Creditreform Bank Rating

UniCredit S.p.A. (Group) as parent of UniCredit Bank Ireland Plc

Creditreform Rating

Rating Object	Rating Information			
UniCredit S.p.A. (Group) as parent of UniCredit Bank Ireland Plc	Long Term Issuer Rating / Outlook: **BBB- / stable**		Short Term: **L3**	Type: Update unsolicited
	Rating of Bank Capital and Unsecured Debt Instruments:			
	Preferred Senior Unsecured: **BBB-**	Non-Preferred Senior Unsecured: **BB+**	Tier 2: **BB-**	Additional Tier 1: **B**

Creditreform ID: 240551
Incorporation: 1870
(Main-) Industry: Banks
Management: Jean Pierre Mustier (CEO)

Rating Date: **01 October 2020**
Monitoring until: withdrawal of the rating
Rating Methodology: CRA "Bank Ratings v.2.0"
CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.0"
CRA "Environmental, Social and Governance Score for Banks v.1.0"
CRA "Rating Criteria and Definitions v.1.3"
Rating History: www.creditreform-rating.de

Our rating of UniCredit Bank Ireland Plc is reflected by our rating opinion of UniCredit S.p.A. (Group) due to its group structure. Therefore, we refer to our rating report of UniCredit S.p.A. (Group) from 01 October 2020:

Contents

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Key Rating Driver

Strengths

+ Second largest banking group in Italy
+ Steadily declining operating expenses
+ Diversified business model by geography and by income sources

Weaknesses

- Low asset quality with a corresponding high NPL ratio
- Decreasing earnings figures
- Relatively high branch network in connection with a correspondingly relatively high number of employees

Opportunities / Threats

+ Improving competitiveness through the strategy "Team 2023"
+ Continuous digitalization and innovation processes
- Impact of the Corona pandemic with Italy being heavy affected and suffering a strong economic downturn
- Close connection to the wellbeing of the Italian nation
- Significant volume of Italian government bonds
- High exposure affected to moratorium measures

- Low-interest policy of the ECB puts pressure on profitability

Company Overview

UniCredit S.p.A. (hereafter UniCredit) is headquartered in Milan and is the second largest bank in Italy in terms of total assets. In addition, UniCredit belongs to the list of global systemically important banks and must therefore fulfill special regulatory requirements. The historical origin of the bank goes back to the year 1870. With 83,685 employees (full time equivalent as of 03.06.2020) and 3,639 branches (64% located in Italy), the Group serves approximately 16 million customers and had total assets of €892 billion as of June 2020.

UniCredit operates primarily in 13 countries in Central and Eastern Europe as well as in 18 other countries worldwide. As a commercial bank, UniCredit is divided into the following 7 business segments: Commercial Banking Italy, Commercial Banking Germany, Commercial Banking Austria, Central Eastern Europe, Corporate & Investment Banking, Group Corporate Center and Non-Core. By far the most important segment, accounting for 38% of operating income, is Commercial Banking Italy, which focuses on private and business customers (excluding large and multinational companies) in Italy. By contrast, Central Eastern Europe covers primarily UniCredit's operations in 12 Central and Eastern European countries, contributing 22.5% to the Group's operating income. The Corporate & Investment Banking segment manages large and multinational corporations and institutional investors in over 32 countries with investment banking services, contributing approximately 20.7% to the operating income in 2019.
Group Corporate Center is the management segment of UniCredit, which is charged with the management, support, optimization and control of the Group as a whole. The Non-Core business segment, on the other hand, includes assets with a poor risk profile and assets that are no longer consistent with UniCredit's strategic focus. The two latter segments posted an operating loss in the fiscal year 2019 due to the nature of its business purpose.

UniCredit is currently pursuing its Team 23 strategy, 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, the run down of its Non Core portfolio by end of 2021 as well as an overall €16 billion value creation for shareholders over the planed horizon until 2023. However, due the impact of the Corona pandemic UniCredit considers the financial objectives of Team 23 as no longer valid anymore referring up to 2021. Instead of, UniCredit intends to update its strategic plan by the end of this year.

