

Positive Actions Taken On Italian Banks On Reduced Economic Risks And Sovereign Upgrade

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OVERVIEW

- On Oct. 27, 2017, S&P Global Ratings raised the long- and short-term ratings on the Republic of Italy to 'BBB/A-2' from 'BBB-/A-3' on firming economic recovery and further budgetary consolidation.
- The Italian economy is now more resilient to future shocks, in our view.
- Better economic prospects could also sustain private sector creditworthiness and are likely to help domestic banks to reduce their large stock of nonperforming exposures.
- We are raising the long- and short-term ratings on 11 financial institutions and a foreign financial institution branch in Italy. We also are affirming our existing ratings on seven other financial institutions.
- Most outlooks on the Italian banks are stable.

MILAN (S&P Global Ratings) Oct. 31, 2017--S&P Global Ratings said today that it took the following rating actions:

- Raised the long-term and short-term issuer credit ratings to 'BBB/A-2' from 'BBB-/A-3' on Intesa Sanpaolo SpA (Intesa Sanpaolo) and its core

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subsidiaries Banca IMI SpA (Banca IMI) and Fideuram-Intesa Sanpaolo Private Banking SpA (Fideuram-ISPB), Mediobanca SpA (Mediobanca), Banca Nazionale del Lavoro SpA (BNL), and Dexia Crediop SpA (Dexia Crediop). The outlooks are stable.

- Raised the long-term and short-term issuer credit ratings to 'BBB/A-2' from 'BBB-/A-3' on UniCredit SpA (UniCredit) and its core subsidiary UniCredit Leasing (UCL). The outlook on UniCredit is stable, while that on UCL is negative.
- Raised the long-term and short-term issuer credit ratings on FCA Bank SpA (FCA Bank) to 'BBB/A-2' from 'BBB-/A-3'. The outlook is stable.
- Raised the long-term and short-term counterparty credit rating on the government-related entity (GRE) MedioCredito Centrale (MedioCredito) to 'BBB-/A-3' from 'BB/B', and removed it from CreditWatch with developing implications. The outlook is stable.
- Raised the long-term issuer credit rating on Banca Popolare dell'Alto Adige - Volksbank SpA (BPAA) to 'BB+' from 'BB' and affirmed the 'B' short-term rating. The outlook is stable.
- Raised the long-term issuer credit rating on The Bank Of New York Mellon S.A./N.V. (Italian Branch) to 'A+' from 'A' and affirmed the 'A-1' short-term rating. The outlook is stable.
- Affirmed the 'BBB-/A-3' long- and short-term issuer credit ratings on Credito Emiliano SpA (Credem), UBI Banca SpA (UBI), and GRE Istituto per il Credito Sportivo (ICS), with a stable outlook.
- Affirmed the 'BB/B' long- and short-term issuer credit ratings on Iccrea Banca SpA (IB) and its core subsidiary Iccrea BancaImpresa SpA (IBI). The outlook is stable.
- Affirmed the 'BB-/B' long- and short-term issuer credit ratings on Istituto Centrale delle Banche Popolari Italiane (ICBPI) with stable outlook. We also affirmed our 'B/B' long- and short-term ratings on its non-operating holding company (NOHC) Mercury BondCo PLC and maintained the negative outlook.

The positive rating actions mostly reflect the Republic of Italy's enhanced creditworthiness and our view that Italian banks now face lower economic risks. (See "Italy Upgraded To 'BBB/A-2' On Firming Economic Recovery; Outlook Stable," published Oct. 27, 2017, on RatingsDirect.)

We expect the economic recovery in Italy, which started in 2015, will gather momentum, with cumulative GDP growth of about 4% a year in 2017-2019. This will be supported by rising investment and steady employment growth as well as by an expansionary monetary policy.

This will also reinforce the recovery of private sector creditworthiness in the coming quarters, particularly that of domestic corporations, in our view. More favorable economic conditions could also support Italian banks' ongoing efforts to reduce their large stock of nonperforming exposures (NPEs; defined as the sum of bad loans, unlikely to pay and past due loans over 90 days), accumulated during the recession that occurred between 2008 and 2015.

