Creditreform Bank Rating

UniCredit S.p.A. (Group)

Creditreform Rating

Long-Term Issuer Rating: BBB-
Outlook: stable

Short-Term Rating: L3

Preferred Sen. Unsec. Debt: BBB-
Non-Preferred Sen. Unsec. Debt: BB+
Tier 2 Capital: BB-
AT1 Capital: B

30 August 2022

Rating Action:

Creditreform Rating affirms the long-term issuer rating of UniCredit S.p.A. (Group) at 'BBB-' (Outlook: stable) and its subsidiaries UniCredit Bank Austria AG and UniCredit Bank AG

Creditreform Rating (CRA) has affirmed UniCredit's long-term issuer rating at 'BBB-' and the short-term rating at 'L3'. The rating outlook is stable.
At the same time, we affirm UniCredit's preferred senior unsecured debt at 'BBB-', the non-preferred senior unsecured debt at 'BB+', Tier 2 capital at 'BB-' and AT1 capital at 'B'.
Concurrently we affirm the ratings of the rated subsidiaries in line with our methodology.

Please find a complete list of rating actions regarding the bank and its affected subsidiaries at the end of this rating update.

Key Rating Driver

CRA has revised the rating of UniCredit S.p.A. (Group) and its bank capital and debt instruments as a result of its periodic monitoring process for the following reasons:

- Convincing full-year and half-year results, despite substantial non-recurring expenses
- Continuous improvement of asset quality with steady reduction of NPL portfolios
- Good capital base with solid capital buffers enables generous distributions to shareholders
- New strategic plan with emphasis on operational efficiency and investment in digital infrastructure
- Methodical exit from Russia
- High sovereign exposure to home market limits rating

Company Overview

UniCredit S.p.A. (hereafter UniCredit) is headquartered in Milan and is the second largest bank in terms of total assets in Italy. In addition, UniCredit belongs to the list of global systemically important banks and must therefore fulfill special regulatory requirements. With 78,571 employees (full time equivalent as of 31.12.2021) and 3,263 branches (63% located in Italy), the Group serves approximately 15 million customers in Europe and had total assets of €945.8 billion as of June 2022.

As a commercial bank, UniCredit operates primarily in 18 countries in Europe as well as in two other countries worldwide. UniCredit operates the following six business segments: Italy, Germany, Central Europe, Eastern Europe, Group Corporate Centre and Non-Core.

UniCredit's *Team 23* strategy was updated by the new strategic plan *UniCredit Unlocked*, which is based on the following four strategic pillars: Grow and strengthen client franchise, Transform and maximize productivity, Disciplined risk management & controls, and Capital and balance sheet management. As a result of its strategy, UniCredit expects among others to reach a better customer satisfaction and service quality, reduced costs and operating risk as well as an overall €16 billion in shareholder distributions over the planned horizon until 2024.

Considering the major developments in 2021 affecting the Group structure, the net profit of the Group was negatively impacted by €1.6bn related to the sale on the market of 2% of the participation in Yapi Ve Kredi Bankasi A.S. and to the deconsolidation of the remaining quota of 18%, as a consequence of the loss of significant influence, also considering the FX hedging effects. The 18% stake, classified as a financial instrument mandatory at fair value, will be sold to Koç Holding A.S. The completion of the sale of the 18% stake to Koç was concluded in the first quarter of 2022.

The first half of 2022 was the best first half in a decade. The operating profit compared with the first half of 2021 increased significantly, and even high cost of risk expenses in connection with the Russia exposure only limited the otherwise very good result.

Rating Considerations and Rationale

The affirmation of the long-term issuer rating of UniCredit S.p.A. (Group) is primarily explained by the convincing annual and half-year results, despite substantial non-recurring expenses. The measured handling of the Russian exposure with prudent risk provisioning reduces the risk of an uncontrolled exit. The status 'watch (unknown)', that was assigned with the onset of hostilities in Eastern Europe, is hence withdrawn. The rating outlook is therefore considered to be 'stable'.

