FitchRatings

Banks
Wholesale Commercial Banks
Italy

Mediobanca Banca di Credito Finanziario S.p.A

Update

Key Rating Drivers

Moderate Risk Profile Drives Ratings: Mediobanca Banca di Credito Finanziario S.p.A.'s Viability Rating (VR) is one notch above its 'bbb-' implied VR because its risk profile has high influence on the rating, underpinning good profitability and sound asset quality through the cycle compared to domestic peers with traditional commercial business models. The ratings also reflect a specialised and diversified business model with strong competitive positions in selected businesses, sound capitalisation, and a stable funding and liquidity profile.

Niche Business Profile: Mediobanca's well established corporate and investment banking (CIB) and consumer lending franchises in Italy support profit generation through the cycle. The expansion of its wealth-management franchise, and focus on capital-light CIB activities, will improve its business profile, but execution is subject to interest rates evolution as this affects appetite for wealth management products and the bank's ability to convert deposits.

Conservative Underwriting, Sound Controls: Mediobanca's operations in higher-risk segments than traditional commercial banks are mitigated by moderately conservative underwriting standards and adequate risk infrastructure. These allow effective control of risks, supporting the bank's performance throughout the cycle, and Fitch Ratings expects this to continue.

Mild Asset-Quality Deterioration Expected: Formation of impaired loans was mostly muted in the past 18 months, despite the challenging operating environment. We expect consumer finance to be more severely affected than other segments by structurally higher rates. However, tightened underwriting and a proactive approach to managing asset quality should result in modest asset-quality deterioration. We expect the group impaired loans ratio to remain close to current levels (end-September2024: 2.6%) in the next 18 months.

Stable Profitability, Ongoing Structural Improvements: We expect Mediobanca's profitability to remain sound through 2024–2025. The bank should benefit from a stable net interest margin, growing fee income, and a manageable increase in operating costs and loan-impairment charges (LICs). Mediobanca is committed to executing its strategy to expand capital-light revenues in wealth-management fees and CIB, helping structural profitability improvements. Nevertheless, these will take time to be fully visible and sustainable.

Sound Capitalisation: Mediobanca's sound capitalisation is underpinned by established internal capital generation through the cycle, resulting in an ample buffer over regulatory minimums. We expect this to continue, although its common equity Tier 1 (CET1) ratio should decrease moderately from current levels (end-September 2024: 15.4%) due to higher shareholder remuneration and business growth, which will be partially offset by risk-weighted asset (RWA) optimisation.

Stable Funding and Liquidity: The impact of higher interest rates on funding costs has been manageable, despite Mediobanca's deposit franchise being less established than at traditional commercial banks in Italy. We expect Mediobanca to maintain a balanced funding and liquidity profile in the medium term, but its increasing focus on higher-end customers could make deposits more price sensitive. The bank is well positioned to retain customer savings converting deposits into assets under administration and under management.

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F3
Derivative Counterparty Rating	BBB(dcr)
Viability Rating	bbb
Government Support Rating	ns

Sovereign Risk (Italy)	
Long-Term Foreign-Currency IDR	BBB
Long-Term Local-Currency IDR	BBB
Country Ceiling	AA

Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Local-Currency IDR	Positive

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Italian Bank Ratings Supported by Italy's Recent Positive Outlook (November 2024)
Global Economic Outlook (September 2024)
DM100 Banks Tracker (July 2024)
Major Italian Banks' Impaired Loans Ratios to Stay Below 4% in 2024,2025 (June 2024)
Major Italian Banks – Peer Review 2024 (June 2024)
Mediobanca Banca di Credito Finanziario S.p.A (March 2024)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Mediobanca's largely domestic focus means its ratings are sensitive to a downgrade of Italy's rating, or to a downgrade of our assessment of Italy's operating environment.

The ratings could be downgraded if Mediobanca's risk profile worsened materially, for example if the bank were to become more aggressive in its underwriting standards, including riskier asset classes, which Fitch does not expect.