We expect that the amount of NPEs will gradually decrease to around 13%-14% in 2019 versus the 18.7% we estimate as of June 2017, also benefiting from the banks' plans to sell off portion of those problematic assets. Our NPE forecast assumes up to €90 billion-€100 billion sales of NPEs (around one-third of the existing stock) in 2017-2019, and that the new inflows will remain manageable, in line with what we observed in the past 12 months.

Despite the above-mentioned improvements, we think Italian banks still face higher economic risks than most peers. This is because the high NPE stock will weigh on banks' balance sheets and profitability for a few years. It could also represent a tail risk for banks if economic conditions were to deteriorate again. Moreover, the substantial amount of time needed for creditors in Italy to recover collateral and settle lawsuits--due to the less effective insolvency and foreclosure procedures and judicial system--is likely to remain an obstacle to a more material reduction of the stock than we currently envisage.

We also expect Italian banks' profitability to moderately improve over the next couple years, driven by lower loan loss provisions and operating expenses. However, a few factors will continue to impede most banks from reaching satisfactory returns, in line with the cost of capital. Firstly, low interest rates and a fairly competitive operating environment will likely constrain banks' net interest income at their currently modest levels despite some credit expansion and the positive effect of the European Central Bank's (ECB) TLTRO II on the banks' cost of funding. Secondly, credit losses will continue to absorb a larger portion of Italian banks' earnings than for most international peers. We anticipate credit losses will gradually decrease to around 100 basis points (bps) on customer loans in 2017 and to 80bps in the following two years compared with an average of 200bps in 2016. Thirdly, operating expenses are still too high, in our opinion, particularly compared with the banks' revenues, with an average cost to income ratio still exceeding 60%. This also reflects some fragmentation in the banking sector and the lack of economies of scale for several institutions. We expect Italian banks' average cost-to-income ratio to decrease below 60% in 2019, although remaining above that of comparable banking sectors in Europe.

As a result of lower economic risks, we have revised upward our anchor--the starting point for assigning issuer credit ratings to banks operating in Italy--to 'bbb-' from 'bb+'. For geographically diversified institutions such as Unicredit SpA and FCA Bank SpA, we have revised the anchor to 'bbb' from 'bbb-'.

Improved economic risk in Italy also results in lower unexpected losses in a stress scenario. This leads us to apply lower weightings to Italian exposures in our risk-adjusted capital (RAC) calculation. For instance, the risk weighting that we apply for corporations in Italy--representing the largest chunk of Italian bank exposures--has reduced to 121% from 142%. Given the banks' large holding on Italian government bonds, our capital ratios for Italian banks also benefit from the sovereign enhanced creditworthiness.

Therefore, to reflect these positive developments, we have revised upward the forecast on RAC of all the Italian banks we rate, with an average impact of about 70bps, supporting our assessment on the solvency for all the institutions.

The capital strengthening contributed to our upgrade of UniCredit. We now expect UniCredit's RAC ratio to sustainably exceed 7% in 2019, also benefiting from increasing internal capital generation. In addition, we anticipate UniCredit will continue to make progress in the workout of its large legacy large stock of NPEs in Italy. Compared with other large diversified international peers, however, UniCredit is likely to show weaker asset quality metrics over the next two years, in our opinion.

Our upgrade of Mediobanca, BNL, Dexia Crediop, Intesa Sanpaolo, and its core subsidiaries, Banca IMI and Fideuram-ISPB, chiefly reflects the upgrade of Italy, given that the ratings on the banks were capped at the sovereign rating level.

Our upgrade of FCA Bank reflects our view that the more supportive economic environment enhances the bank's creditworthiness. In addition, we factor in our view of stronger integration within Credit Agricole SA group (CASA).

For BPAA, the upgrade reflects our view that a more supportive economy will facilitate the improvement of BPAA's asset quality, which we already captured in our positive outlook in our previous review. In particular, the stronger economy will likely accelerate the workout of BPAA's legacy NPE portfolio. We are therefore factoring into our rating that BPAA's asset quality will remain better than most domestic peers' in the next couple of years.

