

**Rating Action: Moody's reviews Italian banks for downgrade**

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30 May 2018

**Rating actions follow the review for downgrade of Italy's Baa2 government bond rating**

London, 30 May 2018 -- Moody's Investors Service ("Moody's") today took rating actions on 12 Italian banking groups. The rating agency placed on review for downgrade the long-term deposit ratings of six banks and the issuer and/or senior unsecured debt ratings of four banks, as well as the counterparty risk assessment (CRA) of nine institutions.

The review for possible downgrade was prompted by the corresponding action on Italy's Baa2 government bond rating. For further information on the sovereign rating action, please refer to Moody's press release dated 25 May 2018 ([https://www.moodys.com/research/--PR\\_384025](https://www.moodys.com/research/--PR_384025)), and Moody's Issuer comment dated 29 May 2018 ([https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1127479](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1127479)).

The following banks are affected by today's rating actions: UniCredit S.p.A., Intesa Sanpaolo S.p.A., Banca IMI S.p.A., Cassa Depositi e Prestiti S.p.A., Mediobanca S.p.A., FCA Bank S.p.A., Banca Nazionale Del Lavoro S.p.A., Credito Emiliano S.p.A., Credit Agricole Cariparma S.p.A., Cassa Centrale Raiffeisen S.p.A., Invitalia S.p.A. and Banca del Mezzogiorno - MCC S.p.A.

The ratings, outlooks and assessments of other Moody's rated Italian banks are unaffected by today's rating action.

The full list of the affected ratings can be found at the end of this press release.

**RATINGS RATIONALE**

**-- REVIEW FOR DOWNGRADE OF THE LONG-TERM DEPOSIT RATINGS**

Moody's reviews for downgrade of the long-term deposit ratings of Intesa Sanpaolo S.p.A., Banca IMI S.p.A., Mediobanca S.p.A., Credit Agricole Cariparma S.p.A., FCA Bank S.p.A., and Cassa Centrale Raiffeisen S.p.A. were prompted by the review for downgrade of the Italian government's Baa2 bond rating.

In accordance with Moody's Banks methodology, deposit ratings are typically constrained to two notches above the sovereign bond rating, reflecting the agency's view that the expected loss of rated bank instruments is unlikely to be significantly below that of the sovereign's own debt. This means that, in the event of a downgrade of the rating of the Italian government, Italian bank deposit ratings currently positioned at A3 would also likely be downgraded, and the review for downgrade on the deposit ratings is therefore aligned with that on Italian government bond rating.

**--REVIEW FOR DOWNGRADE OF THE ISSUER AND SENIOR DEBT RATINGS OF CASSA DEPOSITI E PRESTITI AND INVITALIA**

Moody's reviews for downgrade of the Baa2 long-term issuer and senior debt ratings of Cassa Depositi e Prestiti and Invitalia were driven by the review for downgrade of Italy's Baa2 government bond rating. At the same time, the rating agency also placed on review for downgrade the Prime-2 short-term ratings of Cassa Depositi e Prestiti.

In accordance with Moody's Government-Related Issuers (GRI) rating methodology, the review for downgrade of Cassa Depositi e Prestiti's Baa2 issuer and senior debt ratings reflects the review for downgrade of the government of Italy, upon which the entity's creditworthiness depends, given its close ties to the state.

Invitalia's Baa2 issuer and senior unsecured rating, on review for downgrade, is driven by (1) the agency's public policy mandate; (2) the very high level of involvement of the government of Italy; and (3) the agency's strategic importance for the government. Any decision by the Italian government to prioritise payments on its own debt at the expense of Invitalia's commitments would lead to very high reputational risk for the government. As a result, Moody's assigns issuer and senior debt ratings to Invitalia in line with Italy's Baa2 sovereign debt rating, on review for downgrade.

## --REVIEW FOR DOWNGRADE OF THE LONG-TERM ISSUER RATING OF BANCA DEL MEZZOGIORNO

Moody's has placed on review for downgrade the long-term Baa3 issuer rating of Banca del Mezzogiorno.

