

Research Update:

# UniCredit Bank GmbH Ratings Raised To 'A-' On UniCredit SpA Upgrade And Good Financial Performance; Outlook Stable

April 22, 2025

## Overview

- On April 18, 2025, we raised our ratings on UniCredit Bank GmbH's (HVB's) parent, UniCredit SpA, to 'BBB+/A-2' with a positive outlook (see: "Various Rating Actions Taken On 15 Italian Banks On Sovereign Upgrade And More Resilient Industry Dynamics," published on RatingsDirect).
- We revised upward the stand-alone credit profile (SACP) of HVB to 'a-' from 'bbb+' due to its improved financial performance, sound asset quality, and strong capitalization, combined with reduced tail risks from its parent.
- We therefore raised our long-term issuer credit rating on HVB to 'A-' from 'BBB+' and affirmed our 'A-2' short-term issuer credit rating. We also raised HVB's long- and short-term resolution counterparty ratings to 'A/A-1' from 'A-/A-2'.
- Additionally, we raised by one notch all outstanding senior and senior subordinated debt instruments.
- The stable outlook reflects our expectation that HVB will demonstrate solid financial results and maintain its strong capitalization in the next two years.

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## Rating Action

On April 22, 2025, S&P Global Ratings raised its long-term issuer credit rating on UniCredit Bank GmbH to 'A-' from 'BBB+'. We also affirmed our 'A-2' short-term issuer credit rating on the bank. The outlook is stable.

Additionally, we raised our long- and short-term resolution counterparty ratings on HVB to 'A/A-1' from 'A-/A-2' and raised by one notch all outstanding senior and senior subordinated debt instruments.

## Rationale

**The rating action on HVB follows our upgrade to its parent.** On April 18, 2025, we upgraded UniCredit SpA to 'BBB+/A-2' with a positive outlook. Following this upgrade, we think HVB faces reduced tail risks due to its strategic, financial, and operational connections with its parent.

**We think our 'A-' rating on HVB accurately reflects its position compared to similarly rated European peers given its good profitability, resilient asset quality, and robust capitalization.**

Considering the improved creditworthiness of HVB and UniCredit SpA, we revised upward the SACP of HVB to 'a-', from 'bbb+' by removing our negative comparable rating adjustment.

HVB has steadily improved its financial performance in recent years. At year-end 2024, the bank posted a record €1.9 billion in net income, representing a solid 10.5% RoE (return on average common equity), after a 9.6% RoE in 2023. This was supported by steadily increasing revenues from interest, fees, and trading income. Additionally, the bank maintains a healthy 43% cost-to-income ratio due to strict cost discipline and benefiting from synergies within UniCredit SpA, such as leveraging automation and streamlining functions and processes within the UniCredit group.

We forecast a sound RoE of 8%-9% in 2025 and 2026 based on HVB's strong domestic market position and our expectation the bank will generate solid earnings and further cost efficiencies. However, this is set against a more challenging German market, as well as reduced benefits from the interest rate environment and increased global uncertainties, including the effects of the U.S. administration's tariffs. We also forecast a manageable credit cost of 23-25 basis points on customer loans in the next two years, supporting our view that HVB will maintain strong asset quality and underwriting discipline, despite having some exposure to larger corporations and commercial real estate.

We anticipate HVB will effectively manage and sustain its strong capitalization and project the bank will maintain its risk-adjusted capital (RAC) ratio between 12%-13% in 2025-2026. Although UniCredit SpA has periodically taken substantial dividends from HVB that exceed its annual earnings, it has ensured that HVB maintains regulatory capital levels well above the required minimum. We do not anticipate any change to this stance, particularly because HVB competes against highly creditworthy peers in Germany and considers capitalization as beneficial to its franchise.

**We rate HVB one notch above its parent, which is the maximum under our insulation approach in this case, which considers its operational and strategic dependencies on the parent.** We rarely rate subsidiaries above their parent while a parental stress scenario remains a remote prospect. This is particularly true for single-point-of-entry (SPE) groups because this resolution approach could allow for substantial financial and operational integration of a banking group's operating entities. However, we think HVB's relatively limited funding and financial dependency on affiliates and substantial prepositioned resources mean it is likely to show greater resilience than UniCredit SpA under sustained stress. UniCredit group seeks to improve synergies and efficiencies as a European banking group. This initiative aligns with the SPE resolution approach, which aims to ensure the group's key operations function as a cohesive whole.

**Our 'BBB+' issue credit rating on HVB's senior subordinated debt is one notch below our issuer credit rating on the bank.** Our issue credit ratings on the hybrid instruments are derived from the SACP or the long-term issuer credit rating, depending on which one is lower. The issue credit rating reflects the contractual subordination of the notes.

## Outlook

The stable outlook reflects our expectation that HVB will demonstrate solid financial results and maintain its strong capitalization in the next two years. We also anticipate the UniCredit group will support HVB's stand-alone credit strength, and we expect business and financial dependencies on affiliates will not materially increase.

## Downside scenario

We could downgrade HVB if:

- We perceive HVB as potentially less resilient to parental stress. This could arise, for example, if there is a deeper franchise or financial integration into the UniCredit group, or if the parent decides to maintain capital and subordinated bail-in-able instruments in HVB at materially smaller-than-expected levels.
- We revise downward HVB's intrinsic credit strength expressed in its SACP. This could arise, for example, if the RAC ratio deteriorates materially below 10%.
- We lower our long-term rating on UniCredit SpA.

## Upside scenario

An upgrade is unlikely at this point because it would require HVB to materially improve its SACP metrics to be on par with those of higher-rated European peers.

## Ratings Score Snapshot

	To	From
<b>Issuer Credit Rating</b>	<b>A-/Stable/A-2</b>	<b>BBB+/Stable/A-2</b>
SACP	a-	bbb+
Anchor	bbb+	bbb+
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Strong (+1)	Strong (+1)
Risk position	Adequate (0)	Adequate (0)
Funding	Adequate (0)	Adequate (0)
Liquidity	Adequate (0)	Adequate (0)
Comparable ratings analysis	0	-1
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0

	To	From
<b>Issuer Credit Rating</b>	<b>A-/Stable/A-2</b>	<b>BBB+/Stable/A-2</b>
Additional factors	0	0

SACP--Stand-alone credit profile. ALAC-- Additional loss-absorbing capacity. GRE--Government-related entity.

## Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Various Rating Actions Taken On 15 Italian Banks On Sovereign Upgrade And More Resilient Industry Dynamics, April 18, 2025
- Commerzbank Outlines Ambitious Financial Targets To Ward Off UniCredit, Feb. 13, 2025
- UniCredit Bank GmbH, May 24, 2024
- German Banks In 2024: Rating Resilience Despite Economic Underperformance, Jan. 24, 2024

## Ratings List

### Upgraded

	To	From
<b>UniCredit Bank GmbH</b>		
Resolution Counterparty Rating	A/--/A-1	A/--/A-2
<b>UniCredit Bank GmbH</b>		
Senior Unsecured	A-	BBB+
Senior Subordinated	BBB+	BBB

**Upgraded; Ratings Affirmed**

	To	From
<b>UniCredit Bank GmbH</b>		
Issuer Credit Rating	A-/Stable/A-2	BBB+/Stable/A-2

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