FitchRatings

Banks
Wholesale Commercial Banks
Italy

Mediobanca - Banca di Credito Finanziario SPA

Ratings

Foreign Currency	
Long-Term IDR	BBB-
Short-Term IDR	F3
Derivative Counterparty Rating	BBB-(dcr)
Viability Rating	bbb-
Support Rating	5
Support Rating Floor	NF

Sovereign Risk	
Long-Term Foreign and Local-Currency IDRs	BBB-
Country Ceiling	AA-

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign and Local-Currency IDRs	Stable

Key Rating Drivers

Capitalisation, A Rating Strength: Mediobanca - Banca di Credito Finanziario SPA's ratings are supported by strong capitalisation relative to the Viability Rating (VR) and our expectation that it will remain resilient under various possible downside scenarios to our baseline. The ratings also reflect Mediobanca's specialised business model with strong competitive positions in selected businesses and a moderate risk appetite, which underpin its better operating profitability and asset quality relative to domestic peers' through the cycle.

Domestic Footprint, Strong Franchises: Mediobanca is a leading corporate and investment bank and consumer lender in Italy, with an international footprint in the former segment, although this is small relative to its domestic operations. Mediobanca is successfully expanding its wealth management franchise, mainly in the affluent and private segment, and its customer deposits base domestically, but its national market shares remain small.

Satisfactory Capital Buffers: The common equity Tier 1 (CET1) ratio of 16.2% at end-2020 was one of the highest among domestic rated banks and has ample buffers over its Supervisory Review and Evaluation Process (SREP) requirement. Its fully loaded CET1 ratio of 14.5% is also satisfactory and provides comfortable loss-absorption capacity, also considering the bank's low encumbrance by unreserved impaired loans. Holdings of Italian government bonds are modest and therefore do not affect our assessment of capitalisation.

Limited Asset-Quality Deterioration Expected: In 2020 Mediobanca recorded moderate inflows of new impaired loans, mainly in its consumer business, but its impaired loan ratio still compares well domestically and improved in the six months to end-2020. We expect modest deterioration of the impaired loan ratio in the coming quarters given the bank's tight control over credit risk and contained risk from outstanding loan moratoriums.

Profitability Challenges: Weaker-than-expected economic recovery could put pressure on earnings generation and inflate loan impairment charges (LICs). Mediobanca's operating profitability proved more resilient to the low-interest-rate environment than other domestic banks, thanks to strong pricing power in consumer lending and increased fee generation from wealth management operations as well as controlled operating costs. We expect profitability to remain slightly below pre-crisis levels in the near to medium term.

Stable Funding and Liquidity: Mediobanca's funding is diversified due to established market access, which allowed the bank to regularly issue debt during 2020 and early 2021 with no additional burden on its funding costs. Its customer deposit base is smaller and less established than the largest domestic banks'. Medium-term funding needs are manageable and liquidity is underpinned by adequate buffers of unencumbered eligible assets.

Rating Sensitivities

Sovereign Rating, Operating Environment: Mediobanca's ratings are sensitive to a downgrade of Italy's sovereign rating or to a downgrade of our assessment of Italy's operating environment due to permanently difficult operating conditions. For Mediobanca's ratings to be upgraded, Italy needs to be upgraded and pressures on asset quality and profitability to ease.

Capital Erosion: The ratings are also sensitive to the depth and duration of the economic crisis and its impact on Mediobanca's financial profile. They could be downgraded if the CET1 ratio falls below 13%, without a prospect of recovering, due to prolonged damage to asset quality and earnings, and with unreserved impaired loans rising substantially on a sustained basis.

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Fitch Affirms Mediobanca at 'BBB-'/Stable (February 2021)

Italian Banks: 2020 Results (February 2021)

Fitch Ratings 2021 Outlook: Western European Banks (December 2020)

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Debt Rating Classes[a]

Rating level	Rating
Deposits	BBB/F3
Senior preferred	BBB-/F3
Senior non-preferred	BB+
Tier 2 subordinated	BB

[a] Including the ratings of the senior debt issued by Mediobanca's funding vehicle, Mediobanca International (Luxemburg) SA, which are equalised with that of the parent because the debt is unconditionally and irrevocably guaranteed by Mediobanca and Fitch expects the parent to honour this
Source: Fitch Ratings