Unlike the other upgrades, the action on MedioCredito primarily reflects our view that the government will most likely provide the bank with extraordinary support in case of need, following the completion of the acquisition by Invitalia, a government-related agency whose mission is ultimately to support the development and increase the competitiveness of the country, particularly of the Southern Italian regions. Therefore, we now anticipate that MedioCredito will steadily increase its focus toward small and midsize enterprises and develop solid synergies with Invitalia. This is in order to intensify the funding to the south of Italy either in the form of direct lending and higher usage of guarantee and government incentives.

We now see higher alignment between the government's mission and MedioCredito's strategic focus. At the same time, we think that the bank's funding profile is constrained by its material reliance on short- and medium-term interbank funding sources, with an average maturity of 18 months. This exposes the bank to some refinancing risks at stand-alone basis, in our view.

The affirmation of the ratings on ICS mainly reflects our view of the bank'

sound capital position, evidenced by a RAC ratio of 48% at end-2016, which we expect to remain at the current high level over the next two years. We consider, however, that ICS' asset quality is weaker than that of higher-rated domestic peers due to its large stock of NPEs and the significant single-name concentration in its loan book.

Our upgrade of The Bank Of New York Mellon S.A./N.V. (Italian Branch) follows the same action on Italy and the core integration of The Bank Of New York Mellon S.A./N.V. (AA-/Stable/A-1+) in its group.

For most Italian banks, the outlooks are stable.

UniCredit SpA

The stable outlook reflects our expectation that UniCredit Group will be able to preserve its solvency, maintaining its RAC ratio comfortably above 7% in 2019. We also factor in our view that UniCredit will be able to achieve its business plan target to reduce the gross NPE stock to around €44 billion in 2019 from an estimated €61 billion as of June 2016, maintain NPE coverage ratio above 52%, while preserving the good quality of the new loan production. The stable outlook also mirrors that on Italy as we are unlikely to rate the bank above the sovereign. This is because we consider that, in the event of a sovereign default in Italy, UniCredit would be unlikely to pass the sovereign stress test scenario given the bank's substantial Italian exposure.

We could consider a positive rating action if we upgraded Italy and assessed that the bank's stand-alone credit profile (SACP) had improved. More specifically, we could take this action if we concluded that Unicredit would be able to (i) reduce its stock of NPEs to a level close to higher rated large diversified international peers; and (ii) improve its profitability to a level comparable to peers with recurring return on equity (ROE) sustainably above 9% in 2019, while preserving its solvency.

We could also consider an upgrade providing that we raised the rating on Italy, if we anticipated UniCredit were likely to issue enough additional loss-absorbing capacity (ALAC)-eligible instruments to reach a level in excess of 5% of the estimated S&P Global Ratings-adjusted risk-weighted assets over the next two-to-three years.

Conversely, a downgrade of Italy would most likely trigger a similar action on UniCredit. We could consider a downgrade if we anticipated that UniCredit would not be able to maintain its RAC above 7% and we perceived that its asset quality were not improving in line with our expectations over the next two years.

UNICREDIT LEASING

The negative outlook takes into account that we could lower the rating on UCL by one or more notches in the next 18-24 months if we considered that its core strategic importance to the UniCredit group had declined, and if the parent company's commitment to support its subsidiary in case of need were likely to

diminish. Specifically, if UniCredit finally decided to dispose of a significant portion of its ownership stake in its leasing subsidiary, we could lower the ratings by more than one notch.

We could revise the outlook to stable if we believed that UCL would remain within the perimeter of the group and UniCredit would remain likely to provide extraordinary and ongoing support to UCL under any circumstances, if needed.

INTESA SANPAOLO/BANCA IMI

The stable outlook on Intesa Sanpaolo and its core subsidiary Banca IMI, reflects our expectations that Intesa's leading market position in Italy in commercial banking and wealth management, well-diversified revenue sources, strong efficiency, and prudent management will continue to support the bank's outperformance to other domestic banks.

