

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms A3 senior unsecured ratings of UniCredit Bank Austria AG, 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/P-1 long- and short-term deposit ratings, the A3 long-term senior unsecured debt ratings and (P)A3 senior unsecured medium term note (MTN) program rating of UniCredit Bank Austria AG (UBA); concurrently we changed the outlook on the long-term deposit and senior unsecured debt ratings to positive from stable. At the same time, we have also affirmed the bank's baa2 Baseline Credit Assessment (BCA) and baa2 Adjusted BCA.

Further, we have affirmed UBA's (P)Baa3 subordinated MTN program rating, its (P)P-2 other short term rating, as well as the bank's A1/P-1 long- and short-term Counterparty Risk Ratings (CRR) and its A1(cr)/P-1(cr) long- and short-term Counterparty Risk (CR) Assessment.

The rating action was prompted by the rating action on UBA'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 Ratings affirms UniCredit's Baa1 deposit and senior unsecured debt ratings" (<https://ratings.moodys.com/ratings-news/429704>), published on 1 October 2024.

At the same time, we upgraded UBA's backed subordinate debt ratings to Aa3 from Baa1.

RATINGS RATIONALE

-- AFFIRMATION OF THE BASELINE CREDIT ASSESSMENTS

The affirmation of UBA's baa2 BCA reflects the bank's strong capitalisation and sound asset quality, balancing concentration risks from domestic equity participations and commercial real estate lending. The BCA also reflects UBA's moderate reliance on confidence-sensitive market funding and its sound liquid resources; as well as the bank's solid profitability.

While we assess UBA's financial profile to be commensurate with a baa1, we limit its BCA to one notch above its parent's BCA because of common branding, intragroup exposures, close operational and financial linkages with UniCredit, related transmission risks from its financially weaker parent and considering the single point of entry resolution strategy under the umbrella of UniCredit.

-- AFFIRMATION OF LONG-TERM RATINGS

The affirmation of the bank's ratings reflects its baa2 BCA and Adjusted BCA, and the application of our Advanced Loss Given Failure (LGF) analysis to the bank's liabilities, which results in two notches of rating uplift for deposits and one notch of rating uplift for senior unsecured debt, and one notch of uplift from our assumption of moderate government support in case of need, considering UBA as a systemically relevant institution given its market shares in Austria.

-- UPGRADE OF BACKED RATINGS

The upgrade of UBA's backed subordinated debt ratings reflects a change in our assessment of the probability of regional government support for those instruments that benefit from a guarantee of the City of Vienna (Vienna, Aa1 stable) to Very High from High. Following a meaningful reduction of the contingent liabilities of the City of Vienna, we see the risk that either Vienna would not honor its obligations or that the Government of Austria (Aa1 stable) would implement measures to prevent the City of Vienna from doing so meaningfully reduced.

-- POSITIVE OUTLOOK ON LONG-TERM RATINGS

The positive outlook for UBA'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. The latter is contingent upon UniCredit acquiring Commerzbank AG (deposit A1 positive/senior unsecured A2 positive, BCA baa2) and would depend upon the enlarged 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

UBA's long-term ratings could be upgraded following an upgrade of its Adjusted BCA, which would require an upgrade of the BCA of UniCredit.

UBA's long-term ratings could also be upgraded because of a higher rating uplift resulting from our Advanced LGF analysis, which could result from significant additional volumes of instruments ranking below senior unsecured debt being issued.

UBA's ratings could be downgraded as a result of a downgrade of UniCredit's BCA; or if the financial and non-financial interlinkages between UBA 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.

UBA's long-term 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.

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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Katja Reise
Vice President - Senior Analyst
Financial Institutions Group
Moody's Deutschland GmbH
An der Welle 5
Frankfurt am Main, 60322
Germany
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Alexander Hendricks, CFA
Associate Managing Director
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Deutschland GmbH
An der Welle 5
Frankfurt am Main, 60322
Germany
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

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