Considering the major developments in 2019 and the first half-year 2020, UniCredit performed the following transactions:

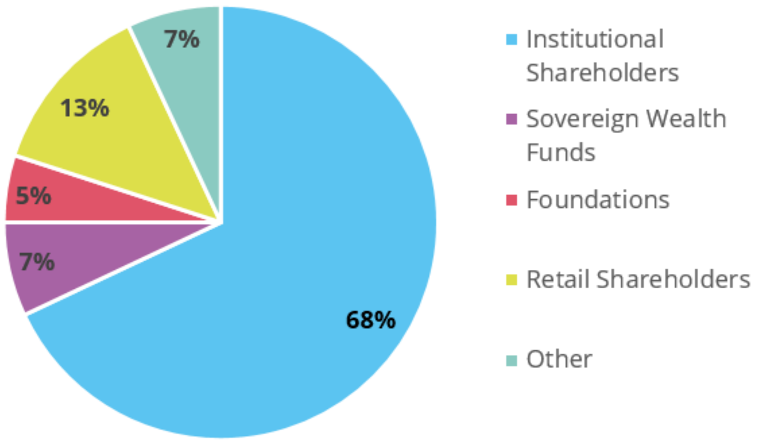
First, UniCredit conducted the reduction of its holding in Yapi Ve Kredi Bankasi A.Ş (Turkey) as part of its simplifying its shareholdings strategy. The execution envisaged two transaction to reduce the Group's stake in Yapi Kredi Bank (YKB) from initial 40.95% to 20%. The first transaction of the sale of 9.02% of the stake was closed during the first quarter 2020 and generated a loss of €677 million. The second part of the transaction took place on 5 February 2020, whereby UniCredit sold 11.93% of YKB to institutional investors and generated thereby an additional loss of about €906 million. Overall, UniCredit generated through the sale of its participation in YKB a loss of about €1.57 billion, mostly due to the revaluation of foreign exchange reserves. As a result of the transaction, UniCredit applies with regard to the participation of YKB the equity method starting from the first quarter 2020.

Second, UniCredit sold its whole stake of about 35% of FinecoBank S.p.A. in 2019 and generated thereby a profit of about €1.3 billion after taxes. In addition, UniCredit sold its total stake held in Mediobanca S.p.A. equal to 8.4% in 2019 and recorded a loss on disposal of about €16 million. Furthermore, UniCredit sold the Ocean Breeze Energy GmbH (German Wind Farm) with an overall loss of €-339 million.

Finally, UniCredit sold non-performing loans with a total legal claim value, gross of write-downs and write-offs mainly, of more than €7 billion in 2019 and was thereby able to further reduce its non-performing loan portfolio significantly.

UniCredit is a public listed company with a free float of 100% of the shares outstanding and there are no controlling shareholders or shareholders' agreements. The most significant shareholders of UniCredit with each about 5% of the shares are the BlackRock Group and the Capital Research and Management Company. The shareholder composition of UniCredit is as follows:

Chart 1: Structure of UniCredit's Shareholder as of July 2020. | Source: Website of UniCredit S.p.A. (Group)

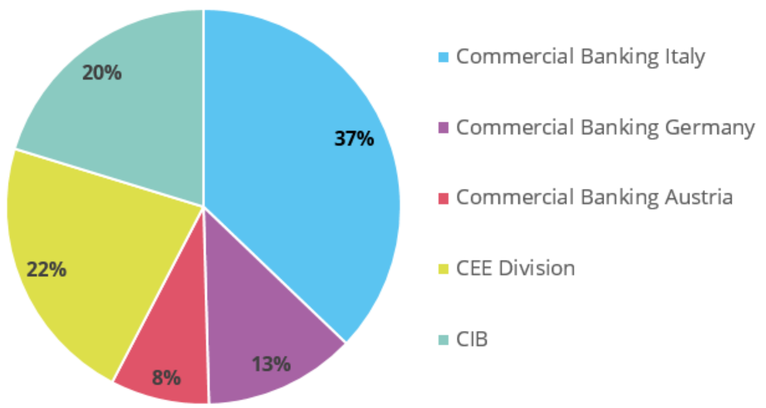


Business Development

Profitability

UniCredit's operating income amounted to €20.2 billion in 2019, remaining almost unchanged year-over-year. See Chart 2 for the contribution of each business segment (exkl. Non-Core and Groupe Corporate Centre) to the Group's operating income.