We could raise the ratings on Intesa Sanpaolo if we raised our long-term sovereign ratings on Italy and if, at the same time, we anticipated that either (i) our solvency measure--the forecast RAC ratio of Intesa were likely to increase above 7% in the following two years or (ii) Intesa were able to issue more ALAC-eligible instruments than we currently anticipate, thus resulting in the bank reaching an ALAC buffer above 5% of the estimated S&P Global Ratings-adjusted risk-weighted assets.

As we do not envisage any significant pressure on Intesa's SACP at this stage, we could lower the ratings on Intesa if we lowered the long-term rating on Italy as we believe it is unlikely that the bank will continue to fulfil its obligations in a timely manner in the event of an Italian sovereign default, given its domestic concentration.

FIDEURAM-INTESA SANPAOLO PRIVATE BANKING

The stable outlook on Fideuram ISPB mirrors that on its parent, Intesa Sanpaolo, and on our long-term rating on Italy. As Fideuram ISPB is a core entity within the group, a rating action on Intesa Sanpaolo (either positive or negative) would trigger a similar rating action on Fideuram ISPB.

MEDIOBANCA

The stable outlook reflects our expectation that Mediobanca's asset quality will continue to outperform the Italian financial system average, in line with its track record, while preserving its sound capitalization in the next 24 months. We expect its RAC ratio to remain around 8% over the same period.

We could raise the rating on Mediobanca if we raised the ratings on Italy and, at the same time, we considered that Mediobanca's capitalization materially strengthened, leading our measure of the bank's RAC ratio to increase above 10%; or if Italian operating environment improved, ultimately resulting in a strengthening of bank's creditworthiness and, therefore, leading to a higher anchor for the bank.

We could lower the ratings if we lowered our rating on Italy, as we believe it

is unlikely that Mediobanca will continue to fulfil its obligations in a timely manner in the event of an Italian sovereign default, given its domestic concentration. Although appears unlikely at this stage, we could also lower the ratings on Mediobanca if we anticipated that the bank's superior asset quality had deteriorated or if we anticipated that it could not maintain its RAC ratio sustainably above 7%, most likely due to material expansion of the bank's business not sustained by internal capital generation.

UBI BANCA

Our outlook on UBI is stable. This reflects our expectation that the bank will be able to improve its RAC ratio before adjustments to 5.5%-6.0% over the next two years thanks to increasing internal capital generation. It also reflects our view that UBI's NPE ratio will gradually decline, remaining slightly below the domestic average in the next 24 months.

We could raise the ratings on UBI if the bank accelerated its NPE reduction and its NPE coverage converged more closely with international standards without affecting its capital position. This could occur if its net NPEs to total-adjusted capital converged toward 50%-40%, compared with 110% as of June 2017, more in line with what we expect for higher rated peers.

Although unlikely at this stage, we would downgrade UBI if we saw its combined capital and risk profile worsening. This could be due to unanticipated risks emerging from the three acquired banks, leading UBI's financial profile to deteriorate and its RAC ratio to decrease below 5%.

ICCREA

The stable outlook on IB and its core subsidiary IBI reflects our view that after the consolidation of 154 local cooperative banks (Banche di Credito Cooperativo; BCCs), the resulting group would be able to maintain a strong liquidity position, limited reliance on wholesale funding, and maintain a RAC ratio sustainably above 5%, while preserving their solid market position in the next 12 months.

An upgrade could follow a strengthening of the group's combined solvency and risk profiles. For example, this could happen if we expected the RAC ratio to increase comfortably above 7% or the asset quality to improve to a level more akin to the rest of the domestic sector. In addition, as a result of the sector reform, we would also need to observe the following in the new group:

- Significant tightening of the relationship between individual BCCs and the holding companies, with effective risk-sharing system among members;
- Better efficiency; and
- Improved corporate governance, enabling the central body and the BCCs to operate as a single group in the market.