The bank's rating remains negatively impacted by the high dependence on the Italian home market and the low rating of the Italian Republic ('BBB- (stable)', CRA sovereign rating as of February 11, 2022).

Profitability

UniCredit S.p.A. (hereinafter: UniCredit) achieved a remarkable turnaround in 2021. In adjusted terms (Creditreform Rating follows a structural approach in the presentation of the balance sheet and income statement, i.e. financial statements of different banks are standardized as far as possible), the operating result increased significantly. With significantly lower risk costs compared to the previous year and at the same time significantly lower non-recurring net expenses, a positive consolidated result could be reported again in 2021. Excluding these special charges, the result is comparable to the good results of 2019 and 2018.

Net interest income fell further in the low interest rate environment in 2021 due to falling interest income, while net fee and commission income increased significantly. Net trading or fair value income and adjusted income from investments also increased. Operating Expense, adjusted for non-recurring items, developed moderately; severance payments and integration costs were transferred to non-recurring earnings, resulting in only a slight net increase in operating costs.

Risk costs decreased considerably, with write-downs in 2020 significantly higher than in 2021 due to the Corona pandemic. In the area of Stage 1 and 2 loans in particular, a high level of risk provisioning was recognized atypically in 2020, which was only recognized to a limited extent in the past fiscal year.

The following items were taken into account in the area of non-recurring income and expenses: A positive impact of EUR 1.2 billion, among other things due to recognition of new DTAs, and a negative impact of over EUR 3.5 billion. The latter was partly due to costs in connection with the

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sale of Yapi Ve Kredi Bankasi A.S. and its deconsolidation as well as other disposals and non-recurring costs already mentioned. This resulted in a net charge of almost EUR 2.4 billion in the 2021 financial year.

Net profit for the year amounted to EUR 1.57 billion; adjusted for the non-recurring costs, net profit for the year would have been around EUR 3.9 billion.

The first half of 2022 was turbulent. Supply chains, already heavily stressed due to the Corona epidemic, were subjected to further stress in the wake of the Russian invasion of Ukraine. Western sanctions were met by Russian counter-sanctions, especially in the oil and gas sector. This was accompanied by a sharp rise in inflation, already on the rise since the end of last year, in UniCredit's markets (as well as globally). Central banks around the world are responding to the inflation shock by raising interest rates, meaning that the low interest rate regime since the financial crisis has come to an end for the time being, particularly in the euro zone. This development is of particular significance for UniCredit, as it has a certain exposure through its Russian subsidiary due to the situation in Eastern Europe. As of Q1, loan loss provisions of €1.2 billion have already been recognized, and a total P&L and equity impact of €1.5 billion has already been absorbed as of Q1, following an extreme loss assessment of a maximum of €5.2 billion (€5.4 billion) as of the end of April 2022 (July 2022). However, the situation for UniCredit already brightened considerably in Q2. Thanks to RUB appreciation and a very conservative approach in Q1, loan loss provisions could be reversed to a limited extent, and the capital and P&L charge as of the end of the first half of 2022 is currently even marginally positive at €0.1 billion. According to the bank, a residual impact from the extreme loss assessment of around 80bp CET1 (approx. €4 billion) remains. Despite this development, the half-year result increased sharply year-on-year, with net profit for the period already amounting to €2.3 billion, compared with €1.9 billion in the first half of the previous year. This figure already includes the risk provisioning in connection with the exposure to Russia, without which UniCredit would have had to recognize virtually no net risk provisioning in the first half of 2022. At the same time, operating profit again increased strongly thanks to the good business performance in all key areas and cost control.

