

Research Update:

Italian Bank MedioCredito CreditWatch Status Revised To Negative Following Similar Rating Action On Italy

Overview

- On Dec. 5, 2011, we placed the unsolicited long- and short-term sovereign credit ratings on the Republic of Italy on CreditWatch with negative implications.
- As a result, we are revising our CreditWatch implications to negative from developing on the 'A-/A-2' long- and short-term counterparty credit ratings on Italy-based MedioCredito Centrale SpA (MCC).
- The negative implications reflect the possibility that a sovereign downgrade may impact the ratings on MCC.
- Italy's national postal services provider Poste Italiane Group completed its acquisition of MCC on Aug. 1, 2011, and appointed a new board of directors.
- We understand that MCC's new business model and the level of support it will receive from its new parent are still to be determined.
- We aim to review the CreditWatch placement on MCC after having resolved the CreditWatch on Italy and when we receive and assess information about MCC's parental support and its future mission and business plan.

Rating Action

On Dec. 7, 2011, Standard & Poor's Ratings Services revised the CreditWatch implications on its 'A-/A-2' long- and short-term ratings on MedioCredito Centrale SpA (MCC) to negative from developing, where they were placed on Nov. 19, 2010.

Rationale

The rating action follows a similar action taken on the Republic of Italy (unsolicited A/Watch Neg/A-1; see "Italy's Unsolicited 'A/A-1' Ratings Placed On CreditWatch Negative," published Dec. 5, 2011, on RatingsDirect on the Global Credit Portal).

The negative CreditWatch placement reflects the possibility that a sovereign downgrade may impact the ratings on MCC.

In addition, the continuation of the CreditWatch placement follows the completion of the acquisition by Poste Italiane Group (A/Watch Negative/A-1) of MCC and the appointment of a new board of directors. The CreditWatch status also factors in our expectation that we will receive in-depth information

about the bank's new business plan and future parental support in the next few months. We understand that Poste Italiane aims to use MCC as the vehicle for a new entity likely to be called Banca del Mezzogiorno, which will lend to small and midsize enterprises (SMEs) in Southern Italy.

The CreditWatch placement reflects our view that we may not consider MCC as a "core" subsidiary of Poste Italiane, under our criteria. We would assess MCC as a "core" subsidiary of Poste Italiane if, in our view, MCC is fully integrated within the group, it operates in a line of business that we consider integral to the parent's strategy, and there is a strong commitment of financial support from the parent under any circumstances. It also reflects the possibility that MCC's business and financial risk profiles might change substantially as a result of potential changes to MCC's mission and business model. We believe that MCC's new business model might be materially riskier than its current one, which mainly includes managing the "Fondo Centrale di Garanzia," the Italian government's vehicle for providing counter-guarantees on loans from Italian banks to domestic SMEs.

We view MCC's total assets as negligible following the sale of its residual export finance loans portfolio to Italian bank UniCredit SpA in August 2011.

CreditWatch

We aim to review the CreditWatch placement over the next three months, after having resolved the CreditWatch on Italy and following our meeting with Poste Italiane and MCC's management and receipt of more in-depth information on MCC's ownership, parental support, and future business plan.

We could affirm the counterparty credit ratings on MCC or lower them by one or more notches. The outcome will depend on the impact on the ratings on MCC's parent Poste Italiane of the resolution of the CreditWatch on Italy, and on our future assessment of MCC's stand-alone credit profile and the likelihood of parental support.

Related Criteria And Research

- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Group Rating Methodology And Assumptions, Nov. 9, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
MedioCredito Centrale SpA		

Counterparty Credit Rating	A-/Watch Neg/A-2	A-/Watch Dev/A-2
Certificate Of Deposit	A-/Watch Neg/A-2	A-/Watch Dev/A-2

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Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.