The bank's long-term issuer rating of Baa3 reflects: (1) the bank's baseline credit assessment (BCA) of ba3; (2) a two-notch rating uplift from Moody's Advanced Loss Given Failure (LGF) analysis; and (3) Moody's assumption of a moderate probability of government support from its parent, Invitalia (Baa2 review for downgrade), which results in a one-notch uplift for the issuer rating.

## --REVIEW FOR DOWNGRADE OF THE LONG-TERM ISSUER RATING OF CASSA CENTRALE RAIFFEISEN

As part of today's rating actions, Moody's has also placed on review for possible downgrade the Baa2 issuer rating of Cassa Centrale Raiffeisen. In addition to the above review on its long-term deposit rating resulting from the review for downgrade of the Italian government's Baa2 bond rating, the rating action also reflects the potential for higher loss-given-failure on senior debt after the forthcoming consolidation with the network of mutual banks in Raiffeisen's region, the autonomous province of Bolzano. During the review period, Moody's will seek more clarity on the group's consolidated assets, its future liability structure, and funding plans.

## --- REVIEW FOR DOWNGRADE OF COUNTERPARTY RISK ASSESSMENTS

According to Moody's methodology, CR Assessments do not typically exceed by more than one notch the rating of the sovereign in which the bank is domiciled, or by more than two notches where the adjusted BCA is already above the sovereign rating. The review for downgrade of Italy's Baa2 sovereign rating has therefore given rise to reviews for downgrade of the long-term CR Assessments of UniCredit, Intesa Sanpaolo, Banca IMI, Banca Nazionale del Lavoro, Mediobanca, Credit Agricole Cariparma, Credito Emiliano, FCA Bank, and Cassa Centrale Raiffeisen.

Last, Moody's will reassess the current positive outlook on UniCredit's Baa1 deposit and senior debt ratings if the review on Italy's sovereign debt rating were to conclude with a downgrade. If the sovereign bond rating were downgraded by one notch to Baa3 from its current Baa2, this would likely constrain UniCredit's long-term deposit rating to its current Baa1 level.

## -- WHAT COULD MOVE THE RATINGS UP/DOWN

There is limited upward pressure on the affected ratings at present, as indicated by the reviews for downgrade. However if, upon the conclusion the review, the Italian government bond rating is confirmed at Baa2, Moody's could confirm the affected bank ratings and assessments at their current levels.

Conversely, Moody's could downgrade the ratings following a downgrade of Italy's sovereign ratings and/or a deterioration of the affected banks' baseline credit assessments, driven for example by a general deterioration in the operating environment or specific instances of worsening asset quality, losses, or reduced capitalisation.

## LIST OF AFFECTED RATINGS

Issuer: Banca del Mezzogiorno - MCC S.p.A.

..Placed on Review for Downgrade:

....Long-term Issuer Rating, currently Baa3, outlook changed to Rating under Review from Negative

..Outlook Action:

....Outlook changed to Rating Under Review from Stable(m)

Issuer: Banca IMI S.p.A.

..Placed on Review for Downgrade:

....Long-term Counterparty Risk Assessment, currently Baa1(cr)

....Long-term Bank Deposits, currently A3, outlook changed to Rating under Review from Negative

..Outlook Action:

...Outlook changed to Rating Under Review from Negative(m)

Issuer: Banca Nazionale Del Lavoro S.p.A.

..Placed on Review for Downgrade:

...Long-term Counterparty Risk Assessment, currently Baa1(cr)

Issuer: Cassa Centrale Raiffeisen S.p.A.

..Placed on Review for Downgrade:

...Long-term Issuer Ratings, currently Baa2, outlook changed to Rating under Review from Negative

...Long-term Counterparty Risk Assessment, currently Baa1(cr)

...Long-term Bank Deposits, currently A3, outlook changed to Rating under Review from Negative

..Outlook Action:

...Outlook changed to Rating under Review from Negative

Issuer: Cassa Depositi e Prestiti S.p.A.

..Placed on Review for Downgrade:

...Short-term Issuer Rating, currently P-2

...Long-term Issuer Rating, currently Baa2, outlook changed to Rating under Review from Negative

...Commercial Paper, currently P-2

...Senior Unsecured Medium-Term Note Program, currently (P)Baa2

...Senior Unsecured Regular Bond/Debenture, currently Baa2, outlook changed to Rating under Review from Negative

..Outlook Action:

...Outlook changed to Rating under Review from Negative

Issuer: Credit Agricole Cariparma S.p.A.