Mediobanca's long-term deposit rating is one notch above its Long-Term Issuer Default Rating (IDR). Fitch believes that Mediobanca has sufficient combined buffers of junior and senior debt that result in a lower probability of default on deposits relative to the Long-Term IDR. Fitch also expects that Mediobanca will maintain sufficient buffers to comply with the minimum requirement for own funds and eligible liabilities (MREL). Mediobanca has a MREL of 21.9% of risk-weighted assets (RWAs). At end-2020 its eligible liabilities and own funds totalled almost EUR18 billion (37% of RWAs) implying a surplus of around 15%.

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

Tier 2 subordinated debt is rated two notches below the VR for loss severity to reflect poor recovery prospects.

Ratings Navigator

Mediobanca - Banca di Credito Finanziario SPA

ESG Relevance:

Banks
Ratings Navigator

Significant Changes

Tightened Risk Appetite In Response To Pandemic Risks

We revised the outlook of Mediobanca's risk appetite to stable from negative to reflect eased concerns about potential risks from originating new business towards comparatively weaker counterparties. Tightened underwriting criteria, especially in the riskier consumer and corporate business in response to the pandemic outbreak, and strengthened risk controls, including on loan moratoriums, put the bank in a good position to mitigate credit risk in more difficult economic conditions.

Operating Environment Still on Negative Trend

We expect the operating environment for the Italian banking sector to remain challenging and broadly unchanged from 2020. Fitch forecasts GDP to grow by 4.5% in 2021 and 4.3% in 2022 after the severe about 9% contraction in 2020 as the pandemic and health restrictions hit the economy hard.

The negative outlook on the operating environment for the banking sector reflects potential downside risks from amplified credit risks and pressure on earnings and profitability, particularly if a recovery is delayed. However, the prospects of the successful deployment of a vaccine among the population means that we could be revise the negative outlook in the coming quarters.

Revenue prospects for 2021 will be similar to 2020, but the recovery in a low-growth, yet deep and diversified, economy like Italy will still present business opportunities for the banks. We expect net interest income to be muted and overall fees unlikely to contract further. Inflows of new impaired loans are likely to resume as payment suspension schemes come to an end. We expect banks to continue adjusting provisioning to reflect actual impaired loan flows and continued de-risking.

Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- ▫ Stable

Navigator Peer Comparison

Peer Group Summary	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating
Mediobanca - Banca di Credito Finanziario SPA	bbb-	bbb-	bbb	bbb-	bbb-	bbb-	bbb	bbb-	bbb-
UniCredit S.p.A.	bbb	bbb	bbb+	bbb	bb	bb+	bbb-	bbb	bbb-
Intesa Sanpaolo S.p.A.	bbb-	bbb	bbb	bbb-	bb	bbb-	bbb	bbb	bbb-
Credito Emiliano S.p.A.	bbb-	bbb-	bbb	bbb-	bbb-	bbb-	bbb	bbb-	bbb-
Van Lanschot Kempen Wealth Management N.V.	aa-	bbb+	bbb+	bbb+	bbb+	bbb	a-	a-	bbb+

Source: Fitch Ratings

Company Summary and Key Qualitative Assessment Factors

Established Historical Businesses, Growing Wealth Management Franchise

Mediobanca's corporate and investment banking (CIB) activities have a solid franchise domestically thanks to established client relationships with large Italian and mid-cap corporates, its historical target segments. The bank has expanded its corporate lending internationally, with non-domestic exposures accounting for about 50% of its CIB loan book. CIB is largely client driven and fee based, driven by M&A and equity capital markets activities, in which the bank is a domestic market leader. Compass Banca is the group's consumer lender and main contributor to its revenue generation. It focuses on personal loans but has leading market shares in all consumer products domestically.

Mediobanca has been successfully developing its asset and wealth management (WM) franchise both organically and through acquisitions to diversify its product offer. The franchise is still modest, with total assets under management/assets under administration (AuM and AuA) of EUR42 billion at end-2020 but has proved resilient. The legacy equity investment in insurer Assicurazioni Generali (BBB+/Stable) contributes materially to Mediobanca's earnings but could be sold to finance acquisitions.