The ratings could also be downgraded if Mediobanca's CET1 ratio falls towards 13% without the prospect of recovery in the short term. This weakening of capitalisation could be caused by a prolonged damage to the bank's earnings or an increase in its impaired-loans ratio sustainably above 4%.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade is currently unlikely and would be contingent on an Italian sovereign upgrade. This would have to be accompanied by a much stronger business and risk profile (with an impaired loans ratio consistently below 2% and operating profit/RWAs at least above 3%), alongside strengthening capitalisation, with a CET1 ratio consistently above 17%.

Other Debt and Issuer Ratings

Rating Level	Rating
Deposits	BBB+/F2
Senior Preferred Debt	BBB/F3
Senior Non-Preferred Debt	BBB-
Subordinated Tier 2 Debt	BB+

Source: Fitch Ratings

The long-term deposit rating is one notch above Mediobanca's Long-Term Issuer Default Rating (IDR) to reflect full depositor preference in Italy and protection from senior and subordinated debt and equity buffers. The uplift also reflects our expectation that the bank will maintain these buffers, given the need to comply with minimum requirement for own funds and eligible liabilities (MREL).

The short-term deposit rating of 'F2' is the baseline option for a long-term deposit rating of 'BBB+' because the funding and liquidity score is not high enough to achieve the higher equivalent short-term rating.

Mediobanca's senior non-preferred debt is rated one notch below the Long-Term IDR to reflect the risk of below-average recoveries arising from the use of senior preferred debt to meet resolution buffer requirements and the combined buffer of additional Tier 1, Tier 2 and senior non-preferred debt being unlikely to exceed 10% of RWAs. For the same reason, the senior preferred debt ratings are in line with the IDRs.

Tier 2 subordinated debt is rated two notches below the VR for loss severity to reflect poor recovery prospects. No notching is applied for incremental non-performance risk because a write-down of the notes will only occur once the point of non-viability is reached and there is no coupon flexibility before non-viability.

Mediobanca's Derivative Counterparty Rating (DCR) is in line with the Long-Term IDR as derivative counterparties in Italy have no preferential legal status over senior debt in liquidation.

Positive Outlook for Italian Banks' Operating Environment

The revision of the outlook for Italian banks' operating environment score to positive from stable reflects an anticipated improvement in economic and business conditions for the Italian banking sector. This follows the recent Outlook revision on Italy's sovereign rating (see Fitch Revises Italy's Outlook to Positive; Affirms at 'BBB'). The sovereign rating acts as a cap on the banks' operating environment assessment.

The positive outlook on the operating environment score is also supported by Italy's above-average GDP growth (relative to its historical average), robust employment rates, and increased potential growth driven by higher investment and labour participation. Italy also has structural features supportive of banking stability, such as a large, diversified economy with low corporate and household leverage and high private sector wealth. These factors enhance financial resilience and reduce vulnerability to economic shocks. In addition, the Italian banking sector's asset quality has significantly improved, and the sector is well positioned to manage potential economic challenges. These factors suggest a more favourable operating environment for Italian banks.

Strategic Initiatives and Fee Income Growth Bolster Robust Profitability

Mediobanca's performance for the fiscal year ending in June 2024 and its 1Q for the fiscal year ending in June 2025 highlights its robust profitability, resilient asset quality, and sound capitalization, consistent with its Viability Rating of 'bbb'. Its full-year operating profit at 3.6% of RWAs (3.7% in 1Q25) exceeded our expectations of about 3%. Key contributors to this result were the boost in fee income from wealth management and the revamp in CIB, which performed above our expectations.

The ratio also benefited from the faster-than-expected execution of the bank's RWAs optimization strategy. We anticipate that these factors will continue to support Mediobanca's operating profitability in the medium term, as they are central to the bank's strategic plan, especially when the net interest margin (NIM) will start to gradually decline as interest rates fall. The development of Mediobanca's wealth management franchise will be important for its ability to generate sustainable profitability throughout the economic and interest rate cycles and competitive pressures in the wealth management business.