We could lower the ratings on IB if, following the BCCs integration, the group's capitalization declined over the next 12 months, leading to a RAC ratio below 5.0%, without a material improvement in asset quality. Similarly,

this could happen if the group's funding and liquidity profile deteriorated to the level of domestic peers, or if the group failed to agree on a joint strategy that enabled strong risk governance and reaping of cost synergies.

FCA BANK

The stable outlook mirrors that on Italy. As we consider FCA Bank to be a strategically important subsidiary for CASA--its 50% owner--uplift for group support for these types of entities under our criteria cannot lead to the subsidiary being rated above its sovereign. This is because we think that potential extraordinary support from CASA could not extend to a level sufficient to allow FCA Bank to withstand a stress scenario associated with a hypothetical sovereign default. We anticipate that FCA Bank will likely maintain strong capitalization as indicated by its RAC ratio at about 10.6% at end-2016, as we expect that the bank's internal capital generation to be sufficient to sustain growth.

We could upgrade FCA Bank in the next 12-24 months if we upgraded Italy and if, at the same time, we perceived a stronger creditworthiness of the owner of the remaining 50%--Fiat Chrysler Automobiles--indicating diminishing downside risks for FCA Bank's business profile and reputation.

We could lower the ratings if we lowered the rating on Italy or, although not our base case, if we anticipated that extraordinary support from CASA would materially diminish.

CREDEM

The stable outlook on Credem reflects our opinion that the bank's superior asset quality and resilient profitability will allow it to preserve its solvency position in the next 24 months. We anticipate that Credem's profitability will continue to benefit from lower credit losses than those of its peers. We forecast that the bank's retained earnings will likely allow it to maintain capitalization in line with our current assessment and our RAC ratio of 5.5%-6.0% by end-2019.

We could consider an upgrade if we anticipated that the bank's RAC ratio had improved above the 7% threshold due to higher-than-expected internal capital generation. We could also upgrade Credem if the bank succeeded in improving its recurring ROE sustainably above 9% over the next two years, while continuing to maintain much better asset quality metrics than Italian banks' average.

We could lower the ratings on Credem if we anticipated that the bank's RAC ratio would not remain sustainably above 5.0% in the next 24 months due to higher-than-expected credit growth or insufficient organic capital generation.

BNL

The stable outlook on BNL mirrors that on Italy and reflects our view that BNL will maintain its core status within the French banking group BNP Paribas.

Our ratings on BNL are constrained by the rating on its country of domicile.

We would therefore expect any positive or negative rating action on the long-term sovereign credit rating on Italy to result in a similar action on the ratings on BNL.

DEXIA CREDIOP

The stable outlook on Dexia Crediop mirrors that on its parent company Dexia Credit Local. Because the ratings on Dexia Crediop are aligned with those on its parent, a positive rating action on Dexia Crediop would hinge on an upgrade of its parent and, at the same time, a similar rating action on the sovereign rating on Italy.

Conversely, we could downgrade our ratings on Dexia Crediop if we took a negative action either on its parent or on Italy.

ICS

The stable outlook on ICS factors in our view that the bank will preserve its very strong capital base over the next 24 months on the back of contained loan growth and stable organic capital generation.

We could consider raising the ratings if we observed a reduction in ICS's NPE ratio, which was at around 19.5% as of year-end 2016, to level comparable with the domestic average, which we estimate at around 13% by end-2019. In addition to the NPE reduction, a positive action would also stem from the bank's ability to materially diminish the existing single-name concentration in its loan book, while other factors underlying the bank's creditworthiness remain unchanged.

Although we do not envisage any significant downward pressure on ICS's SACP at this stage, we might consider a downgrade if its funding and liquidity profiles weakened.

BANCA POPOLARE DELL'ALTO ADIGE-VOLKSBANK

The stable outlook reflects our expectation that BPAA will be able to maintain a better asset quality than the Italian system average while preserving its capitalization. Specifically, we expect BPAA's NPE ratio will decrease below 10% in 2019 compared with around 15% as of June 2016, and its RAC will stay comfortably above 5% over the next 12 months.

We could lower the rating if we anticipated that BPAA's asset quality is unlikely to progress in line with our expectations, to a point that we no longer consider it as better than domestic peers.

