

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms UniCredit Bank GmbH's A2 long-term deposit and senior unsecured debt ratings, changes outlook to positive from stable

02 Oct 2024

Frankfurt am Main, October 02, 2024 -- Moody's Ratings (Moody's) has today affirmed the A2 long-term deposit and senior unsecured debt ratings of UniCredit Bank GmbH (UCB) and changed the outlook on these ratings to positive from stable. Concurrently, we affirmed UCB's baa2 Baseline Credit Assessments (BCA) and Adjusted BCA.

The rating action was prompted by the rating action on UCB's parent bank UniCredit S.p.A. (UniCredit, deposits Baa1 stable/senior unsecured Baa1 stable, BCA baa3). For further details, please refer to the following press release "Moody's Ratings affirms UniCredit's Baa1 deposit and senior unsecured debt ratings" (<https://ratings.moodys.com/ratings-news/429704>), published on 1 October 2024.

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

RATINGS RATIONALE

-- AFFIRMATION OF THE BCA AND ADJUSTED BCA

The affirmation of UCB's baa2 BCA and Adjusted BCA reflects the bank's continued solid and resilient 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 and maintains very strong capital buffers and benefits from improved profitability, which we expect 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 we expect 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 and operates with sound liquidity which, however, is balanced by asset encumbrance.

While we assess the bank's financial profile to be commensurate with a baa1, we limit UCB's BCA at one notch above its parent's BCA because of common branding, intragroup exposures, its interlinkages resulting from UCB's role as the group's global investment banking center and considering the single point of entry resolution strategy under the umbrella of UniCredit.

-- AFFIRMATION OF LONG-TERM RATINGS

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

For UCB's junior senior unsecured debt, our Advanced LGF analysis continues to lead to no rating uplift, while for subordinated debt, the Advanced LGF analysis continues to lead to a one-notch deduction from the bank's baa2 Adjusted BCA.

-- POSITIVE OUTLOOK ON LONG-TERM RATINGS

The positive outlook for UCB's long-term deposit and senior unsecured debt ratings reflects that the bank's standalone BCA could be upgraded if UniCredit's BCA is upgraded. This is contingent upon UniCredit acquiring Commerzbank AG (deposit A1 positive/senior unsecured A2 positive, BCA baa2) and would depend upon the combined group's degree of international diversification, exposure to Italian sovereign risk, and its post-acquisition capitalization, asset risk, funding and liquidity as well as UniCredit's ability to contain the execution and operational risks that may arise from a large-scale cross-border acquisition.

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

An upgrade of UCB's long-term ratings could be triggered by an upgrade of its BCA and Adjusted BCA and would require an upgrade of the parent's BCA without expansion of current financial and non-financial group interlinkages. UCB's long-term ratings could also be upgraded because of a higher rating uplift resulting from our Advanced LGF analysis, caused by issuing significant volumes of instruments ranking below senior unsecured debt, in particular capital instruments.

UCB's financial profile could improve as a result of a broad-based improvement of its solvency and liquidity profile, including further sustainably higher profitability, as well as higher liquid assets and lower asset encumbrance. In addition, UCB's financial profile would benefit from a further shift of its funding profile towards less market-sensitive instruments. However, a stronger financial profile of UCB without further limiting group interlinkages would not lead to upward pressure on its Adjusted BCA or ratings.

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

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 UCB's financial fundamentals were to deteriorate significantly, resulting in a multi-notch weaker financial profile.

LIST OF AFFECTED RATINGS

Issuer: UniCredit Bank GmbH

..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 POS from STA

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

.... 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 POS from STA

.... Baseline Credit Assessment, Affirmed baa2

.... Adjusted Baseline Credit Assessment, Affirmed baa2

.... Senior Unsecured (Foreign Currency), Affirmed A2, outlook changed to POS from STA

.... Senior Unsecured (Local Currency), Affirmed A2, outlook changed to POS from STA

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

.... Junior Senior Unsecured (Foreign Currency), Affirmed Baa2

.... Junior Senior Unsecured (Local Currency), Affirmed Baa2

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

.... Subordinate (Local Currency), Affirmed Baa3

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

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

..Outlook Actions:

...Outlook, Changed To Positive From Stable

Issuer: Unicredit Bank GmbH, Hong Kong Branch

..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

..Outlook Actions:

...Outlook, Changed To Positive From Stable

Issuer: UniCredit Bank GmbH, London Branch

..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 POS from STA

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

.... 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 POS from STA

..Outlook Actions:

....Outlook, Changed To Positive From Stable

Issuer: UniCredit Bank GmbH, New York Branch

..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 POS from STA

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

STA

... 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 POS from STA

..Outlook Actions:

...Outlook, Changed To Positive From Stable

Issuer: UniCredit Bank GmbH, Paris Branch

..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 POS from STA

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

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

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

..Outlook Actions:

...Outlook, Changed To Positive From Stable

Issuer: Unicredit Bank GmbH, Singapore Branch

..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

..Outlook Actions:

....Outlook, Changed To Positive From Stable

Issuer: Unicredit Bank GmbH, Tokyo Branch

..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

..Outlook Actions:

....Outlook, Changed To Positive From Stable

Issuer: UniCredit U.S. Finance Inc.

..Affirmations:

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

..Outlook: NOO

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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