The stronger contribution of wealth management will also reduce the weight of revenues generated by the equity stake in Generali (15% in FY24), which exposes the bank to single-name risk. We reiterate our forecast of a contained reduction in NIM in the next 12 months (2.2% FY24), driven by delayed repricing in consumer lending, and the gradual impact of policy rate cuts on the cost of funding. Mediobanca manages its operating costs effectively while continuing investing for business growth, resulting in a cost/income ratio well under control. We do not expect material shifts in 2025.

Resilient Asset Quality And Sound Capitalisation Amid Economic Uncertainty

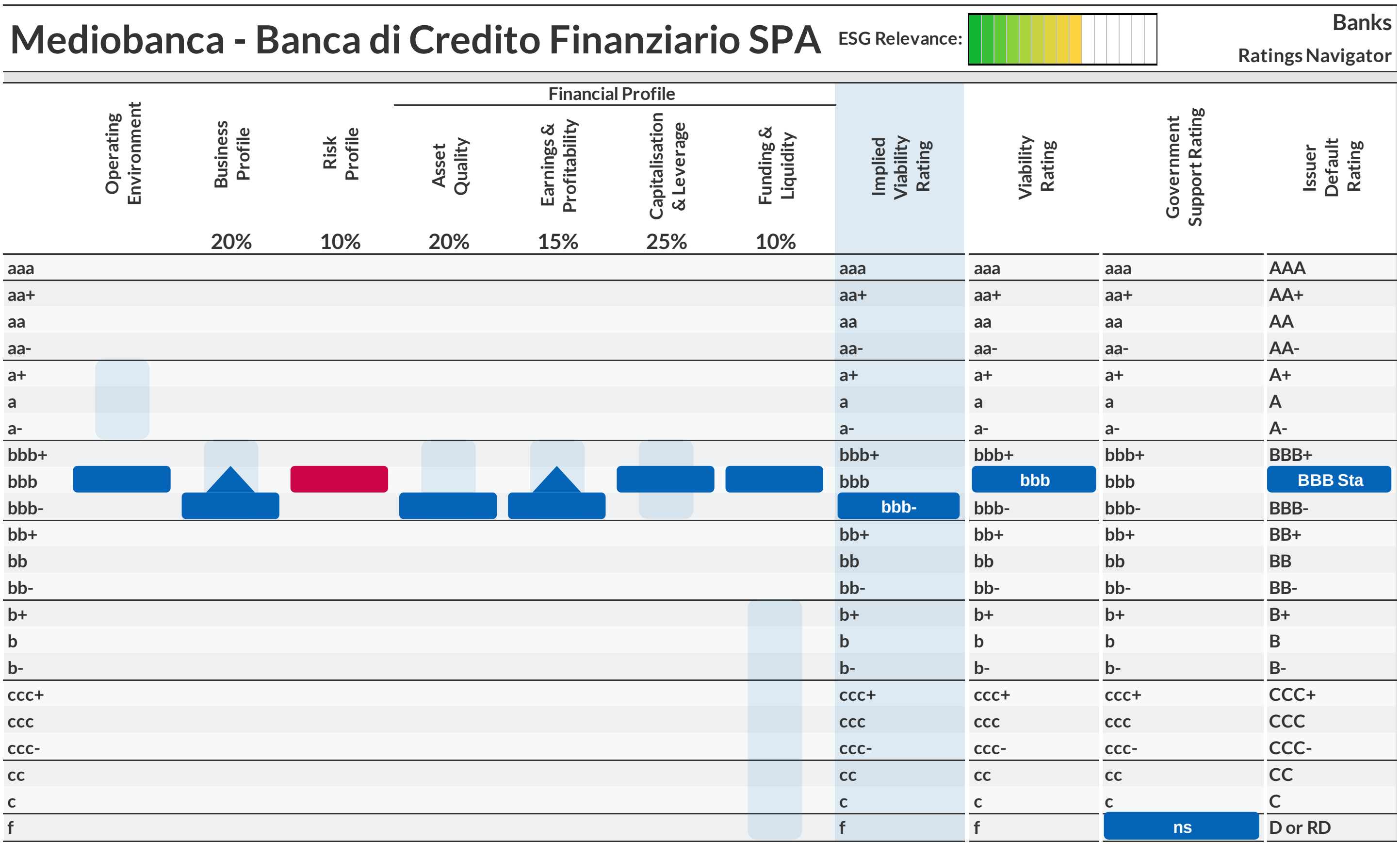
The bank's LICs/gross loans ratio slightly increased qoq to 0.5% annualised in 1Q25 (0.4% in FY24) and is consistent with our expectations, reflecting reversal to structural levels from pandemic lows in consumer finance. At end-September 2024 the bank had EUR215 million of provisions overlays, equal to about 40bp of gross loans and to almost the amount of LICs reported in FY24, which should allow Mediobanca to keep its LICs/gross loans ratio under control and ensure a sound buffer against more severe asset quality deterioration than we expect.

