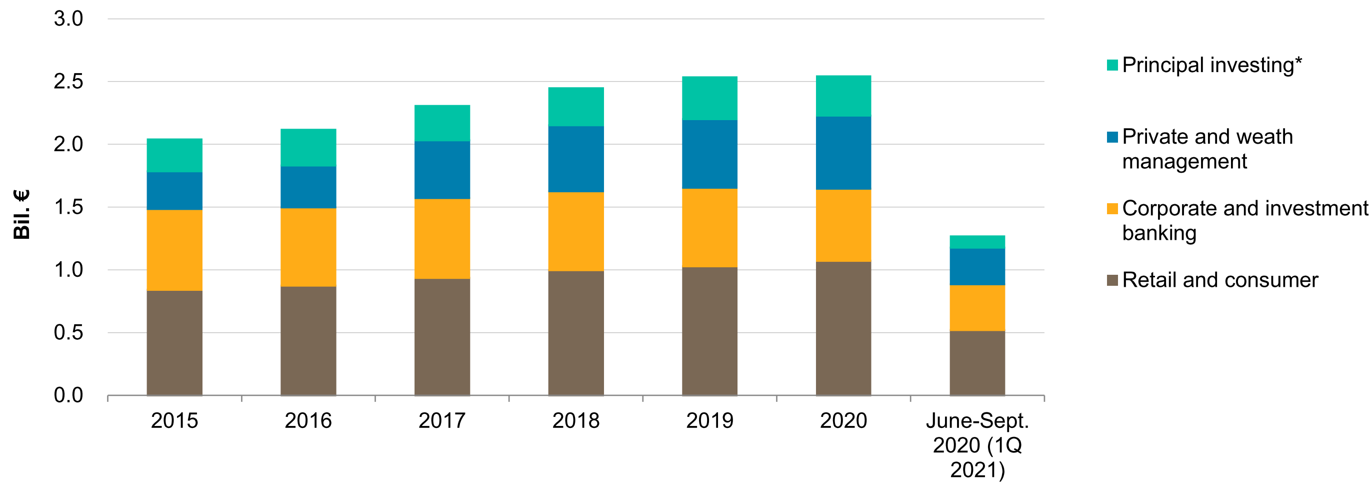
Business position: Strong corporate and investment banking franchise complemented by increasing retail banking and wealth management activities

Mediobanca is a unique player in the Italian banking sector. It has a strong corporate and investment banking franchise that it has preserved despite intense competition. In addition, Mediobanca has significantly expanded its retail operations, mainly in the consumer finance and wealth management business, while also growing organically and by acquisitions. In the medium term, we expect Mediobanca to continue prudently acquiring new business, as done so far.

We view positively the bank's increasing geographic and business diversification. This is because Mediobanca's robust business model has supported a track record of sound and resilient returns over the years and we expect this competitive advantage to continue to pay off (see chart 3). Nevertheless, the tougher economic and operating environment caused by the COVID-19 pandemic, in addition to ultra-low interest rates, will make it harder for Mediobanca to achieve some of its financial targets, in our view.

Chart 3

Mediobanca's Diversified Business Model Has Supported Revenue Stability



*Mostly Generali. Note: Fiscal year ends in June. Source: Company data.

According to its 2019-2023 business plan, Mediobanca aims to increase its return on tangible equity to 11% by 2023, from 9% as of September 2020; and its revenue to €3 billion by 2023, at a 4% compound annual growth rate, up from €2.5 billion as of June 2020. This goal hinges on the expansion of the wealth management business and geographic diversification of the corporate and investment banking (CIB) division.

We consider Mediobanca's expansion in asset management positive because it would improve its profitability prospects and its earnings stability, while interest rates remain low. The bank's market share in the wealth management segment remains low compared with that of major peers, though. Therefore, the bank aims at increasing its network and improving efficiency.

Some of Mediobanca's expansion over the past years occurred via acquisitions, so we will monitor the bank's ability to deploy synergies and integrate acquired businesses.

Italian insurer Assicurazioni Generali SpA, which accounted for about 37% of Mediobanca's net income in the past 2.5 years, will remain another key contributor to the bank's profitability. We think that Mediobanca's incentive to reduce its stake in Generali (from 13%) to fund further expansion has diminished amid the extension of the Danish compromise. The latter accounted for about 140 bps of its regulatory capital.

