

RATING ACTION COMMENTARY

Fitch Affirms UniCredit Bank AG's Pfandbriefe at 'AAA'; Withdraws Ratings

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Fitch Ratings - Frankfurt am Main - 22 Dec 2020: Fitch Ratings has affirmed UniCredit Bank AG's (HVB, BBB/Negative/F2) mortgage and public-sector Pfandbriefe at 'AAA' and subsequently withdrawn the ratings. The Outlook is Negative on the mortgage Pfandbriefe and Stable on the public-sector Pfandbriefe.

Fitch has withdrawn the ratings for commercial reasons and will no longer provide rating or analytical coverage of these programmes.

KEY RATING DRIVERS

The 'AAA' rating of both Pfandbriefe programmes is based on HVB's 'BBB' Long-Term Issuer Default Rating (IDR) and the various uplifts above the IDR granted to the programmes. It also considers the overcollateralisation (OC) protection for Pfandbrief holders.

Mortgage Programme

The mortgage Pfandbriefe are rated eight notches above the bank's IDR, consisting of a resolution uplift of two notches, a payment continuity uplift (PCU) of four notches and a recovery uplift of two notches. Fitch relies on the lowest reported OC over the last 12 months of 19.1%, which provides more protection than Fitch's 'AAA' breakeven OC of 9.5%.

The Negative Outlook on the mortgage Pfandbriefe reflects the Outlook on HVB's IDR, since there is no buffer for the covered bond rating against an IDR downgrade due to all uplift notches being used to achieve the 'AAA' rating.

The assets-liabilities mismatch (ALM) loss (4.6%) and credit loss (4.9%) components of Fitch's 'AAA' breakeven OC remain unchanged from the recent review of the mortgage Pfandbriefe programme on 26 November 2020.

Public-Sector Programme

The public-sector Pfandbriefe are also rated eight notches above the bank's IDR. This is out of a maximum achievable uplift of nine notches, consisting of a resolution uplift of two notches, a PCU of five notches and a recovery uplift of two notches. Fitch relies on the lowest reported OC over the last 12 months of 44.5%, which provides more protection than Fitch's 'AAA' breakeven OC of 13%.

The Stable Outlook reflects a single-notch buffer against an issuer downgrade, due to the different uplift factors above the bank's Long-Term IDR.

The ALM loss (8.9%) and credit loss (4.2%) components of Fitch's 'AAA' breakeven OC remain unchanged from the recent review of the public-sector Pfandbriefe programme on 3 December 2020.

RATING SENSITIVITIES

Not applicable

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions,

measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [<https://www.fitchratings.com/site/re/10111579>]

SOURCES OF INFORMATION

The issuer has informed Fitch that not all relevant underlying information used in the analysis of the rated bonds is public.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The Pfandbriefe ratings are driven by the credit risk of HVB as measured by its Long-Term IDR.

HVB's public-sector Pfandbrief rating is credit-linked to Germany (AAA/Stable/F1+) as 43.6% consists of exposures to or guaranteed by the German sovereign, while in our analysis of the programme's German sub-sovereign exposure the sovereign is assumed not to default.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR		
UniCredit Bank AG				
● senior secured, Public Sector Covered Bonds, Public Sector Pfandbriefe	LT	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
● senior secured, Public Sector	LT	WD	Withdrawn	AAA Rating Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub. 29 Jan 2020\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub. 29 Jan 2020\)](#)

[SME Balance Sheet Securitisation Rating Criteria \(pub. 07 Feb 2020\) \(including rating assumption sensitivity\)](#)

[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

[European RMBS Rating Criteria \(pub. 22 May 2020\) \(including rating assumption sensitivity\)](#)

[EMEA CMBS and CRE Loan Rating Criteria \(pub. 12 Jun 2020\) \(including rating assumption sensitivity\)](#)

[Fitch's Foreign-Currency Stress Assumptions for Residual Foreign-Exchange Exposures in Covered Bonds and Structured Finance - Supplementary Data File \(pub. 30 Jun 2020\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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ENDORSEMENT STATUS

UniCredit Bank AG

EU Issued

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Structured Finance: Covered Bonds Structured Finance Banks Europe Germany