Asset Situation and Asset Quality

UniCredit's total assets decreased in the financial year 2021. While net loans increased slightly, derivative exposure and other financial assets in particular decreased compared with the previous year. Overall, total assets decreased by just under €15 billion. UniCredit continues to sell parts of the non-performing exposure to individual parties. The bank is thus in the final stretches to finalize the run-down of the non-core portfolio. In 2021, portfolios with a total claim amount of just under €2.5 billion were sold, the largest in the Olympia SPV transaction with a volume of €2.1 billion. To date, a further €1.3 billion of NPL portfolios have been disposed of, in addition to €2 billion in portfolios unlikely-to-pay. This means that more than €12 billion in non-performing exposure has been reduced since the 2019 financial year up to the first half of 2022. The ratio of non-performing loans based on Stage 3 large loans is now below 3%, a far cry from the double-digit figures at the time of the sovereign debt crisis, but still significantly higher than the figures for major banks in France and Germany, for example.

Refinancing, Capital Quality and Liquidity

On the funding side in 2021, robust growth in deposits was recorded. Shareholders' equity increased by EUR 2.2 billion. On the positive side, the increase was mainly due to net income and the deconsolidation of Yapi Ve Kredi Bankasi via valuation reserve, while dividends, share buybacks and the net reduction in the AT1 portfolio, among other things, reduced shareholders' equity. In the 2021 financial year, the equity ratio therefore increased moderately, partly due to the decrease in total assets. The regulatory capital ratios decreased moderately (also due to the reduction in the AT1 portfolio).

Despite the Russian exposure and the generous payout and buyback policy (€3.75 billion, of which €1.17 billion dividend and €2.58 billion share buyback), the CET1 ratio actually increased as of H1 2022. The impact of the war is currently limited to -28 basis points, partly due to ruble appreciation and derisking. The rest of the increase in net terms is mainly attributable to organic capital generation and regulatory tailwinds, while the first tranche of the share buyback and dividends limited the increase. However, the bank expects further declines for the remainder of the year, so that excluding a further buyback program of €2.3 billion (subject to approval), the decline is expected to be around 80bp year-on-year.

The New Strategic Plan "UniCredit Unlocked" provides for a Common Equity Tier 1 ratio of 12.5-13%, which is currently significantly exceeded. A further €16 billion or more is expected to be distributed until 2024.

The minimum Common Equity Tier 1 requirement as of March 2022 is 9.03% (including G-SIB buffer and Pillar 2 requirement: 1% and 0.984%, additional countercyclical buffer of 0.05%). This means that a very generously dimensioned capital buffer is currently in place. The residual risks from the Russia exposure were quantified at a further -80bp as of the end of July 2022.

Environmental, Social and Governance (ESG) Score Card

UniCredit SpA has one significant and two moderate ESG rating drivers

• Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the corporate governance factor on all other ESG factors and the overall well-being of the bank. The bank is currently rated neutral while the new CEO and strategic plan have yet to deliver long-lasting results.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating drivers. Green Financing / Promoting is rated positive due to the role as a joint bookrunner for a large number of green bonds issues in addition to increasing lending to the sustainable energy sector. Corporate Behaviour is rated neutral.

ESG Score

3,6 / 5

ESG Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
< = 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2022	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
Environmental	1.2 Exposure to Environ-mental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
Environmental	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
Social	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	4	( )
Governance	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	3	( )
Governance	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria.	1	(+ +)

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
(-)	Negative
(- -)	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage https://creditreform-rating.de/en/about-us/regulatory-requirements.html. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

Outlook

The outlook of UniCredit's long-term issuer rating is 'stable'. The good year-end result and the very good quarterly results in 2022, as well as the much improved asset quality and very robust capitalization, suggest that UniCredit is well equipped for upcoming challenges. The methodical approach in the wake of the Russian crisis currently appears to be advantageous compared to a hasty sale, but at the same time new adversity is looming on the horizon with high inflation, mainly due to exploding energy costs coupled with sharp interest rate hikes by the central banks. It remains to be seen what influence a sharply rising interest rate environment, together with inflation, will have on profitability on the one hand and risk development and asset quality on the other.

