

Rating Action: Moody's downgrades MedioCredito Centrale to Ba1/N-P from Baa3/P-3; outlook negative

Global Credit Research - 17 Jul 2012

Action follows parent bank downgrade

Milan, July 17, 2012 -- Moody's Investors Service has today downgraded by one notch the long and short-term deposit ratings of Banca del Mezzogiorno - MedioCredito Centrale SpA (MCC) to Ba1/Not-Prime from Baa3/Prime-3. MCC's standalone bank financial strength rating (BFSR) was not affected, remaining at D- (equivalent to standalone credit assessment of ba3). All ratings have a negative outlook.

Today's rating action was triggered by the downgrade of MCC's parent, Poste Italiane to Baa2 (negative) from A3 (negative) on 16 July 2012, which, in turn, was prompted by weakening of the Italian government's creditworthiness, reflected by Moody's downgrade of Italy to Baa2 from A3 on 13 July 2012. The downgrade of Poste Italiane's ratings reflect a reduced capacity to provide capital and funding support, if needed, to its fully owned subsidiary MCC. Accordingly, Moody's has reduced the support assumptions factored into the deposit ratings of MCC, resulting in the one notch downgrade today.

For further details of the rating actions on Poste Italiane, see the press release http://www.moodys.com/research/Moodys-downgrades-Poste-Italiane-to-Baa2-from-A3-outlook-negative--PR_250465, published on 16 July 2012. For full details of the sovereign action on Italy, refer to the press release http://www.moodys.com/research/Moodys-downgrades-Italys-government-bond-rating-to-Baa2-from-A3--PR_250567, published on 13 July 2012.

RATINGS RATIONALE

The one-notch downgrade of MCC was driven by the weakening credit profile of its parent Poste Italiane, which implies a reduced capacity to provide capital and funding support to its subsidiary, if needed. Therefore the ratings uplift factored into MCC's deposit ratings due to support assumptions has been reduced.

Moody's says that the lowering of Poste Italiane's long-term issuer rating to Baa2 from A3, announced yesterday, reflects the weakening of the Italian government's creditworthiness. Under Moody's Joint Default Analysis methodology, the deposit ratings of MCC incorporates uplift from high parental support assumptions; the two-notch lowering of Poste Italiane's long-term issuer rating therefore has a direct impact on the ratings of MCC.

RATIONALE FOR THE NEGATIVE OUTLOOK

The negative outlook on the ratings reflects (i) the negative outlook on the ratings of Poste Italiane; and (ii) the uncertainties associated with the successful implementation of MCC's new activities and to its capacity to provide a sustainable business model, with an adequate profitability and risk profile, and sufficient capitalisation.

WHAT COULD MOVE THE RATINGS UP/DOWN

At this stage, upwards pressure on the ratings is limited, as indicated by the negative outlook on both the bank's ratings and its parent's ratings. Nevertheless, over the longer term, MCC's ability to maintain an adequate risk profile, with relatively robust capital and liquidity buffers -- coupled with sustainable profitability -- could result in upwards pressure on MCC's ratings.

The BFSR and the deposit ratings could be downgraded if there is a significant increase in MCC's risk profile or a significant decrease of its capital levels and liquidity. Weak integration with the parent, a diminishing strategic role within the group and/or downwards pressure on Poste Italiane's ratings could also negatively impact MCC's ratings.

LIST OF AFFECTED RATINGS

The following ratings were affected today:

Long-term local and foreign-currency deposit ratings downgraded to Ba1 from Baa3, with negative outlook

Short-term local- and foreign-currency deposit ratings downgraded to Not-Prime from Prime-3

The following rating was unaffected:

BFSR of D-/ba3, with negative outlook

The principal methodology used in this rating was Moody's Consolidated Global Bank Rating Methodology published in June 2012. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

Headquartered in Rome, Italy, MCC reported total consolidated assets of EUR887.6 million at December 2011.

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The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized

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