We could raise the ratings on BPAA if the bank built up sufficient capital to increase its RAC ratio in 2019 above 7.0% from 5.9%, while keeping all the drivers of its creditworthiness unchanged.

ISTITUTO CENTRALE DELLE BANCHE POPOLARI AND MERCURY BONDCO.

The stable outlook on Istituto Centrale delle Banche Popolari Italiane SpA (ICBPI), and its core subsidiary CartaSi SpA, mainly reflects our view that the ratings already incorporate most of the risks we see for ICBPI's performance over the next 12 months.

In particular, it factors in our expectations that ICBPI's RAC ratio will sustainably remain above 5% in 2018 and that the regulator will eventually prevent excessive dividend distribution to the NOHC, Mercury BondCo PLC.

We could consider upgrading ICBPI if we anticipated that the double leverage at the holding company level--calculated as the overall investment in subsidiaries as a percentage of the group's equity value--would materially diminish, or if we expected ICBPI to increase its RAC ratio sustainably above 7% over the next two years.

Consequently, we could lower the ratings on ICBPI if we expected ICBPI's solvency to significantly deteriorate, and its projected RAC ratio to fall below 5%.

The negative outlook on Mercury BondCo reflects our view that we could lower the rating on Mercury BondCo over the next 12 months if we no longer expected the double leverage to decrease by around 220% from the estimated current 240% in the coming years. This could occur if the flow of dividends from subsidiaries was lower than expected or if the group made additional acquisitions that were mainly financed through new debt. In this case, we would most likely widen the notching differential between the group credit profile and our rating on Mercury BondCo.

We might revise the outlook on Mercury BondCo to stable if we were more confident that its double leverage would gradually contract in line with our expectations, and the outlook on ICBPI remained stable.

MEDIOCREDITO

The stable outlook reflects our expectation that the Italian government will provide Mediocredito with extraordinary support, if needed, and the bank's capitalization will remain sound. Specifically, we expect that internal capital generation will be sufficient to maintain its RAC ratio above 10% in the next 12-24 months from 15.9% at end-2016, despite the capital reduction of €160 million embedded in the acquisition agreement between Poste Italiane and Invitalia.

We could lower the ratings if we lowered our rating on Italy or if we anticipated that Mediocredito would not be able to preserve its current capitalization or if we perceived that the expected alignment between government mission and the bank strategy would not materialize.

Although unlikely at this stage, we could raise the rating on Mediocredito if we raised our rating on Italy and we saw significant reduction of concentration of the bank's loan book.

THE BANK OF NEW YORK MELLON S.A./N.V. (ITALIAN BRANCH)

The outlook on The Bank Of New York Mellon S.A./N.V. (Italian Branch) mirrors the outlook on Italy. Any action on our foreign currency rating on the sovereign would translate into a rating action in the same direction on the Italian branch.

RELATED CRITERIA

- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria - Financial Institutions - Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Use Of 'C' And 'D' Issue Credit Ratings For Hybrid Capital And Payment-In-Kind Instruments, Oct. 24, 2013
- Criteria - Financial Institutions - Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
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- Criteria - Financial Institutions - Banks: Bank Capital Methodology And Assumptions, Dec. 6, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

RELATED RESEARCH

- Italy Upgraded To 'BBB/A-2' On Firming Economic Recovery; Outlook Stable, Oct. 25, 2017
- The ECB's Proposed Guidance For Nonperforming Exposures Could Beef Up Banks' Balance Sheets, Oct. 16, 2017

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BICRA SNAPSHOT ITALY

	To	From
Group:	5	6
Anchor:	bbb-	bb+
Economic risk:	6	7
Economic resilience:	Intermediate Risk	High Risk
Economic Imbalance:	High Risk	High Risk
Credit Risk in the economy:	High Risk	High Risk
Industry Risk:	5	5
Institutional Framework:	Intermediate Risk	Intermediate Risk
Competitive Dynamics:	Intermediate Risk	Intermediate Risk
Systemwide Funding:	High Risk	High Risk

BICRA--Banking industry country risk assessment.

