



Rating Action: Moody's affirms deposit and senior unsecured debt ratings of UniCredit Bank AG, changes outlook to stable from negative

23 Nov 2023

Frankfurt am Main, November 23, 2023 -- Moody's Investors Service (Moody's) has today affirmed the A2 long-term senior unsecured debt and deposit ratings of UniCredit Bank AG (UCB) and changed the outlook on these ratings to stable from negative. Concurrently, Moody's affirmed UCB's baa2 Baseline Credit Assessments (BCA) and Adjusted BCA.

The rating action was prompted by the rating action on 18 Italian financial institutions which includes UCB's parent bank UniCredit S.p.A. (UniCredit, deposits Baa1 stable, BCA baa3). For further details, please refer to the following press release "Moody's takes rating actions on 18 Italian financial institutions" (<https://ratings.moody's.com/ratings-news/411621>), published on 21 November 2023.

For a list of all affected ratings, please refer to the end of this press release.

RATINGS RATIONALE

– AFFIRMATION OF THE BASELINE CREDIT ASSESSMENT

Moody's affirmation of UCB's BCA reflects the resilience of the bank's fundamental credit profile, supported by its diversified businesses, including retail and corporate banking, as well as its role as UniCredit's group-wide global investment banking center. UCB has built very strong capital buffers and benefits from improved profitability, which the rating agency expects to remain supported by higher interest rates and disciplined cost management. These mitigants will allow UCB to cope with a moderate deterioration of its presently sound asset quality, which the rating agency expects to materialise due to the German economy's sluggish growth outlook. The affirmation also reflects the bank's solid funding and liquidity profiles. UCB benefits from sizeable deposits and diversified market funding sources, including covered bonds. Further, the bank operates with sound, yet somewhat reduced liquidity, which is weakened by moderate asset encumbrance.

While Moody's assesses the bank's financial profile is commensurate with a baa1, the rating agency limits UCB's BC to one notch above the parent because of common branding, intragroup exposures and its interlinkages resulting from UCB's role as the group's global investment banking center.

– AFFIRMATION OF RATINGS

The affirmation of UCB's ratings reflects the affirmation of the bank's baa2 BCA and Adjusted BCA, as well as unchanged results under Moody's Advanced Loss Given Failure (LGF) analysis, which results in two notches of rating uplift for UCB's deposits and senior unsecured debt. The rating agency's unchanged moderate assumption for German government support results in one notch of additional rating uplift.

Moody's has assessed under its Advanced LGF analysis, that UCB will maintain a very low loss-given-failure for senior unsecured debt, underpinning the two notches uplift from the bank's baa2 Adjusted BCA. The rating agency expects very moderate balance sheet growth over the rating outlook horizon and stable volume of this loss-absorbing debt class, relative to the size of the bank's balance sheet.

– OUTLOOK CHANGE TO STABLE FROM NEGATIVE

The outlook change to stable from negative for UCB's long-term deposit and senior unsecured debt ratings reflects the rating agency's assessment that its parent bank UniCredit's overall credit profile will remain resilient, despite prevailing macroeconomic headwinds in the group's core markets namely in Western Europe.

The stable outlook further reflects Moody's expectation that UCB's financial profile and liability structure will remain stable, resulting in unchanged results under Moody's Advanced LGF analysis, including stable volume and subordination of UCB's senior unsecured debt relative to its balance sheet size.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade of UCB's long-term ratings could be driven by an upgrade of its BCA and Adjusted BCA, which is currently constrained by the BCA of UniCredit and therefore would require an upgrade of the parent's BCA. UCB's long-term ratings could also be upgraded because of a higher rating uplift resulting from Moody's Advanced LGF analysis.

Moody's Advanced LGF analysis could result in additional notches of rating uplift for UCB if the bank issues more junior and senior loss-absorbing securities than the rating agency currently expects.