Scenario Analysis

Best-case scenario: BBB

Worst-case scenario: BB+

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank is able to reach an long-term issuer rating of 'BBB' in the best-case scenario and a rating of 'BB+' in the worst-case scenario. The ratings of bank capital and senior unsecured debt would behave similarly based on our rating mechanism. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

Given UniCredit's exposure due to its home market Italy, we see an upgrade of the long-term issuer rating and the bank capital and debt instruments only through an upgrade of the rating of the Italian Republic (currently BBB-, stable).

By contrast, a downgrade of the Group's long-term issuer credit rating and its bank capital and debt instruments is only likely if the rating of the Italian Republic is downgraded.

As long as the bank maintains a significant sovereign exposure towards Italy (and the rating of the Italian Republic remains low), the ratings of the bank will be limited by the sovereign rating.

CRA's rating actions at a glance

UniCredit S.p.A. (Group):

- Long-Term Issuer Rating affirmed at 'BBB-', stable outlook
- Short-term rating affirmed at 'L3'
- Preferred senior unsecured debt affirmed at 'BBB-'
- Non-preferred senior unsecured debt affirmed at at 'BB+'
- Tier 2 capital affirmed at 'BB- '
- AT1 capital affirmed at 'B'

UniCredit Bank Austria AG:

- Long-Term Issuer Rating affirmed at 'BBB-', stable outlook
- Short-term rating affirmed at 'L3'
- Preferred senior unsecured debt affirmed at 'BBB-'
- Non-preferred senior unsecured debt affirmed at at 'BB+'
- Tier 2 capital affirmed at 'BB- '

UniCredit Bank AG:

- Long-Term Issuer Rating affirmed at 'BBB-', stable outlook
- Short-term rating affirmed at 'L3'
- Preferred senior unsecured debt affirmed at 'BBB-'
- Non-preferred senior unsecured debt affirmed at at 'BB+'
- Tier 2 capital affirmed at 'BB- '
- AT1 capital affirmed at 'B'

Ratings Detail

Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **BBB- / stable / L3**

Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred senior unsecured debt (PSU):	**BBB-**
Non-preferred senior unsecured debt (NPS):	**BB+**
Tier 2 (T2):	**BB-**
Additional Tier 1 (AT1):	**B**

Rating History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 1: Rating History

Bank Issuer Rating	Rating Date	Result
LT / Outlook / Short-Term (Initial)	12.01.2018	BB+ / stable / NEL
Rating Update	03.08.2018	BBB- / stable / L3
Rating Update	16.10.2019	BBB- / stable / L3
Monitoring	24.03.2020	BBB- / NEW / L3
Rating Update	01.10.2020	BBB- / stable / L3
Rating Update	03.12.2021	BBB- / stable / L3
Monitoring	10.03.2022	BBB- / UNW / L3
Rating Update	30.08.2022	BBB- / stable / L3
Bank Capital and Debt Instruments	**Rating Date**	**Result**
Senior Unsecured / T2 / AT1 (Initial)	12.01.2018	BB+ / B / B-
Senior Unsecured / T2 / AT1	03.08.2018	BBB- / BB- / B
PSU / NPS / T2 / AT1	16.10.2019	BBB- / BB+ / BB- / B
PSU / NPS / T2 / AT1	24.03.2020	BBB- / BB+ / BB- / B (NEW)
PSU / NPS / T2 / AT1	01.10.2020	BBB- / BB+ / BB- / B
PSU / NPS / T2 / AT1	03.12.2021	BBB- / BB+ / BB- / B
PSU / NPS / T2 / AT1	10.03.2022	BBB- / BB+ / BB- / B (UNW)
PSU / NPS / T2 / AT1	30.08.2022	BBB- / BB+ / BB- / B

