

Research Update:

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

April 22, 2025

## Overview

- On April 18, 2025, we raised our ratings on UniCredit Bank Austria AG's (Bank Austria'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).
- As a result, we raised our issuer credit rating on Bank Austria by one notch to 'A-', which is the maximum above our 'bbb+' group credit profile on UniCredit SpA due to operational and strategic dependencies on the parent.
- Bank Austria continues to show solid profitability, resilient asset quality, and robust capitalization.
- We therefore raised our long-term issuer credit rating on Bank Austria to 'A-' from 'BBB+' and affirmed its 'A-2' short-term issuer credit rating. We also raised Bank Austria'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 unsecured and subordinated debt instruments.
- The stable outlook reflects our expectation that Bank Austria 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 Austria AG 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 Bank Austria to 'A/A-1' from 'A-/A-2' and raised by one notch all outstanding senior unsecured and subordinated debt instruments.

## Rationale

**The rating action on Bank Austria reflects 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 Bank Austria faces reduced tail risks due to its strategic, financial, and operational connections with its parent.

Accordingly, we raised our issuer credit rating on Bank Austria by one notch to 'A-', which is the maximum above our 'bbb+' group credit profile on UniCredit SpA. This is because we think there are relevant operational and strategic dependencies on the parent that limit a further rating uplift.

**We think our 'A-' rating on Bank Austria accurately reflects its position compared to similarly rated European peers given its good profitability, resilient asset quality, and robust capitalization.** Considering Bank Austria's robust creditworthiness, we affirmed its 'a-' stand-alone credit profile (SACP). We maintained our negative comparable rating adjustment, which reflects that Bank Austria's business diversity and profitability lags some peer banks with an 'a' SACP through the full economic cycle. We also balance Bank Austria's material franchise in domestic corporate banking against its limited diversification and muted growth prospects in Austria's banking market. Bank Austria has steadily improved its financial performance in recent years. At year-end 2024, the bank posted a record €1.3 billion in net income, representing a solid 12.1% RoE (return on average common equity), after an 11.3% RoE in 2023. This was supported by steadily increasing revenues from interest and fees, as well as by managing its retail banking operations more efficiently to create greater value. The bank also maintains a healthy 40% cost-to-income ratio due to strict cost discipline and benefiting from synergies within UniCredit SpA.

We forecast a sound RoE of 9%-10% in 2025 and 2026 based on Bank Austria'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 Austrian 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 10-15 basis points on customer loans in the next two years, supporting our view of Bank Austria will maintain sound asset quality and underwriting discipline.

We anticipate Bank Austria will effectively manage and sustain its strong capitalization and project the bank will maintain its risk-adjusted capital (RAC) ratio of about 12% in 2025-2026.

**We rate Bank Austria 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 Bank Austria'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 Bank Austria's subordinated debt is two notches 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 and the principal write-down characteristics of the notes.

## Outlook

The stable outlook reflects our expectation that Bank Austria will demonstrate solid financial results and maintain its strong capitalization in the next two years. We also anticipate the UniCredit group will support Bank Austria's stand-alone credit strength, and we expect business and financial dependencies on affiliates will remain largely unchanged.

## Downside scenario

We could downgrade Bank Austria if:

- We perceive Bank Austria 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 Bank Austria at materially smaller-than-expected levels.
- We revise downward Bank Austria'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 Bank Austria to materially improve its SACP metrics to be on par with those of higher-rated European peers.

## Ratings Score Snapshot

	To	From
Issuer Credit Rating	A-/Stable/A-2	BBB+/Stable/A-2
SACP	a-	a-
Anchor	a-	a-
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	-1	-1
Support	0	-1

	To	From
Issuer Credit Rating	A-/Stable/A-2	BBB+/Stable/A-2
ALAC support	0	0
GRE support	0	0
Group support	0	-1
Sovereign support	0	0
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
- Austria Outlook Revised To Stable From Positive On Fiscal And Economic Challenges; 'AA+/A-1+' Ratings Affirmed, Feb. 15, 2025
- UniCredit Bank Austria AG, Dec. 6, 2024

## Ratings List

Upgraded

	To	From
UniCredit Bank Austria AG		
Resolution Counterparty Rating	A-/-/A-1	A-/-/A-2

UniCredit Bank Austria AG

Senior Unsecured	A-	BBB+
Subordinated	BBB	BBB-

Upgraded

	To	From
UniCredit Bank Austria AG		
Issuer Credit Rating	A-/Stable/A-2	BBB+/Stable/A-2

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