

Research Update:

Italian Bank MedioCredito Centrale Lowered To 'BBB+' After Italy Downgrade; All Ratings Remain On CreditWatch Negative

Overview

- On Jan. 13, 2012, Standard & Poor's lowered its unsolicited long- and short-term sovereign credit ratings on the Republic of Italy to 'BBB+/A-2' from 'A/A-1', assigned a negative outlook, and removed the ratings from CreditWatch negative.
- As a result, we are lowering our long-term rating on Italian bank MedioCredito Centrale SpA (MedioCredito) to 'BBB+' from 'A-'. We are maintaining our 'BBB+/A-2' long- and short-term ratings on CreditWatch negative.
- The negative CreditWatch reflects the possibility that we could lower our ratings on MedioCredito after reviewing our assessment of its stand-alone credit profile and the degree of support it could receive from its parent, Poste Italiane Group.

Rating Action

On Feb. 16, 2012, Standard & Poor's Rating Services lowered its long-term counterparty credit rating on Italy-based MedioCredito Centrale SpA (MedioCredito) to 'BBB+' from 'A-'. We are maintaining our 'BBB+/A-2' long- and short-term counterparty credit ratings on CreditWatch with negative implications, where we placed them on Dec. 7, 2011.

Rationale

The downgrade follows the lowering of the unsolicited long- and short-term sovereign credit ratings on the Republic of Italy (see "Italy's Unsolicited Ratings Lowered To 'BBB+/A-2'; Outlook Negative," published Jan. 13, 2012, on RatingsDirect on the Global Credit Portal) and our subsequent downgrade of MedioCredito's parent, Poste Italiane Group (Poste; "Italy's Poste Italiane Group Downgraded To 'BBB+/A-2' Following Sovereign Downgrade; Outlook Negative," published Jan. 17, 2012).

In accordance with our criteria on the relationship between the ratings on financial institutions and their related sovereign in the European Economic And Monetary Union (EMU), we cap our ratings on MedioCredito at the level of those on Italy (see "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published June 14, 2011).

Our ratings on MedioCredito remain on CreditWatch negative, reflecting the

possibility that we could lower the ratings after reviewing our assessment of its stand-alone credit profile (SACP) and the degree of support it could receive from Poste in case of need.

MedioCredito is a start-up company, 100% owned by Poste, whose main mission is to provide direct loans or guarantees on loans to small and midsize enterprises (SMEs) based in Southern Italy. The bank has just actively started its lending business. We understand that MedioCredito aims to use Poste's deep retail network distribution--over 4,300 post offices in Southern Italy and a very large customer base--to sustain its new activities. As of today, the Bank of Italy has authorized MedioCredito to use 250 specialized post offices to sell its products to small business. In addition, MedioCredito has a nine-year mandate to manage the "Fondo Centrale di Garanzia," the Italian government's vehicle for providing counter-guarantees on loans from the Italian banks to domestic SMEs.

Credit Watch

We aim to resolve the CreditWatch placement over the coming weeks, after reviewing our assessment of MedioCredito's SACP and the degree of parent support it stands to receive from Poste. As a result, we could either affirm the ratings or lower them by one or more notches.

Related Criteria And Research

- Italy's Unsolicited Ratings Lowered To 'BBB+/A-2'; Outlook Negative, Jan. 13, 2012
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Downgraded; Ratings Affirmed

	To	From
MedioCredito Centrale SpA		
Counterparty Credit Rating	BBB+/Watch Neg/A-2	A-/Watch Neg/A-2
Certificate Of Deposit	BBB+/Watch Neg/A-2	A-/Watch Neg/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.