Mediobanca's shareholder structure recently changed slightly. Leonardo Del Vecchio increased its stake in the bank's capital to 11% from the original 9.9%, after being authorized to increase its stake up to 20%. The remaining capital is split between a few investors who signed a consultation agreement and account for 12.6% of capital, while institutional investors own about 50%, and other retail investors make up most of the rest.

We currently do not anticipate any meaningful change in the bank's strategy because, at October's shareholders meeting, the term of the board and management team was extended for three years. Therefore, we expect Mediobanca to remain committed to implementing the 2019-2023 business plan, but will monitor any potential deviation.

Table 2

Mediobanca SpA--Business Position

	--Year ended June 30--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Loan market share in country of domicile	N/A	3.3	3.1	2.9	2.6
Deposit market share in country of domicile	N/A	1.3	1.3	1.3	1.3
Total revenue from business line (currency in millions)	626.0	2,633.7	2,571.2	2,557.9	2,633.5
Commercial and retail banking/total revenue from business line	70.6	62.5	64.3	63.6	59.7
Trading and sales income/total revenue from business line	5.7	(0.7)	(0.3)	1.6	1.9
Insurance activities/total revenue from business line	7.0	11.5	12.4	10.9	10.0
Asset management/total revenue from business line	23.3	22.2	21.3	20.6	17.4
Other revenue/total revenue from business line	(6.7)	4.5	2.2	3.3	10.9
Return on average common equity	8.1	6.2	8.5	9.2	8.4

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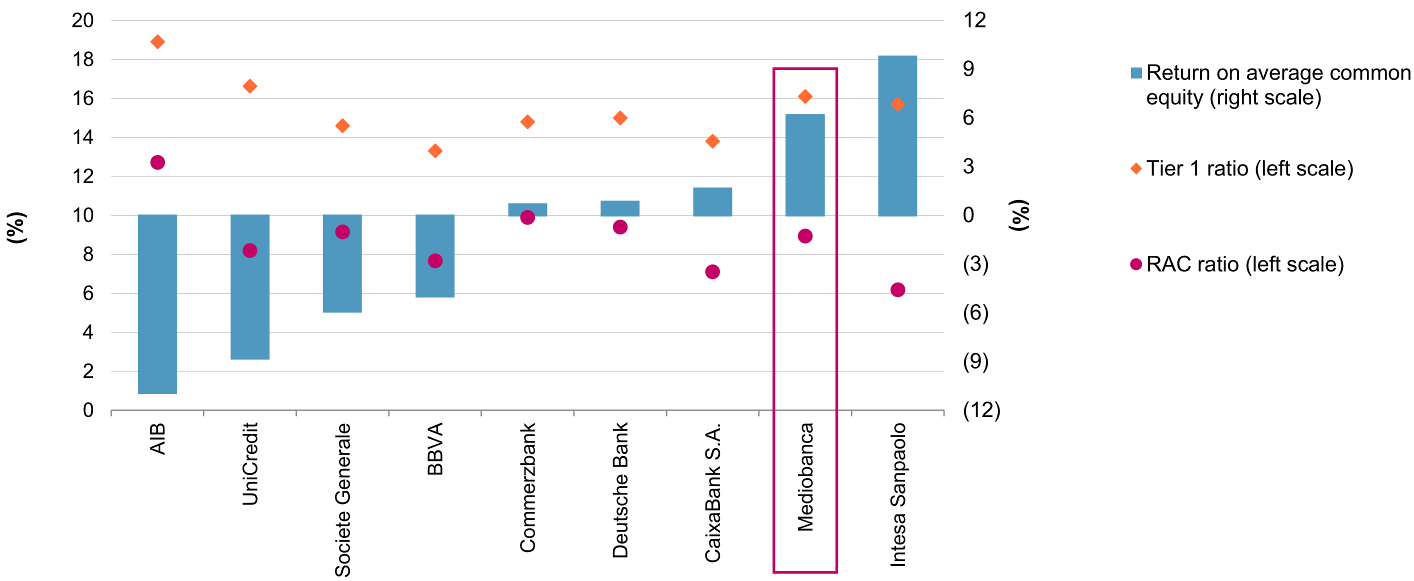
Capital and earnings: Sound capital buffer to withstand the impact of the pandemic-induced recession

We expect Mediobanca's RAC ratio to remain in the 8.5%-9.0% range in 2021-2022, despite the expected consequences of the recession on the bank's asset quality, revenue, and profitability. We believe its diversified business mix and controlled cost of credit risk will help contain the fallout of the challenging economy on the bank's earnings compared with peers (see chart 4).