Clear Strategic Direction, Execution Challenges Ahead

Strategic objectives to 2023 are coherent with Mediobanca's business model and risk appetite, and quantitative targets generally within the bank's execution capabilities. Mediobanca aims at expanding its WM activities, both in size and distribution capabilities, while consolidating its competitive position in the historical core businesses (CIB and Consumer) mainly through organic growth and selected acquisitions to complement the business proposition.

The coronavirus crisis has taken a heavy toll on the economy and could make Mediobanca's target return on total equity of 11% in 2023 more challenging to achieve. New business origination during the first lockdown in 1H20 stalled drastically in the consumer segment, before recovering during 2H20 but it is unlikely to return to pre-pandemic levels earlier than 2H21. Advisory and capital markets activities performed well in 2H20 thanks to some large deals closed in 3Q20, although these are unlikely to repeat in the coming quarters.

FY20/21 will be a transition phase to absorb the aftermath of the pandemic especially in consumer lending, and the bank expects flat revenue (excluding Generali's contribution) reflecting modest loan growth being offset by continued AuM and AuA expansion.

Measured Risk Appetite

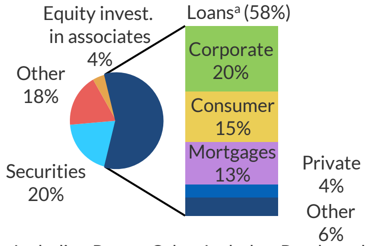
Mediobanca is primarily exposed to credit risk. Its risk governance is sufficiently pervasive and commensurate with the group's business and risk appetite. In retail lending, monitoring is tight and recovery procedures effective and closely managed with adequate firepower compared with other domestic banks'. In early 2020 Compass tightened origination criteria in response to the pandemic, which it only partially eased in 2H20. During the spring 2020 lockdown the bank accelerated the digitalisation of its collection and payment systems, which allowed it to rapidly restore regular collection activities and customer payments, which had halted due to mobility restrictions.

Credit standards in CIB have limited appetite for single-name risks. Industry allocation can shift based on the economic cycle but the bank is generally conservative towards riskier sectors. Geographic diversification is towards counterparties in more stable economies. Credit standards have further tightened to recalibrate limits in response to the coronavirus crisis.

Mediobanca granted loan moratoriums very selectively and, on average, with shorter maturities than other domestic banks. The bulk of moratoriums were in consumer lending, where payment holidays lasted, on average, only one to two months. Corporate drawdowns of revolving credit facilities peaked in 2Q20 but amounts were manageable and almost entirely repaid by end-2020. Loan growth in 2020 only marginally benefited from state-guarantee facilities, in contrast with sector level in Italy.

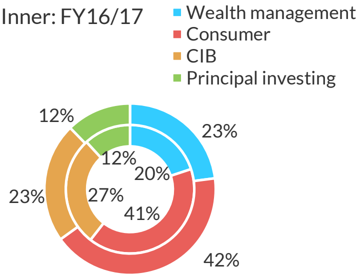
Mediobanca's exposure to market risk is average and appropriately hedged. Traded volumes may be material given its capital market activities, but the risk is well managed.

Total Assets
End- 2020



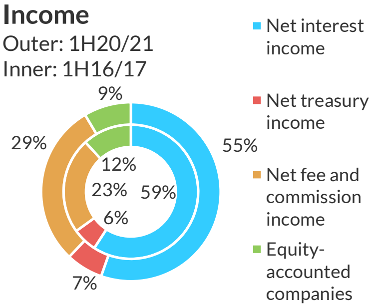
[a] Including Repos. Other Includes: Purchased NPLs, Factoring and Leasing
Source: Fitch Ratings, Mediobanca