Subsidiaries of the Bank	Rating Date	Result
UniCredit Bank Austria AG		
LT / Outlook / Short-Term (Initial)	03.08.2018	BBB- / stable / L3
Rating Update	16.10.2019	BBB- / stable / L3
Monitoring	24.03.2020	BBB- / NEW / L3
Rating Update	01.10.2020	BBB- / stable / L3
Rating Update	03.12..2021	BBB- / stable / L3
Monitoring	10.03.2022	BBB- / UNW / L3
PSU / NPS / T2 / AT1	30.08.2022	BBB- / stable / L3
Bank Capital and Debt Instruments of UniCredit Bank Austria AG		
Senior Unsecured / T2 / AT1 (Initial)	03.08.2018	BBB- / BB- / B
PSU / NPS / T2 / AT1	16.10.2019	BBB- / BB+ / BB- / B
PSU / NPS / T2 / AT1	24.03.2020	BBB- / BB+ / BB- / B (NEW)
PSU / NPS / T2 / AT1	01.10.2020	BBB- / BB+ / BB- / B
PSU / NPS / T2 / AT1	03.12.2021	BBB- / BB+ / BB- / n.r.
PSU / NPS / T2 / AT1	10.03.2022	BBB- / BB+ / BB- / - (UNW)
PSU / NPS / T2 / AT1	30.08.2022	BBB- / BB+ / BB- / -
UniCredit Bank AG		
LT / Outlook / Short-Term (Initial)	03.08.2018	BBB- / stable / L3
Rating Update	16.10.2019	BBB- / stable / L3
Monitoring	24.03.2020	BBB- / NEW / L3
Rating Update	01.10.2020	BBB- / stable / L3
Rating Update	03.12.2021	BBB- / stable / L3
Monitoring	10.03.2022	BBB- / UNW / L3
Rating Update	30.08.2022	BBB- / stable / L3
Bank Capital and Debt Instruments of UniCredit Bank AG		
Senior Unsecured / T2 / AT1 (Initial)	03.08.2018	BBB- / BB- / B
PSU / NPS / T2 / AT1	16.10.2019	BBB- / BB+ / BB- / B
PSU / NPS / T2 / AT1	24.03.2020	BBB- / BB+ / BB- / B (NEW)
PSU / NPS / T2 / AT1	01.10.2020	BBB- / BB+ / BB- / B
PSU / NPS / T2 / AT1	03.12.2021	BBB- / BB+ / BB- / B
PSU / NPS / T2 / AT1	10.03.2022	BBB- / BB+ / BB- / B (UNW)
PSU / NPS / T2 / AT1	30.08.2022	BBB- / BB+ / BB- / B

Appendix

Figure 2: Group income statement[1] | Source: eValueRate / CRA

Income Statement (EUR m)	2021	%	2020	2019	2018
Income					
Net Interest Income	9.091	-4,3	9.497	10.272	10.751
Net Fee & Commission Income	6.703	+12,5	5.957	6.318	6.551
Net Insurance Income	-	-	-	-	-
Net Trading & Fair Value Income	1.296	+20,1	1.079	1.257	978
Equity Accounted Results	736	> +100	276	316	-97
Dividends from Equity Instruments	351	+68,8	208	295	413
Other Income	1.217	-3,9	1.267	1.814	1.630
Operating Income	**19.394**	**+3,8**	**18.689**	**20.272**	**20.226**
Expense					
Depreciation and Amortisation	1.478	+3,3	1.431	2.171	1.053
Personnel Expense	6.310	+5,8	5.962	6.145	6.350
Tech & Communications Expense	1.142	+4,5	1.093	1.043	1.201
Marketing and Promotion Expense	153	-1,3	155	155	190
Other Provisions	377	-22,7	488	103	1.516
Other Expense	3.371	-6,5	3.607	3.831	4.142
Operating Expense	**12.831**	**+0,7**	**12.736**	**13.448**	**14.452**
Operating Profit & Impairment					
Operating Profit	**6.563**	**+10,2**	**5.953**	**6.824**	**5.774**
Cost of Risk / Impairment	1.815	-61,0	4.656	3.489	2.674
Net Income					
Non-Recurring Income	1.226	> +100	516	177	591
Non-Recurring Expense	3.575	-8,6	3.913	491	-
Pre-tax Profit	**2.399**	**< -100**	**-2.100**	**3.021**	**3.691**
Income Tax Expense	833	> +100	322	862	-523
Discontinued Operations	4	-91,8	49	1.332	126
Net Profit	**1.570**	**< -100**	**-2.778**	**3.491**	**4.340**
Attributable to minority interest (non-controlling interest)	30	> +100	7	118	233
Attributable to owners of the parent	1.540	< -100	-2.785	3.373	4.107