Asset quality remains strong, with an impaired loans ratio of 2.6% at end-September2024, and slightly better than Fitch's forecast (2.9% at end-June 2024). Lower rates and modest economic recovery in 2025 should support the ratio's stability. The evolution of the CET1 ratio (15.4% at end-September 2024) over the past 12 months, reflects strong capital generation and RWA optimization, which offset business growth and high shareholder remuneration (70% payout and EUR585 million share buyback so far approved, of which EUR385 under execution since November 2024). The ratio aligns with our expectations and the bank's target of maintaining a CET1 ratio above 14.5% (including buybacks).

Funding and liquidity remain sound, supported by record bond issuance levels and a solid liquidity coverage ratio (LCR) of 154% and net stable funding ratio (NSFR) of 115.5%. Deposits are repricing upwards. However, this reflects commercial initiatives meant to attract customers' liquidity to support future conversion into wealth management products.

This is a text exhibit 'Significant Changes at sector level - Public'. See instructions in side pane.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of ‘bbb’ is below the ‘a’ implied category score due to the following adjustment reason: sovereign rating (negative). The outlook on the Italian bank operating environment score was changed to positive following the revision to Positive of the Long-Term IDR of Italy.

The funding & liquidity score of ‘bbb’ is above the ‘b and below’ category implied score due to the following adjustment reason: non-deposit funding (positive).

Financials

Financial Statements

	30 Sep 2024		30 Jun 2024	30 Jun 2023	30 Jun 2022
	1st quarter	1st quarter	12 months	12 months	12 months
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Unaudited	Unaudited	Audited – unqualified	Audited – unqualified	Audited – unqualified
Summary income statement					
Net interest and dividend income	545	487	2,086	1,886	1,612
Net fees and commissions	259	231	811	678	668
Other operating income	164	147	748	713	493
Total operating income	968	865	3,645	3,277	2,773
Operating costs	416	371	1,685	1,558	1,412
Pre-impairment operating profit	552	493	1,960	1,720	1,362
Loan and other impairment charges	62	55	248	230	203
Operating profit	491	438	1,712	1,490	1,158
Other non-operating items (net)	0	0	-2	-65	3
Tax	113	101	434	395	252
Net income	378	337	1,277	1,030	910
Other comprehensive income	-83	-74	-123	-308	-498
Fitch comprehensive income	295	263	1,154	722	411
Summary balance sheet					
Assets					
Gross loans	60,108	53,687	53,440	53,617	52,811
– of which impaired	1,555	1,389	1,428	1,328	1,676
Loan loss allowances	1,846	1,649	1,608	1,664	1,634
Net loans	58,262	52,039	51,832	51,953	51,177
Interbank	–	–	2,920	2,163	1,282
Derivatives	–	–	3,520	4,198	4,193
Other securities and earning assets	47,593	42,509	33,806	25,553	22,043
Total earning assets	105,855	94,548	92,077	83,868	78,695
Cash and due from banks	–	–	3,679	4,558	8,894
Other assets	4,051	3,618	3,470	3,214	2,980
Total assets	109,906	98,166	99,226	91,639	90,568
Liabilities					
Customer deposits	31,523	28,155	29,350	30,136	30,941
Interbank and other short-term funding	–	–	14,403	13,889	17,534
Other long-term funding	37,983	33,926	30,807	22,458	18,882
Trading liabilities and derivatives	10,916	9,750	10,936	11,506	10,569
Total funding and derivatives	80,422	71,831	85,497	77,990	77,926
Other liabilities	17,030	15,211	2,486	2,220	1,894
Preference shares and hybrid capital	–	–	–	–	–
Total equity	12,455	11,124	11,243	11,429	10,749
Total liabilities and equity	109,906	98,166	99,226	91,639	90,568
Exchange rate		USD1 = EUR0.893176	USD1 = EUR0.930665	USD1 = EUR0.920302	USD1 = EUR0.96274