Chart 2: Contribution of each business segment to UniCredit's operating income in 2019 | Source: Annual Report of UniCredit S.p.A. (Group)



Net interest income is one of the two major sources of income and contributed about 50% to the operating income, however decreasing by 4.5% compared to the previous year (€479 million) as a result of a reduced customer loans, lower interest rates and a negative effect in relation with interest hedging. Fees and commissions accounted for 31.2% of operating income, decreasing by 3.5% year-over-year (€233 million), primarily due to the inclusion of some expenses for payment services and cards, which were previously addresses to the item other administrative expenses. Without this technical change, UniCredit would present only a very slight decline in its position of net fee and commission income. At 6.2%, net trading income contributed the lowest share of the typical three main drivers of operating income, however increasing by 28.5% in comparison to the previous year (€279 million). This increase is primarily attributable to improvement of the market environment, which lead among others to gains from investment portfolio and certificates and their derivatives

Operating expenses amounted to €13.4 billion in 2019, decreasing by 3.9% in a year-over-year comparison (€561 million). Personnel expenses accounted for 47.4% of total expenses in 2019, increasing by 3.7% YOY (€238 million) driven by expenses in relation with leaving incentives, which amounted to €688 million in 2019 (2018: €248 million). In fact, UniCredit reduced its expenses for wages and salaries by about €100 million as the bank reduced its workforce by about 1,416 FTE's year-over-year. Thus, we expect a further reduction of personnel expense in the upcoming years.

The exceptional increase in personnel expense in 2016 is related to a payment obligation in connection with the pension entitlements of employees of the subsidiary UniCredit Bank Austria AG. The background is the transfer of occupational pension rights from UniCredit Bank Austria AG to the state pension system of Austria.

The increase in the item depreciation and amortization has the following three reasons. On one hand, UniCredit recorded a €344 million impairment loss in relation to leased assets recognition (application of 6th update of the Banca d'Italia Circular 262). On the other hand, the bank recorded a €315 million write-down on its disposed entity Ocean Breeze Energy GmbH. Moreover, UniCredit recorded a write-down of €228 million related to tangible assets of Capital Dev S.p.A. due to worsened economic conditions.

UniCredit's operating net profit amounted to €3.491 billion in 2019, decreasing by 19.5% in comparison to the previous year (€849 million). However, the negative development is due to higher impairments on customer loans in 2019 in comparison to 2018. UniCredit increased its write-downs on customer loans by about €769 million year-over-year due to higher Non Core credit exposures loan loss provisions (€1,049 million) relating to the update of the rundown strategy. This corresponds to cost of risk of about 81 bp. By contrast, UniCredit recorded a positive income tax line in 2018 whereby the bank benefitted from an extraordinary affect arising from the first time adoption of IFRS 9 in relation to loan loss provisions. Considering the extraordinary asset write-downs in 2016, UniCredit reported €8.1 billion from loan loss provisions and €2.1 billion for integration costs in particular due to employee settlements following its new strategy. The sale of UniCredit's participation in FinecoBanca S.p.A. is accounted under the discontinued operations.