Figure 3: Group key earnings figures| Source: eValueRate / CRA

Income Ratios (%)	2021	%	2020	2019	2018
Cost Income Ratio (CIR)	66,16	-1,99	68,15	66,34	71,45
Cost Income Ratio ex. Trading (CIRex)	70,90	-1,43	72,32	70,72	75,08
Return on Assets (ROA)	0,17	+0,47	-0,30	0,41	0,52
Return on Equity (ROE)	2,53	+7,16	-4,63	5,65	7,57
Return on Assets before Taxes (ROAbT)	0,13	+0,40	-0,27	0,35	0,44
Return on Equity before Taxes (ROEbT)	1,99	+6,17	-4,18	4,89	6,44
Return on Risk-Weighted Assets (RORWA)	0,49	+1,34	-0,85	0,92	1,17
Return on Risk-Weighted Assets before Taxes (RORWAbT)	0,38	+1,15	-0,77	0,80	1,00
Net Financial Margin (NFM)	1,20	+0,02	1,18	1,42	1,48
Pre-Impairment Operating Profit / Assets	0,72	+0,08	0,64	0,80	0,69
Cost of Funds (COF)	0,44	+0,00	0,44	0,59	0,58
Change in %Points					

[1] Data by our data provider eValueRate, which is standardized for analytical reasons. Thus, the portrayed data and the resulting figures do not have to necessarily match the presentation of the bank, which refers to this and all subsequent tables and figures.

Figure 4: Development of assets| Source: eValueRate / CRA

Assets (EUR m)	2021	%	2020	2019	2018
Cash and Balances with Central Banks	162.026	-1,9	165.126	56.467	43.114
Net Loans to Banks	12.718	-46,5	23.793	28.661	28.243
Net Loans to Customers	431.997	+2,8	420.400	428.862	437.900
Total Securities	173.733	+5,3	165.004	163.133	168.935
Total Derivative Assets	45.400	-14,1	52.850	43.581	39.273
Other Financial Assets	40.530	-38,9	66.285	93.876	74.375
Financial Assets	**866.404**	**-3,0**	**893.458**	**814.580**	**791.840**
Equity Accounted Investments	4.073	-6,5	4.354	4.787	5.502
Other Investments	-	-	-	-	-
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	14.287	> +100	2.017	2.512	2.241
Tangible and Intangible Assets	11.124	-7,7	12.056	13.897	12.311
Tax Assets	13.552	+3,5	13.098	12.922	12.944
Total Other Assets	7.231	+11,7	6.473	6.949	7.334
Total Assets	**916.671**	**-1,6**	**931.456**	**855.647**	**832.172**