Source: Fitch Ratings, Fitch Solutions, Mediobanca

Key Ratios

	30 Sep 2024	30 Jun 2024	30 Jun 2023	30 Jun 2022
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	3.7	3.6	2.9	2.3
Net interest income/average earning assets	2.1	2.2	2.3	2.0
Non-interest expense/gross revenue	49.2	53.8	55.2	58.5
Net income/average equity	12.0	11.4	10.0	8.3
Asset quality				
Impaired loans ratio	2.6	2.7	2.5	3.2
Growth in gross loans	0.5	-0.3	1.5	7.5
Loan loss allowances/impaired loans	118.7	112.6	125.3	97.5
Loan impairment charges/average gross loans	0.5	0.4	0.4	0.4
Capitalisation				
Common equity Tier 1 ratio	15.4	15.2	15.9	15.7
Fully loaded common equity Tier 1 ratio	15.4	15.2	15.9	15.6
Tangible common equity/tangible assets	11.3	10.4	11.6	10.9
Basel leverage ratio	7.2	7.1	8.4	8.4
Net impaired loans/common equity Tier 1 capital	-3.6	-2.5	-4.1	0.5
Funding and liquidity				
Gross loans/customer deposits	190.7	182.1	177.9	170.7
Liquidity coverage ratio	153.9	159.0	161.1	151.8
Customer deposits/total non-equity funding	39.2	36.9	42.7	43.5
Net stable funding ratio	115.5	116.8	119.3	115.5

Source: Fitch Ratings, Fitch Solutions, Mediobanca

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bbb to bb+
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	BBB/ Positive
Size of banking system	Neutral
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Negative
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

No Sovereign Support Factored into the Ratings

We believe that Mediobanca's senior creditors cannot expect to receive extraordinary support from the Italian authorities if the bank is declared non-viable. This is in line with other Italian and eurozone banks, and is because the EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism provide a framework for the resolution of eurozone banks that requires senior creditors to participate in losses, if necessary, instead of, or ahead of, a bank receiving government support.

Subsidiaries and Affiliates

The ratings of the senior preferred debt issued by Mediobanca International (Luxembourg) S.A. are equalised with the parent's IDRs, as the debt is unconditionally and irrevocably guaranteed by Mediobanca. Fitch expects the parent to honour this guarantee.

Environmental, Social and Governance Considerations

FitchRatings

Mediobanca - Banca di Credito Finanziario SPA

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Credit-Relevant ESG Derivation				ESG Relevance to Credit Rating
Mediobanca - Banca di Credito Finanziario SPA has 5 ESG potential rating drivers Mediobanca - Banca di Credito Finanziario SPA has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating. Governance is minimally relevant to the rating and is not currently a driver.	key driver	0	issues	5
	driver	0	issues	4
	potential driver	5	issues	3
	not a rating driver	4	issues	2
		5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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