

Rating Action: Moody's affirms ratings of UniCredit Bank AG and UniCredit Bank Austria AG, changes outlooks to stable

17 May 2021

Frankfurt am Main, May 17, 2021 -- 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 the Baa1 long-term senior unsecured debt and the A3 long-term deposit ratings of UniCredit Bank Austria AG (UBA). For both banks, the rating agency changed the outlook on their long-term debt and deposit ratings to stable from negative. Concurrently, Moody's affirmed UCB's and UBA's baa2 Baseline Credit Assessments (BCA) and Adjusted BCAs.

The rating action was prompted by the rating action on 10 Italian banks which included UCB's and UBA's parent bank UniCredit S.p.A. (UniCredit, deposits Baa1/senior unsecured Baa1 stable, BCA baa3). For further details, please refer to the following press release "Moody's changes outlooks on several Italian banks to stable from negative" (https://www.moodys.com/research/--PR_445412), published on 12 May 2021.

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

RATINGS RATIONALE

-- AFFIRMATION OF THE BASELINE CREDIT ASSESSMENTS

Moody's affirmation of UCB's and UBA's BCAs reflects the proven resilience of the banks' intrinsic financial strengths during the challenging operating environment over the past year. Both banks have built strong capital buffers to cope with the deterioration of their presently sound asset quality, which the rating agency expects to materialise once governments' support measures for their economies are reduced. Both banks maintain sufficient liquid resources, which have enabled them to withstand the capital market dislocations in 2020. A relative weakness within their financial profile is the profitability, which will remain compressed because of elevated loan loss provisioning and because of pressure on net interest income within an adverse interest rate environment.

While Moody's assesses both banks' financial profiles to be superior to that of their parent UniCredit, the rating agency limits their BCAs to one notch above the parent because of common branding, intragroup exposures and in the case of UCB interlinkages resulting from the bank's role as the group's global investment banking center.

-- AFFIRMATION OF RATINGS

The affirmation of the banks' ratings reflects the affirmation of their BCAs, unchanged results from Moody's Advanced Loss Given Failure (LGF) analysis and unchanged results from the rating agency's assumption for government support.

For UCB, the rating agency's Advanced LGF analysis results in two notches of rating uplift for deposits and senior unsecured debt and its moderate government support assumption results in one notch of rating uplift. Moody's has assessed under its Advanced LGF analysis, that part of UCB's Targeted Long-Term Refinancing Operations (TLTRO) drawdowns are deposited back in cash at the central bank temporarily inflating the bank's balance sheet. The two notches of rating uplift incorporate Moody's expectation that UCB's tangible banking assets will decline and the volume and subordination of senior unsecured liabilities will represent a higher share of these once the bank repays temporarily increased borrowings from the central bank.

For UBA, Moody's Advanced LGF analysis results in two notches of rating uplift for deposits and in one notch of rating uplift for senior unsecured debt and its low government support assumption results in no further rating uplift.

-- OUTLOOK CHANGE TO STABLE FROM NEGATIVE

The outlook change to stable from negative for both UCB's and UBA's long-term deposit and senior unsecured

debt ratings reflects the rating agency's assessment that UniCredit's overall credit profile will remain resilient, despite Moody's expectation of a moderate deterioration of the bank's asset quality that will materialise once support measures fade away.

The stable outlook further reflects Moody's expectation that in parallel, UCB's and UBA's financial profiles will not change significantly and that the temporarily compressed volume and subordination of UCB's senior unsecured debt will recover.

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

An upgrade of UCB's and UBA's ratings could be driven by an upgrade of their Adjusted BCAs, which would require an upgrade of the BCA of UniCredit, and in the case of UCB also an upgrade of the bank's own BCA. Their 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 and UBA if the banks issue more junior loss-absorbing securities than the rating agency currently expects.

UCB's and UBA's BCAs could be downgraded if the banks' financial fundamentals were to deteriorate significantly; as a result of a downgrade of UniCredit's BCA; or if the financial and non-financial interlinkages between UCB/UBA and its parent were to increase, for example if regulation allowed greater intra-group exposures.

The banks' ratings could also be downgraded, should UCB or UBA issue materially less loss-absorbing liabilities than Moody's currently expects.

LIST OF AFFECTED RATINGS

Issuer: UniCredit Bank AG

..Affirmations:

-Long-term Counterparty Risk Ratings, affirmed A1
-Short-term Counterparty Risk Ratings, affirmed P-1
-Long-term Bank Deposits, affirmed A2, outlook changed to Stable from Negative
-Short-term Bank Deposits, affirmed P-1
-Short-term Deposit Note/CD Program, affirmed P-1
-Long-term Counterparty Risk Assessment, affirmed A1(cr)
-Short-term Counterparty Risk Assessment, affirmed P-1(cr)
-Long-term Issuer Rating, affirmed A2, outlook changed to Stable from Negative
-Baseline Credit Assessment, affirmed baa2
-Adjusted Baseline Credit Assessment, affirmed baa2
-Senior Unsecured Regular Bond/Debenture, affirmed A2, outlook changed to Stable from Negative
-Senior Unsecured Medium-Term Note Program, affirmed (P)A2
-Junior Senior Unsecured Regular Bond/Debenture, affirmed Baa3
-Junior Senior Unsecured Medium-Term Note Program, affirmed (P)Baa3
-Subordinate Regular Bond/Debenture, affirmed Baa3
-Subordinate Medium-Term Note Program, affirmed (P)Baa3
-Other Short Term, affirmed (P)P-1