Chart 4

Mediobanca Shows Stronger Capital And Profitability Metrics Than Peers
As of June 2020



RAC--Risk-adjusted capital. Source: S&P Global Ratings.

We anticipate operating revenue to decline by about 4% in 2021, before returning to 2020's level in 2022. Fee income from the CIB and wealth management divisions will likely remain dynamic in the coming quarters and partially offset the pressure on net interest income of the ultra-low interest rates and the sluggish lending activity due to pandemic restrictions.

We expect bottom-line profitability in 2021 to be mostly hit by rising cost of credit risk, reflecting our view of the impact of the COVID-19-induced recession on the Italian banking system. The bank's loan loss provisions in the CIB and consumer banking divisions increased during fourth-quarter fiscal 2020 (ended June 30), before gradually falling in the following quarter.

Nevertheless, we anticipate Mediobanca's credit losses in 2021 and 2022 to remain well below those of its domestic peers, on an active collection of consumer credits through digital channels and writebacks on some large corporate exposures.

Our RAC projections also take into account our expectation that Mediobanca will resume the distribution of its earnings to shareholders--70% of net profit--in 2021 and 2022, if the ECB removes the ban.

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 Generali, which accounts for the largest proportion of these stakes.

Table 3

Mediobanca SpA--Capital And Earnings

	--Year ended June 30--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Tier 1 capital ratio	16.2	16.1	14.1	14.2	13.3
S&P Global Ratings' RAC ratio before diversification	N/A	8.9	8.9	8.7	8.2
S&P Global Ratings' RAC ratio after diversification	N/A	N/A	8.4	8.1	7.6
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	57.0	56.3	56.1	56.4	58.0
Fee income/operating revenues	30.2	19.0	17.6	18.8	17.1
Market-sensitive income/operating revenues	5.7	0.3	0.9	1.0	1.0
Cost to income ratio	46.0	51.3	50.6	48.5	51.2
Preprovision operating income/average assets	1.7	1.6	1.6	1.8	1.5
Core earnings/average managed assets	1.0	0.8	1.0	1.2	0.9

*Data as of Sept. 30. N/A--Not applicable. RAC--Risk adjusted capital. 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 4

Mediobanca SpA--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 (%)**
Credit risk					
Government and central banks	9,142,048	22,785	0	2,858,809	31
Of which regional governments and local authorities	3,923	785	20	0	0
Institutions and CCPs	7,822,440	1,952,487	25	2,114,869	27
Corporate	26,340,420	15,737,632	60	24,025,464	91
Retail	24,827,775	11,517,397	46	23,257,429	94
Of which mortgage	10,467,266	1,895,779	18	6,153,372	59
Securitization§	136,168	189,167	139	440,900	324
Other assets†	2,680,775	2,645,803	99	5,406,936	202
Total credit risk	70,949,626	32,065,271	45	58,104,406	82
Credit valuation adjustment					
Total credit valuation adjustment	--	544,825	--	0	--
Market risk					
Equity in the banking book	3,641,051	8,868,007	244	27,761,946	762
Trading book market risk	--	2,514,941	--	3,733,494	--
Total market risk	--	11,382,948	--	31,495,440	--
Operational risk					
Total operational risk	--	4,037,420	--	4,560,766	--
(€ 000s)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
RWA before diversification	--	48,030,464	--	94,160,612	100

Table 4

Mediobanca SpA--Risk-Adjusted Capital Framework Data (cont.)

(€000s)	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	7,744,985	16.1	8,419,441	8.9

*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. RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of 'June. 30 2020', S&P Global Ratings.