Figure 5: Development of asset quality| Source: eValueRate / CRA

Asset Ratios (%)	2021	%	2020	2019	2018
Net Loans/ Assets	47,13	+1,99	45,13	50,12	52,62
Risk-weighted Assets/ Assets	35,13	+0,16	34,96	44,26	44,48
NPLs*/ Net Loans to Customers	3,76	-1,27	5,03	5,87	8,70
NPLs*/ Risk-weighted Assets	5,04	-1,44	6,49	6,64	10,29
Potential Problem Loans**/ Net Loans to Customers	24,06	+4,16	19,90	10,29	10,26
Reserves/ NPLs*	80,92	+1,48	79,44	75,47	67,71
Reserves/ Net Loans	3,04	-0,95	3,99	4,43	5,89
Cost of Risk/ Net Loans	0,51	-0,60	1,11	0,81	0,61
Cost of Risk/ Risk-weighted Assets	0,68	-0,75	1,43	0,92	0,72
Cost of Risk/ Total Assets	0,20	-0,30	0,50	0,41	0,32
Change in %Points					

* NPLs are represented by Stage 3 Loans where available.
** Potential Problem Loans are Stage 2 Loans where available.

Figure 6: Development of refinancing and capital adequacy| Source: eValueRate / CRA

Liabilities (EUR m)	2021	%	2020	2019	2018
Total Deposits from Banks	149.061	+4,2	143.088	104.067	101.752
Total Deposits from Customers	489.747	+4,0	471.128	432.451	433.787
Total Debt	108.081	-6,4	115.471	108.380	92.722
Derivative Liabilities	42.376	-11,0	47.608	40.842	36.728
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	38.187	-44,3	68.572	82.411	82.738
Total Financial Liabilities	**827.452**	**-2,2**	**845.867**	**768.151**	**747.727**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	2.149	> +100	761	725	540
Tax Liabilities	1.215	-10,5	1.358	1.378	946
Provisions	10.460	-3,0	10.780	11.059	11.659
Total Other Liabilities	13.302	+4,3	12.748	12.549	13.950
Total Liabilities	**854.578**	**-1,9**	**871.514**	**793.862**	**774.822**
Total Equity	**62.093**	**+3,6**	**59.942**	**61.785**	**57.350**
Total Liabilities and Equity	**916.671**	**-1,6**	**931.456**	**855.647**	**832.172**

Figure 7: Development of capital ratios and liquidity | Source: eValueRate / CRA

Capital Ratios and Liquidity (%)	2021	%	2020	2019	2018
Total Equity/ Total Assets	6,77	+0,34	6,44	7,22	6,89
Leverage Ratio	5,71	-0,50	6,21	5,51	5,06
Common Equity Tier 1 Ratio (CET1)*	15,82	-0,14	15,96	13,22	-
Tier 1 Ratio (CET1 + AT1)*	17,94	-0,28	18,22	14,90	-
Total Capital Ratio (CET1 + AT1 + T2)*	20,14	-0,58	20,72	17,69	-
SREP/ CET1 Minimum Capital Requirements	9,03	+0,00	9,03	10,09	10,09
MREL / TLAC Ratio	-	-	-	10,67	-
Net Loans/ Deposits (LTD)	88,21	-1,02	89,23	99,17	100,95
Net Stable Funding Ratio (NSFR)	134,00	-	-	-	-
Liquidity Coverage Ratio (LCR)	182,00	+11,00	171,00	143,00	151,00
Change in %Points					

* Fully-loaded where available

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following scheme clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for bank ratings (v3.1), the methodology for the rating of bank capital and unsecured debt instruments (v2.1), the methodology for the rating of Government-Related Banks (v2.0) the methodology for the rating of Institutional Protection Scheme Banks (v1.0) as well as the rating methodology for Environmental, Social and Governance Score for Banks (v1.0) in conjunction with Creditreform's basic document Rating Criteria and Definitions (v1.3).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (v1.3) are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 30 August 2022, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to UniCredit S.p.A. (Group) and its subsidiaries, and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. Rating Endorsement Status:

The rating of UniCredit S.p.A. (Group) was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

CRA performs ancillary activities for UniCredit Bank AG in relation to default analyses.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

1. Aggregated data base by eValueRate

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

5. Public and internal market analyses

6. Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The "Basic data" information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the rating report or in the "Basic data" card as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available in the rating report or the „Basic data" information card.

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