Operating Income
Outer: FY19/20
Inner: FY16/17



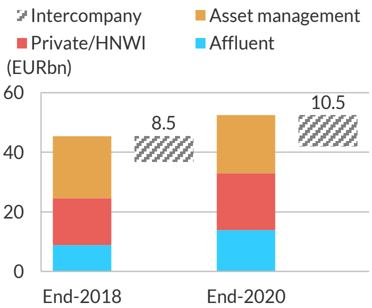
Source: Fitch Ratings, Mediobanca

Breakdown of Operating Income
Outer: 1H20/21
Inner: 1H16/17



Source: Fitch Ratings. Mediobanca

AuM and AuA



Source: Fitch Ratings, Mediobanca

Summary Financials and Key Ratios

	31 Dec 20		30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
	6 months - interim	6 months - interim	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)	(EURm)
	Reviewed - unqualified	Reviewed - unqualified	Unaudited	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement						
Net interest and dividend income	920	756.4	1,529.1	1,510.0	1,454.3	1,362.8
Net fees and commissions	374	307.8	486.7	440.5	456.3	377.9
Other operating income	322	264.5	414.7	456.6	475.7	507.8
Total operating income	1,616	1,328.7	2,430.5	2,407.1	2,386.3	2,248.5
Operating costs	776	637.8	1,230.7	1,209.7	1,167.0	1,143.0
Pre-impairment operating profit	841	690.9	1,199.8	1,197.4	1,219.3	1,105.5
Loan and other impairment charges	210	172.8	402.7	210.5	216.0	297.6
Operating profit	630	518.1	797.1	986.9	1,003.3	807.9
Other non-operating items (net)	64	52.5	17.8	95.8	92.5	106.1
Tax	193	159.0	213.5	256.5	228.1	171.8
Net income	501	411.6	601.4	826.2	867.7	742.2
Other comprehensive income	496	407.9	-221.6	-145.2	-106.5	-272.1
Fitch comprehensive income	997	819.5	379.8	681.0	761.2	470.1
Summary balance sheet						
Assets						
Gross loans	59,348	48,782.2	47,820.6	45,038.5	41,623.2	39,105.7
- Of which impaired	2,474	2,033.5	2,240.2	2,017.5	2,231.0	2,055.7
Loan loss allowances	2,048	1,683.4	1,590.0	1,373.5	1,525.3	1,550.2
Net loans	57,300	47,098.8	46,230.6	43,665.0	40,097.9	37,555.5
Interbank	3,238	2,661.3	2,393.4	2,750.5	1,114.5	868.2
Derivatives	5,174	4,252.7	3,744.6	3,186.8	3,789.1	3,711.7
Other securities and earning assets	29,412	24,175.6	19,946.5	24,987.0	23,353.4	24,583.8
Total earning assets	95,124	78,188.4	72,315.1	74,589.3	68,354.9	66,719.2
Cash and due from banks	3,004	2,468.8	3,808.8	997.4	1,450.4	1,539.0
Other assets	3,258	2,677.9	2,825.8	2,658.0	2,495.2	2,187.4
Total assets	101,385	83,335.1	78,949.7	78,244.7	72,300.5	70,445.6
Liabilities						
Customer deposits	31,555	25,937.2	25,192.1	22,791.6	20,291.1	19,592.1
Interbank and other short-term funding	18,750	15,411.4	13,991.4	15,067.2	13,292.4	13,463.4
Other long-term funding	24,038	19,758.3	19,973.9	20,134.0	20,608.5	20,108.7
Trading liabilities and derivatives	12,356	10,156.5	8,422.2	8,442.0	6,695.5	6,261.8
Total funding	86,699	71,263.4	67,579.6	66,434.8	60,887.5	59,426.0
Other liabilities	1,828	1,502.3	1,630.0	1,911.0	1,680.8	1,827.9
Preference shares and hybrid capital	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total equity	12,859	10,569.4	9,740.1	9,898.9	9,732.2	9,191.7
Total liabilities and equity	101,385	83,335.1	78,949.7	78,244.7	72,300.5	70,445.6
Exchange rate		USD1 = EUR0.821963	USD1 = EUR0.893017	USD1 = EUR0.878734	USD1 = EUR0.8633	USD1 = EUR0.8763