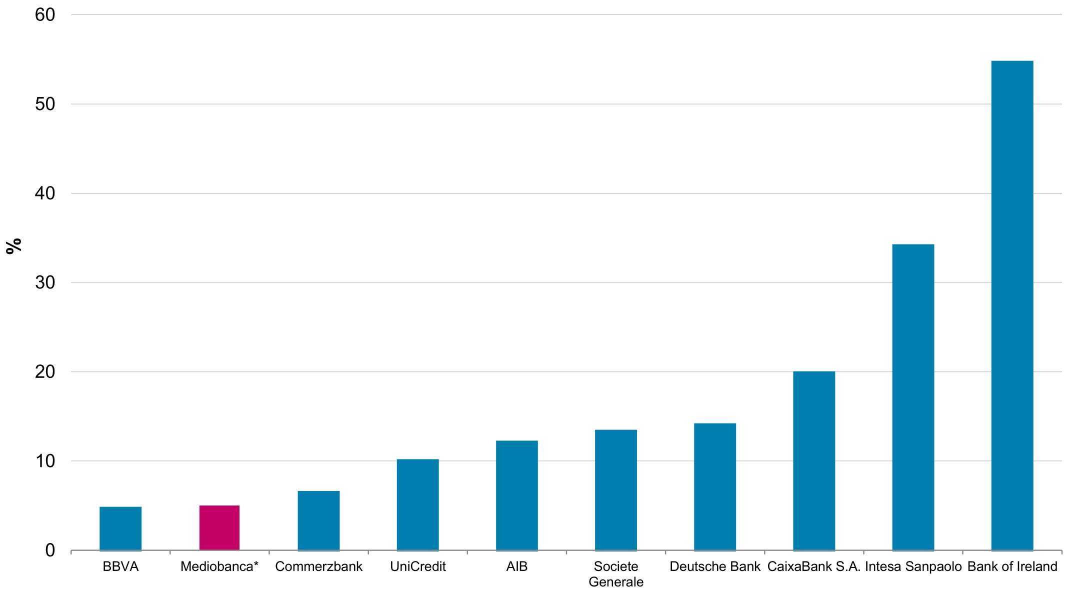
Risk position: Prudent risk management will mitigate asset quality deterioration amid the pandemic

We expect Mediobanca will likely weather asset quality deterioration from the pandemic-induced recession better than the majority of domestic banks, owing to its more prudent lending strategy and effective management of its NPE portfolio. Specifically, we foresee the bank's cost of credit risk to remain lower than most Italian banks throughout 2021 and 2022.

We also anticipate that Mediobanca will maintain its advantage over domestic peers in terms of its NPE ratio. The ratio of net NPEs to total adjusted capital (TAC) as of September 2020 was about 5.0%, or 9.5% including purchased NPEs, which is much lower than the average of its Italian peers, and in line with most international counterparties (see chart 5). This is primarily because Mediobanca avoids lending to riskier borrowers, such as real estate developers and small and midsize enterprises, and strictly controls the performance of its retail loans book. As a result, the bank has a much better track record than domestic peers' in terms of loss experienced in the most recent financial crisis, and we expect this will likely continue.

Chart 5

Mediobanca's Net Nonperforming Assets To TAC Indicates Better Asset Quality Than Peers



Note: Data as of June 2020. *Sept. 2020 and excluding purchased NPEs. TAC --Total adjusted capital.

Source: S&P Global Ratings.

More specifically, the credit quality of Mediobanca's corporate loan book benefits from high geographic diversification in its portfolio of large clients. We acknowledge that the bank grants about 75% of its loans to corporates, with turnover mainly outside Italy. In addition, Mediobanca takes collateral in most operations, which we view as positive because it reduces the risk of losses for the bank, resulting in a low net NPE ratio of 2.3% as of September 2020. Still, Mediobanca shows some single-name concentration in its loan book, with the top 20 groups accounting for about 1.2x its regulatory capital, which adds some risk, in our view, particularly if the economic impact of the pandemic is significantly more profound than anticipated.

Mediobanca's retail portfolio predominantly constitutes consumer finance loans, which make up 56%, with mortgages accounting for the remaining 44%. The consumer finance segment has historically showed better asset quality indicators compared with the average of domestic consumer finance lending, thanks to the proactive management of NPEs. The bank initiates collection activities at a very early stage past due, and write-offs or disposals of consumer NPEs after about 12 months, on average. As of September 2020, the moratorium outstanding for the group halved to about 3% of the loan book (€1.4 billion); these are already provisioned, and the majority of clients have started servicing their debt as before.

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 believe that our RAC ratio adequately captures all of Mediobanca's risks.