UCB's BCA could be downgraded as a result of a downgrade of UniCredit's BCA, or if the financial and non-financial interlinkages between UCB and its parent were to increase, for example, if regulation allowed greater intra-group exposures, or if the bank's financial fundamentals were to deteriorate significantly, resulting in a multi-notch weaker financial profile.

UCB's ratings could also be downgraded, should the bank's volume of loss-absorbing liabilities shrink or in case it expands its balance sheet more than Moody's currently expects.

LIST OF AFFECTED RATINGS

Issuer: UniCredit Bank AG

..Outlook Actions:

....Outlook, Changed To Stable From Negative

..Affirmations:

....LT Counterparty Risk Rating (Foreign Currency) , Affirmed A1

....LT Counterparty Risk Rating (Local Currency) , Affirmed A1

....ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-1

....ST Counterparty Risk Rating (Local Currency) , Affirmed P-1

....LT Bank Deposits (Foreign Currency) , Affirmed A2, outlook changed to STA from NEG

....LT Bank Deposits (Local Currency) , Affirmed A2, outlook changed to STA from NEG

....ST Bank Deposits (Foreign Currency) , Affirmed P-1

....ST Bank Deposits (Local Currency) , Affirmed P-1

....ST Deposit Note/CD Program (Local Currency) , Affirmed P-1

...LT Counterparty Risk Assessment , Affirmed A1(cr)

...ST Counterparty Risk Assessment , Affirmed P-1(cr)

...LT Issuer Rating , Affirmed A2, outlook changed to STA from NEG

...Baseline Credit Assessment , Affirmed baa2

...Adjusted Baseline Credit Assessment , Affirmed baa2

...Senior Unsecured Regular Bond/Debenture (Foreign Currency) , Affirmed A2, outlook changed to STA from NEG

...Senior Unsecured Regular Bond/Debenture (Local Currency) , Affirmed A2, outlook changed to STA from NEG

...Senior Unsecured Medium-Term Note Program (Foreign Currency) , Affirmed (P)A2

...Junior Senior Unsecured Regular Bond/Debenture (Foreign Currency) , Affirmed Baa2

...Junior Senior Unsecured Regular Bond/Debenture (Local Currency) , Affirmed Baa2

... Junior Senior Unsecured Medium-Term Note Program (Local Currency) , Affirmed (P)Baa2

...Subordinate Regular Bond/Debenture (Local Currency) , Affirmed Baa3

...Subordinate Medium-Term Note Program (Foreign Currency) , Affirmed (P)Baa3

...Other Short Term (Foreign Currency) , Affirmed (P)P-1

Issuer: UniCredit Bank AG, London Branch

..Outlook Actions:

...Outlook, Changed To Stable From Negative

..Affirmations:

...LT Counterparty Risk Rating (Foreign Currency) , Affirmed A1

...LT Counterparty Risk Rating (Local Currency) , Affirmed A1

...ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-1

...ST Counterparty Risk Rating (Local Currency) , Affirmed P-1

...LT Bank Deposits (Foreign Currency) , Affirmed A2, outlook changed to STA from NEG

...LT Bank Deposits (Local Currency) , Affirmed A2, outlook changed to STA from NEG

...ST Bank Deposits (Foreign Currency) , Affirmed P-1

...ST Bank Deposits (Local Currency) , Affirmed P-1

...LT Counterparty Risk Assessment , Affirmed A1(cr)

....ST Counterparty Risk Assessment , Affirmed P-1(cr)

....LT Issuer Rating (Local Currency) , Affirmed A2, outlook changed to STA from NEG

Issuer: Unicredit Bank AG, Hong Kong Branch

..Outlook Actions:

....Outlook, Changed To Stable From Negative

..Affirmations:

....LT Counterparty Risk Rating (Foreign Currency) , Affirmed A1

....LT Counterparty Risk Rating (Local Currency) , Affirmed A1

....ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-1

....ST Counterparty Risk Rating (Local Currency) , Affirmed P-1

....LT Counterparty Risk Assessment , Affirmed A1(cr)