Ratings List

Upgraded

	To	From
Banca Nazionale del Lavoro SpA Counterparty Credit Rating	BBB/Stable/A-2	BBB-/Stable/A-3
Fideuram - Intesa Sanpaolo Private Banking SpA Banca IMI SpA Intesa Sanpaolo SpA Counterparty Credit Rating	BBB/Stable/A-2	BBB-/Stable/A-3
Banca Popolare dell'Alto Adige Counterparty Credit Rating	BB+/Stable/B	BB/Positive/B
Bank of New York Mellon S.A./N.V. (Italian Branch) Counterparty Credit Rating	A+/Stable/A-1	A/Stable/A-1
Dexia Crediop SpA Counterparty Credit Rating Senior Unsecured	BBB/Stable/A-2 BBB	BBB-/Stable/A-3 BBB-
FCA Bank SpA Counterparty Credit Rating Senior Unsecured	BBB/Stable/A-2 BBB	BBB-/Stable/A-3 BBB-
Intesa Sanpaolo SpA Senior Unsecured	BBB	BBB-

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Senior Unsecured	BBBp	BBB-p
Subordinated	BB+	BB
Junior Subordinated	BB-	B+
Junior Subordinated	BB	BB-
Intesa Sanpaolo Bank Ireland PLC		
Senior Unsecured	BBB	BBB-
Short-Term Debt	A-2	A-3
Intesa Sanpaolo Bank Luxembourg S.A.		
Senior Unsecured	BBB	BBB-
Short-Term Debt	A-2	A-3
Mediobanca SpA		
Counterparty Credit Rating	BBB/Stable/A-2	BBB-/Stable/A-3
Mediobanca SpA		
Senior Unsecured	BBB	BBB-
Senior Unsecured	BBBp	BBB-p
Subordinated	BB+	BB
MB Funding Lux S.A.		
Senior Secured	BBB	BBB-
Mediobanca International (Luxembourg) S.A.		
Senior Unsecured	BBB	BBB-
UniCredit Leasing SpA		
Counterparty Credit Rating	BBB/Negative/A-2	BBB-/Negative/A-3
UniCredit SpA		
Counterparty Credit Rating	BBB/Stable/A-2	BBB-/Stable/A-3
UniCredit SpA		
Senior Unsecured	BBB	BBB-
Senior Unsecured	BBBp	BBB-p
Subordinated	BB+	BB
Junior Subordinated	BB-	B+
Junior Subordinated	BB	BB-
UniCredit Bank Ireland PLC		
Senior Unsecured	BBB	BBB-
UniCredit Luxembourg Finance S.A.		
Subordinated	BB+	BB
UniCredito Italiano Capital Trust III		
Preferred Stock	BB-	B+

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UniCredito Italiano Capital Trust IV		
Preferred Stock	BB-	B+
Unicredit International Bank (Luxembourg) S.A.		
Senior Unsecured	BBB	BBB-
Junior Subordinated	BB-	B+
MedioCredito Centrale SpA		
Counterparty Credit Rating	BBB-/Stable/A-3	BB/Watch Dev/B
Ratings Affirmed		
UBI Banca SpA		
Counterparty Credit Rating	BBB-/Stable/A-3	
Senior Unsecured	BBB-	
Subordinated	BB	
Credito Emiliano SpA		
Counterparty Credit Rating	BBB-/Stable/A-3	
Iccrea Banca SpA		
Iccrea BancaImpresa SpA		
Counterparty Credit Rating	BB/Stable/B	
Iccrea Banca SpA		
Senior Unsecured	BB	
Subordinated	B	
Istituto Centrale delle Banche Popolari Italiane SpA		
CartaSi SpA		
Counterparty Credit Rating	BB-/Stable/B	
Mercury BondCo PLC		
Counterparty Credit Rating	B/Negative/B	
Senior Secured	B	
Istituto per il Credito Sportivo		
Counterparty Credit Rating	BBB-/Stable/A-3	

Note: Not all rating actions are included in the above.

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed

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