..Outlook Action:

....Outlook changed to Stable from Negative

Issuer: UniCredit Bank AG, London Branch

..Affirmations:

....Long-term Counterparty Risk Ratings, affirmed A1

....Short-term Counterparty Risk Ratings, affirmed P-1

....Long-term Bank Deposits, affirmed A2, outlook changed to Stable from Negative

....Short-term Bank Deposits, affirmed P-1

....Long-term Counterparty Risk Assessment, affirmed A1(cr)

....Short-term Counterparty Risk Assessment, affirmed P-1(cr)

....Long-term Issuer Rating, affirmed A2, outlook changed to Stable from Negative

..Outlook Action:

....Outlook changed to Stable from Negative

Issuer: UniCredit Bank AG, New York Branch

..Affirmations:

....Long-term Counterparty Risk Ratings, affirmed A1

....Short-term Counterparty Risk Ratings, affirmed P-1

....Long-term Bank Deposits, affirmed A2, outlook changed to Stable from Negative

....Short-term Bank Deposits, affirmed P-1

....Long-term Counterparty Risk Assessment, affirmed A1(cr)

....Short-term Counterparty Risk Assessment, affirmed P-1(cr)

....Long-term Issuer Rating, affirmed A2, outlook changed to Stable from Negative

..Outlook Action:

....Outlook changed to Stable from Negative

Issuer: UniCredit Bank AG, Paris Branch

..Affirmations:

....Long-term Counterparty Risk Ratings, affirmed A1

....Short-term Counterparty Risk Ratings, affirmed P-1

....Long-term Bank Deposits, affirmed A2, outlook changed to Stable from Negative

....Short-term Bank Deposits, affirmed P-1

....Long-term Counterparty Risk Assessment, affirmed A1(cr)

....Short-term Counterparty Risk Assessment, affirmed P-1(cr)

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: Unicredit Bank AG, Hong Kong Branch

..Affirmations:

...Long-term Counterparty Risk Ratings, affirmed A1

...Short-term Counterparty Risk Ratings, affirmed P-1

...Long-term Counterparty Risk Assessment, affirmed A1(cr)

...Short-term Counterparty Risk Assessment, affirmed P-1(cr)

...Senior Unsecured Medium-Term Note Program, affirmed (P)A2

...Subordinate Medium-Term Note Program, affirmed (P)Baa3

...Other Short Term, affirmed (P)P-1

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: Unicredit Bank AG, Singapore Branch

..Affirmations:

...Long-term Counterparty Risk Ratings, affirmed A1

...Short-term Counterparty Risk Ratings, affirmed P-1

...Long-term Counterparty Risk Assessment, affirmed A1(cr)

...Short-term Counterparty Risk Assessment, affirmed P-1(cr)

...Senior Unsecured Medium-Term Note Program, affirmed (P)A2

...Subordinate Medium-Term Note Program, affirmed (P)Baa3

...Other Short Term, affirmed (P)P-1

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: Unicredit Bank AG, Tokyo Branch

..Affirmations:

...Long-term Counterparty Risk Ratings, affirmed A1

...Short-term Counterparty Risk Ratings, affirmed P-1

...Long-term Counterparty Risk Assessment, affirmed A1(cr)

...Short-term Counterparty Risk Assessment, affirmed P-1(cr)

...Senior Unsecured Medium-Term Note Program, affirmed (P)A2

...Subordinate Medium-Term Note Program, affirmed (P)Baa3

...Commercial Paper, affirmed P-1

...Other Short Term, affirmed (P)P-1

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: UniCredit U.S. Finance Inc.

..Affirmation:

...Backed Commercial Paper, affirmed P-1

..No Outlook assigned

Issuer: UniCredit Bank Austria AG

..Affirmations:

...Long-term Counterparty Risk Rating, affirmed A2

...Short-term Counterparty Risk Rating, affirmed P-1

...Long-term Bank Deposits, affirmed A3, outlook changed to Stable from Negative

...Short-term Bank Deposits, affirmed P-2

...Short-term Deposit Note/CD Program, affirmed P-2

...Long-term Counterparty Risk Assessment, affirmed A2(cr)

...Short-term Counterparty Risk Assessment, affirmed P-1(cr)

...Baseline Credit Assessment, affirmed baa2

...Adjusted Baseline Credit Assessment, affirmed baa2

...Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook changed to Stable from Negative

...Senior Unsecured Medium-Term Note Program, affirmed (P)Baa1

...Backed Subordinate Regular Bond/Debenture, affirmed Baa1

...Subordinate Medium-Term Note Program, affirmed (P)Baa3

...Other Short Term, affirmed (P)P-2

..Outlook Action:

...Outlook changed to Stable from Negative

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1261354 . Alternatively, please see the Rating Methodologies page on www.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 at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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