Table 5

Mediobanca SpA--Risk Position					
	--Year ended June 30--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Growth in customer loans	(3.5)	6.2	7.1	6.1	10.8
New loan loss provisions/average customer loans	0.5	0.9	0.5	0.5	0.8
Gross nonperforming assets/customer loans + other real estate owned	5.0	4.8	5.1	5.3	5.6
Loan loss reserves/gross nonperforming assets	66.7	69.0	60.2	68.1	69.9

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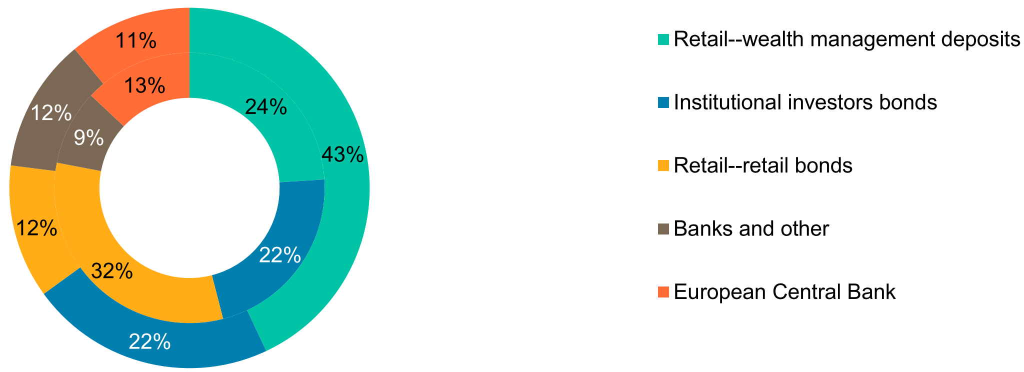
Funding and liquidity: Reliance on wholesale funding remains high, despite increased retail financing

We expect that Mediobanca will continue to sustainably finance its long-term funding needs through stable sources. We estimate that the bank's net stable funding ratio was about 108% as of June 30, 2020, according to our measures, and we expect it will likely remain over 100% in 2021-2022.

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, Italian commercial banks, and the regulated debt market (see chart 6). Although the bank's reliance on wholesale funding remains higher than peers' (see chart 7), we believe Mediobanca has spread its long-term wholesale funding maturities well. In addition, The bank's recourse to ECB financing represented 10.7% of its funding base as of September 2020, compared with about 13% as of June 2012.

Chart 6

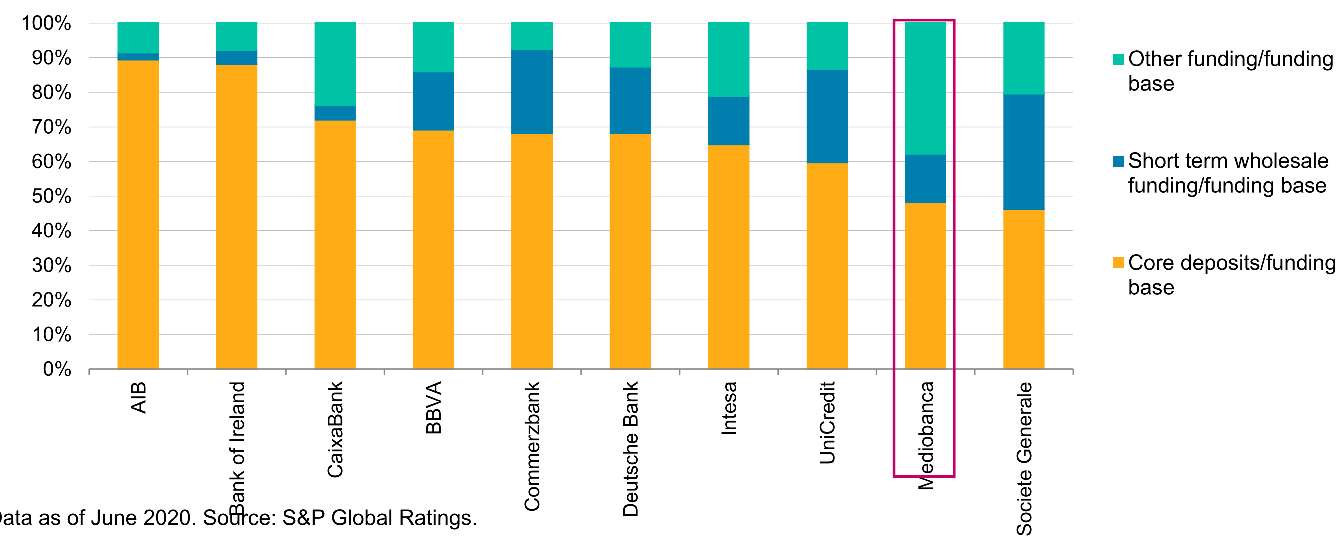
Mediobanca's Funding Composition Has Improved
2012 versus Sept. 2020



Inner circle refers To 2012. Outer circle refers to September 2020. Source: S&P Global Ratings.