....ST Counterparty Risk Assessment , Affirmed P-1(cr)

....Senior Unsecured Medium-Term Note Program (Foreign Currency) , Affirmed (P)A2

....Subordinate Medium-Term Note Program (Foreign Currency) , Affirmed (P)Baa3

....Other Short Term (Foreign Currency) , Affirmed (P)P-1

Issuer: UniCredit Bank AG, New York Branch

..Outlook Actions:

....Outlook, Changed To Stable From Negative

..Affirmations:

....LT Counterparty Risk Rating (Foreign Currency) , Affirmed A1

....LT Counterparty Risk Rating (Local Currency) , Affirmed A1

....ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-1

....ST Counterparty Risk Rating (Local Currency) , Affirmed P-1

....LT Bank Deposits (Foreign Currency) , Affirmed A2, outlook changed to STA from NEG

....LT Bank Deposits (Local Currency) , Affirmed A2, outlook changed to STA from NEG

....ST Bank Deposits (Foreign Currency) , Affirmed P-1

....ST Bank Deposits (Local Currency) , Affirmed P-1

....LT Counterparty Risk Assessment , Affirmed A1(cr)

...ST Counterparty Risk Assessment , Affirmed P-1(cr)

...LT Issuer Rating (Local Currency) , Affirmed A2, outlook changed to STA from NEG

Issuer: UniCredit Bank AG, Paris Branch

..Outlook Actions:

...Outlook, Changed To Stable From Negative

..Affirmations:

...LT Counterparty Risk Rating (Foreign Currency) , Affirmed A1

...LT Counterparty Risk Rating (Local Currency) , Affirmed A1

...ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-1

...ST Counterparty Risk Rating (Local Currency) , Affirmed P-1

...LT Bank Deposits (Local Currency) , Affirmed A2, outlook changed to STA from NEG

...ST Bank Deposits (Local Currency) , Affirmed P-1

...LT Counterparty Risk Assessment , Affirmed A1(cr)

...ST Counterparty Risk Assessment , Affirmed P-1(cr)

Issuer: Unicredit Bank AG, Singapore Branch

..Outlook Actions:

...Outlook, Changed To Stable From Negative

..Affirmations:

...LT Counterparty Risk Rating (Foreign Currency) , Affirmed A1

...LT Counterparty Risk Rating (Local Currency) , Affirmed A1

...ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-1

...ST Counterparty Risk Rating (Local Currency) , Affirmed P-1

...LT Counterparty Risk Assessment , Affirmed A1(cr)

...ST Counterparty Risk Assessment , Affirmed P-1(cr)

...Senior Unsecured Medium-Term Note Program (Foreign Currency) , Affirmed (P)A2

...Subordinate Medium-Term Note Program (Foreign Currency) , Affirmed (P)Baa3

...Other Short Term (Foreign Currency) , Affirmed (P)P-1

Issuer: Unicredit Bank AG, Tokyo Branch

..Outlook Actions:

....Outlook, Changed To Stable From Negative

..Affirmations:

....LT Counterparty Risk Rating (Foreign Currency) , Affirmed A1

....LT Counterparty Risk Rating (Local Currency) , Affirmed A1

....ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-1

....ST Counterparty Risk Rating (Local Currency) , Affirmed P-1

....LT Counterparty Risk Assessment , Affirmed A1(cr)

....ST Counterparty Risk Assessment , Affirmed P-1(cr)

....Senior Unsecured Medium-Term Note Program (Foreign Currency) , Affirmed (P)A2

....Subordinate Medium-Term Note Program (Foreign Currency) , Affirmed (P)Baa3

....Commercial Paper (Local Currency) , Affirmed P-1

....Other Short Term (Foreign Currency) , Affirmed (P)P-1

Issuer: UniCredit U.S. Finance Inc.

..Outlook: NOO

....BACKED Commercial Paper (Local Currency) , Affirmed P-1

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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