Source: Fitch Ratings, Mediobanca

Summary Financials and Key Ratios

	31 Dec 20	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Ratios (annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	2.1	1.7	2.1	2.1	1.5
Net interest income/average earning assets	2.0	2.0	2.1	2.1	2.1
Non-interest expense/gross revenue	52.4	57.9	58.0	55.4	57.6
Net income/average equity	8.1	6.0	8.7	9.2	8.2
Asset quality					
Impaired loan ratio	4.2	4.7	4.5	5.4	5.3
Growth in gross loans	2.0	6.2	8.2	6.4	11.5
Loan loss allowances/impaired loans	82.8	71.0	68.1	68.4	75.4
Loan impairment charges/average gross loans	0.7	0.8	0.5	0.5	0.8
Capitalisation					
Common equity Tier 1 ratio	16.2	16.1	14.1	14.2	13.3
Fully loaded common equity Tier 1 ratio	14.5	14.5	12.8	13.1	13.5
Tangible common equity/tangible assets	11.8	11.4	11.6	12.6	12.4
Basel leverage ratio	9.4	9.7	8.4	8.8	9.5
Net impaired loans/common equity Tier 1	4.5	8.4	9.9	10.5	7.2
Funding and liquidity					
Loans/customer deposits	188.1	189.8	197.6	205.1	199.6
Liquidity coverage ratio	155.0	165.0	143.0	186.0	245.0
Customer deposits/funding	39.8	40.4	36.6	35.7	35.4
Net stable funding ratio	106.9	109.0	107.0	108.0	107.0

Source: Fitch Ratings, Mediobanca

Key Financial Metrics – Latest Developments

Asset Quality Under Control, Modest Downside Risks

Mediobanca's loan book accounts for about 60% of its total assets, about half of which are consumer and residential mortgage loans. These mitigate moderate concentration risk in the corporate portfolio, although this is well diversified by geography and mainly to investment-grade companies. Exposure to coronavirus-sensitive sectors is contained and generally towards prime counterparties, which should mitigate medium-term impacts on asset quality.

In 2020 Mediobanca granted EUR2.6 billion of moratoriums (about 5% of its loan book). The default rate on expired moratoriums (EUR1.4 billion at end-2020, largely consumer loans) was contained. Residual moratoriums will expire by end-June 2021 and mainly refer to leasing and residential mortgage loans, of which about half have been reclassified as Stage 2 or Stage 3 and conservatively provisioned. The coverage ratio on impaired loans is sufficiently robust, given the bank's manageable stock of impaired loans and its systematic approach to writing off and disposing of consumer impaired loans.

The weakened external environment is likely to result in an increase in impaired loans in the near term from around 4% at end-2020 (3.4% excluding purchased non-performing loans). However, we expect credit risk to remain manageable and within the bank's control. Counterparty risk from its capital markets transactions is contained. The securities portfolio is adequately diversified. Italian sovereign bonds generally represent less than 5% of total assets.

Operating Profitability Sensitive to Economic Recovery

Mediobanca's resilient FY19/20 operating profitability, at 1.7% of RWAs, was supported by WM revenue, which continued to contribute substantially in 1H20/21, and positive pre-pandemic commercial dynamics in other core businesses. This provided the bank with sufficient capacity to absorb the impact of pandemic-related LICs (about EUR110 million). Increased Targeted Long-Term Refinancing Operation (TLTRO) use, resilient margins on new corporate loans, and the temporary increase in corporate facilities drawn down in the early weeks of the lockdown also supported the bank's earnings.

Operating profit/RWAs compared well with domestic peers in 1H20/21 at around 2%, even when excluding the contribution to earnings of the Generali investment. However, the impact of lower lending volumes, particularly in the consumer business, was visible in 1H20/21 revenues, and we expect more challenges ahead in 2021 until the economic recovery becomes more certain and robust. In 1H20/21 commission income benefited from some large capital market deals, which we consider non-repeatable in the coming quarters.

Adequate Solvency; Dividend Distribution to Resume in 2021

Mediobanca's capitalisation has a track record of stability and solidity reflecting the bank's established organic capital generation and prudent but regular dividend distribution. The application of the Danish Compromise to Generali's investment generates a 152bp benefit to the bank's ratios, while transitional IFRS9 provisions add an additional 13bp. Capital encumbrance by unreserved impaired loans remains one of the lowest among domestic rated banks at around 5% of CET1 capital at end-2020 and also compares well internationally; exposure to domestic sovereign debt is also contained at about 50%.

Mediobanca guided towards a payout ratio of 70% on its FY20/21 income (50% in FY18/19), subject to lifting of current restrictions. Higher future dividend distribution is consistent with the bank's capital plan whereby it intends to operate with a fully loaded CET1 ratio of at least 12.5% (deducting the stake in Generali in full) throughout the plan horizon.