..Placed on Review for Downgrade:

...Long-term Counterparty Risk Assessment, currently Baa1(cr)

...Long-term Bank Deposits, currently A3, outlook changed to Rating under Review from Negative

..Outlook Action:

...Outlook changed to Rating under Review from Negative

Issuer: Credito Emiliano S.p.A.

..Placed on Review for Downgrade:

...Long-term Counterparty Risk Assessment, currently Baa1(cr)

Issuer: FCA Bank S.p.A.

..Placed on Review for Downgrade:

...Long-term Counterparty Risk Assessment, currently Baa1(cr)

...Long-term Bank Deposits, currently A3, outlook changed to Rating under Review from Negative

..Outlook Action:

....Outlook changed to Rating under Review from Negative (m)

Issuer: Intesa Sanpaolo S.p.A.

..Placed on Review for Downgrade:

....Long-term Counterparty Risk Assessment, currently Baa1(cr)

....Long-term Bank Deposits, currently A3, outlook changed to Rating under Review from Negative

..Outlook Action:

....Outlook changed to Rating under Review from Negative (m)

Issuer: Intesa Sanpaolo S.p.A., Hong Kong Branch

..Placed on Review for Downgrade:

....Long-term Counterparty Risk Assessment, currently Baa1(cr)

Issuer: Intesa Sanpaolo S.p.A., London Branch

..Placed on Review for Downgrade:

....Long-term Counterparty Risk Assessment, currently Baa1(cr)

Issuer: Intesa Sanpaolo S.p.A., New York Branch

..Placed on Review for Downgrade:

....Long-term Counterparty Risk Assessment, currently Baa1(cr)

....Long-term Bank Deposit, currently A3, outlook changed to Rating under Review from Negative

..Outlook Action:

....Outlook changed to Rating under Review from Negative(m)

Issuer: Invitalia S.p.A.

..Placed on Review for Downgrade:

....Long-term Issuer Rating, currently Baa2, outlook changed to Rating under Review from Negative

....Senior Unsecured Regular Bond/Debenture, currently Baa2, outlook changed to Rating under Review from Negative

..Outlook Actions:

....Outlook changed to Rating under Review from Negative

Issuer: Mediobanca S.p.A.

..Placed on Review for Downgrade:

....Long-term Counterparty Risk Assessment, currently Baa1(cr)

....Long-term Bank Deposits, currently A3, outlook changed to Rating under Review from Negative

..Outlook Action:

....Outlook changed to Rating under Review from Negative(m)

Issuer: UniCredit S.p.A.

..Placed on Review for Downgrade:

...Long-term Counterparty Risk Assessment, currently Baa1(cr)

Issuer: UniCredit S.p.A., London Branch

..Placed on Review for Downgrade:

...Long-term Counterparty Risk Assessment, currently Baa1(cr)

Issuer: UniCredit S.p.A., New York Branch

..Placed on Review for Downgrade:

...Long-term Counterparty Risk Assessment, currently Baa1(cr)

#### PRINCIPAL METHODOLOGY

The principal methodology used in rating Banca del Mezzogiorno - MCC S.p.A., Banca IMI S.p.A., Banca Nazionale Del Lavoro S.p.A., Cassa Centrale Raiffeisen S.p.A., Credit Agricole Cariparma S.p.A., Credito Emiliano S.p.A., FCA Bank S.p.A., Intesa Sanpaolo S.p.A., Intesa Sanpaolo S.p.A., Hong Kong Branch, Intesa Sanpaolo S.p.A., London Branch, Intesa Sanpaolo S.p.A., New York Branch, Mediobanca S.p.A., UniCredit S.p.A., UniCredit S.p.A., London Branch and UniCredit S.p.A., New York Branch was Banks published in April 2018. The principal methodology used in rating Cassa Depositi e Prestiti S.p.A. and Invitalia S.p.A. was Government-Related Issuers published in August 2017. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

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