Chart 7

But Its Reliance On Wholesale Funding Remains Higher Than Peers



Data as of June 2020. Source: S&P Global Ratings.

We believe Mediobanca will likely retain its comfortable liquidity buffers. We calculate that its broad liquid assets covered its short-term wholesale funding by about 2x as of June 2020, and we expect this ratio will be stable. We expect that liquid assets will continue to cover the bank's short-term wholesale funding. We base our view on Mediobanca's liquidity policy, which requires the bank to maintain a large buffer of liquid assets eligible for refinancing with the ECB. This more than covers the amount of wholesale funding coming due in the next 12 months. The bank's liquid assets are highly diversified, with only €3.9 billion--or about 51% of its CET1--accounting for Italian government bonds, the lowest level among its domestic peers.

Table 6

Mediobanca SpA--Funding And Liquidity

	--Year ended June 30--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Core deposits/funding base	47.1	48.2	47.7	48.2	49.4
Customer loans (net)/customer deposits	160.2	153.8	146.9	147.9	139.1
Long-term funding ratio	N.A.	87.7	83.0	85.6	86.4
Stable funding ratio	N.A.	108.0	105.0	107.3	112.2
Short-term wholesale funding/funding base	13.8	14.1	19.4	16.7	15.8
Broad liquid assets/short-term wholesale funding (x)	N.A.	2.0	1.5	1.8	2.1

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Environmental, social, and governance (ESG): No material effect on Mediobanca's creditworthiness

We see ESG credit factors for Mediobanca as broadly in line with those of the industry and Italian peers. We consider positively management's strategy aimed at preserving the bank' strong corporate and investment banking franchise, while expanding in more stable businesses like retail banking and asset management. At the same time, we believe Mediobanca's ownership structure and its large stake in Assicurazioni Generali (12.9%) add complexity to its governance. We are monitoring how the latest changes in the bank's shareholder structure (after UniCredit's disposal of its 8.8% stake and the increased stake of Mr. Del Vecchio, now the largest shareholder) will affect Mediobanca's governance and strategy. We do not anticipate any meaningful change in strategy, though, because we expect the bank to remain committed to implementing the 2019-2023 business plan.

We believe Mediobanca's wealth management and consumer finance businesses expose the bank to conduct risks, but not differently from its peers. We also do not observe 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. Its commitment to purse environmental sustainability is proved by the inaugural €500 million green bond issued in September this year and by the bank's ambitious commitment to include ESG criteria in all its new investing activities by 2023.

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' risk-weighted assets to remain below our 5% threshold we set for a higher potential ICR. 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 €500 million senior nonpreferred notes and €250 million Tier 2 instruments, which were issued in 2020. We also include in our ALAC calculation the amount of common equity exceeding the minimum required for Mediobanca to maintain a RAC ratio of 7%, consistent with our assessment of the bank's capital and earnings.

Subsidiaries

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

Resolution counterparty ratings (RCRs)