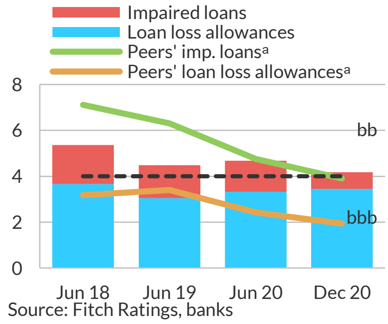
Diversified Funding, Ample Liquidity

Mediobanca's funding structure is evolving with its business model. Customer deposits have grown consistently over the past years to about 40% of total funding, and the contribution from affluent and private clients has been increasing. Wholesale channels remain an important source of financing (around 45% of funding), including about EUR6 billion of TLTRO funding (about 10% of total funding). Liquidity is backed by about EUR11 billion of unencumbered eligible assets to repo or use for central bank refinancing.

[a] Peer average includes UniCredit S.p.A. (VR: 'bbb-'), Credito Emiliano S.p.A. (bbb-), Intesa Sanpaolo S.p.A. (bbb-) and Van Lanschot Kempen Wealth Management N.V. (bbb+). Preliminary full-year or 1H20 results were included where available in the latest average calculation.

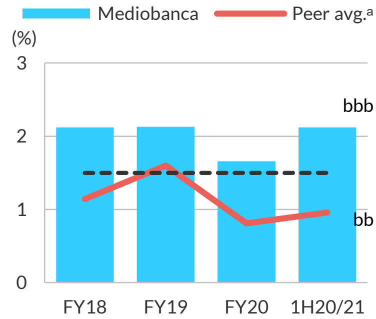
Note on Charts
Black dashed lines in the charts represent indicative quantitative ranges and corresponding implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bbb' category.
Mediobanca's financial year ends at end-June.

Asset Quality



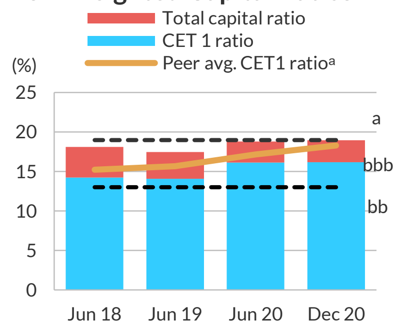
Source: Fitch Ratings, banks

Operating Profit/RWAs



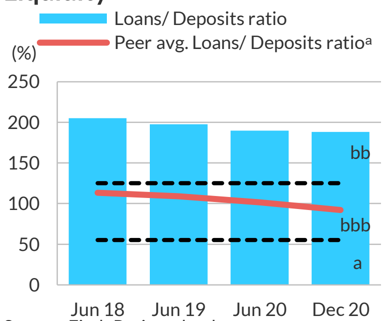
Source: Fitch Ratings, banks

Risk-Weighted Capital Ratios



Source: Fitch Ratings, banks

Liquidity



Source: Fitch Ratings, banks

Sovereign Support Assessment

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			BBB- to BB
Actual country D-SIB SRF			NF
Support Rating Floor:			**NF**
Support Factors	**Positive**	**Neutral**	**Negative**
Sovereign ability to support system			
Size of banking system relative to economy		✓	
Size of potential problem		✓	
Structure of banking system		✓	
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)		✓	
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support		✓	
Sovereign propensity to support bank			
Systemic importance			✓
Liability structure of bank			✓
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

No Sovereign Support Factored Into the Ratings

We believe that Mediobanca's senior creditors cannot rely on extraordinary support from the Italian authorities if the bank is declared non-viable. This is in line with other Italian and eurozone banks and reflects our belief that the authorities' propensity to support the banking system and their ability to do so ahead of senior bondholders participating in losses has decreased materially following the implementation of recovery and resolution legislation.

Environmental, Social and Governance Considerations

FitchRatings

Mediobanca - Banca di Credito Finanziario SPA

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

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.

Overall ESG Scale

			Overall ESG Scale
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)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
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	Company Profile; Management & Strategy; Risk Appetite; Asset Quality	1

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

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with 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) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite	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; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	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	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	2
				1

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.

Mediobanca's highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg .

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.