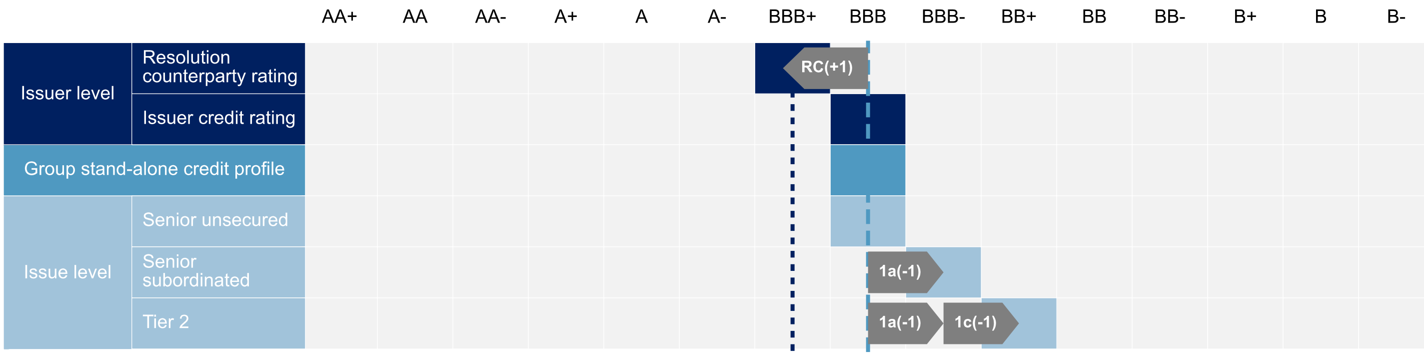
Our RCRs on Mediobanca are one notch above the 'BBB' long-term ICR. RCRs exceed the foreign currency long-term sovereign rating on Italy by one notch, because we see a considerable likelihood that a sovereign default would not immediately trigger a default on the RCR liabilities. This reflects our view that, in a hypothetical stress scenario, authorities would initiate a resolution of Mediobanca, bailing in eligible liabilities that are 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 'BBB+'.

Hybrid instruments

We rate Mediobanca's hybrid instruments by applying our standard notching-down from the bank's 'bbb' SACP. This means we currently rate the bank's senior non preferred 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 (for more information, see "Mediobanca SpA's Senior Nonpreferred Notes Assigned 'BBB-' Issue Rating," published Jan. 17, 2020, on RatingsDirect).

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.

Mediobanca SpA: Notching



Key to notching

- - - - - Group stand-alone credit profile

- - - - - Issuer credit rating

RC	Resolution counterpartyliabilities (senior secured debt)
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 3 of our “Hybrid Capital: Methodology And Assumptions” criteria, published on July 1, 2019.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt. NVCC--nonviability contingent capital.

Additional rating factors:None

No additional factors affect this rating.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- 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
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- 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: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

Related Research

- Mediobanca And MB Funding Lux Ratings Affirmed On Sovereign Rating Action; Outlook Remains Negative, Oct. 29, 2020
- Italy Outlook Revised To Stable From Negative; Ratings Affirmed At 'BBB/A-2', Oct. 23, 2020
- EMEA Financial Institutions Monitor 4Q2020: Banks Prepare As Winter Is Coming, Oct. 23, 2020
- How COVID-19 Is Affecting Bank Ratings: October 2020 Update, Oct. 22, 2020
- European Economic Snapshots: A Second COVID-19 Wave Is Dampening The Recovery, Oct. 14, 2020
- COVID-19 Puts The Brakes On Capital Strengthening For The 50 Largest European Banks, Oct. 14, 2020
- Banking Horizons Europe 2020: COVID-19 As A Catalyst For Change, Oct. 13, 2020
- European Bank Asset Quality: Half-Year Results Tell Only Half The Story, Sept. 28, 2020
- Bulletin: Impact Of Potential Change In Mediobanca SpA Shareholder Structure Remains To Be Seen, June 4, 2020
- Mediobanca SpA 'BBB/A-2' Ratings Affirmed On Capital Buffer; Outlook Negative, April 29, 2020
- Outlooks On Most Italian Banks Now Negative On Deepening COVID-19 Downside Risks, April 29, 2020
- ESG Industry Report Card: EMEA Banks, Feb. 11, 2020
- Mediobanca SpA's Senior Nonpreferred Notes Assigned 'BBB-' Issue Rating, Jan. 17, 2020
- Mediobanca's New Business Plan Targets Continuity In Strategy, Nov. 12, 2019

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-

Ratings Detail (As Of December 11, 2020)*

Mediobanca SpA	
Issuer Credit Rating	BBB/Negative/A-2
Resolution Counterparty Rating	BBB+/--/A-2
Senior Unsecured	BBB
Short-Term Debt	A-2
Subordinated	BB+
Issuer Credit Ratings History	
30-Oct-2018	BBB/Negative/A-2
31-Oct-2017	BBB/Stable/A-2
18-Dec-2014	BBB-/Stable/A-3
Sovereign Rating	
Italy	BBB/Stable/A-2
Related Entities	
MB Funding Lux S.A.	
Issuer Credit Rating	BBB/Negative/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.