Considering the current Corona pandemic impact and UniCredit's half-year 2020 results, the Group reports a tremendous net loss of about €2.3 billion (H1-2019: €3 billion net profit). The negative result has three major driver. First, UniCredit almost doubled its net write-downs/loss provisions on loans to €2.2 bn (thereof €1.2 bn related to additional loan loss provision due to the Corona pandemic). Second, the Group reported €1.35 bn costs related to the severance for the personnel in Italy following the Team 23 strategy. Third, UniCredit reported negative net income from investments of about €1.35 bn (mostly related to aforementioned disposal of Yapi Bank). These factors are accompanied by a lower operating income from interests (€157 mn - due to lower interest rates and the run-down of the NPL stock) and from trading (€254 mn – due to decreased clients activities) in comparison to the first half-year 2019. Moreover, the Group displays an annualized cost of risk ratio of 92bps as of June 2020. However, the Group reports a FY2020 target of about 100-120 bps with regard to cost of risk and a FY2021 target of about 70-90 bps.

Up to now, we have no information and are not confident that UniCredit is able to reach a positive net profit by the end of the year 2020. However, UniCredit announced to be able to reach 75-80% of the targeted net profit for 2021, which was set to be between €3 billion and €3.5 billion.

A detailed group income statement for the years of 2016 through 2019 can be found in Figure 1 below:

Figure 1: Group income statement | Source: eValueRate / CRA

Income Statement	2016	2017	2018	%	2019
Income (€000)					
Net Interest Income	10.307.011	10.298.061	10.751.000	-4,5	10.272.000
Net Fee & Commission Income	5.585.232	6.392.425	6.551.000	-3,6	6.318.000
Net Insurance Income	-	-	-	-	-
Net Trading Income	1.759.330	1.140.735	978.000	+28,5	1.257.000
Equity Accounted Results	97.209	576.326	-97.000	< -100	316.000
Dividends from Equity Instruments	405.223	314.807	413.000	-28,6	295.000
Other Income	1.865.021	1.779.437	1.630.000	+11,0	1.810.000
Operating Income	**20.019.026**	**20.501.791**	**20.226.000**	**+0,2**	**20.268.000**
Expenses (€000)					
Depreciation and Amortisation	1.540.489	1.167.063	1.053.000	> +100	2.171.000
Personnel Expense	9.315.458	6.930.132	6.350.000	+3,7	6.588.000
Tech & Communications Expense	1.579.746	1.334.956	1.201.000	-13,2	1.043.000
Marketing and Promotion Expense	281.016	248.959	190.000	-18,4	155.000
Other Provisions	964.376	508.576	1.516.000	-93,2	103.000
Other Expense	5.027.603	4.299.631	4.142.000	-7,5	3.831.000
Operating Expense	**18.708.688**	**14.489.317**	**14.452.000**	**-3,9**	**13.891.000**
Operating Profit & Impairment (€000)					
Pre-impairment Operating Profit	**1.310.338**	**6.012.474**	**5.774.000**	**+10,4**	**6.377.000**
Asset Writedowns	13.051.031	2.412.669	2.674.000	+30,5	3.489.000
Net Income (€000)					
Non-Recurring Income	495.837	99.835	591.000	-77,5	133.000
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**-11.244.856**	**3.699.640**	**3.691.000**	**-18,2**	**3.021.000**
Income Tax Expense	711.568	595.662	-523.000	< -100	862.000
Discontinued Operations	630.111	2.681.598	126.000	> +100	1.332.000
Net Profit (€000)	**-11.326.313**	**5.785.576**	**4.340.000**	**-19,6**	**3.491.000**
Attributable to minority interest (non-controlling interest)	463.781	312.501	233.000	-49,4	118.000
Attributable to owners of the parent	-11.790.094	5.473.075	4.107.000	-17,9	3.373.000

Due to UniCredit's decreased net profit following the higher write-downs on customer loans in 2019, UniCredit's earnings ratios worsened in comparison to the previous year. Overall, UniCredit reports earnings figures, which are less favorable than the average of the peer group. The values for ROAA, ROAE and RoRWA as well as these figures before taxes decreased significantly in a year-over-year comparison due to the increased asset write-downs. However, UniCredit reports favorable cost to income ratios, which are not affected by the asset write-downs and exceed the average of the peer group slightly. By contrast, the Group's net interest margin is in line with the peer group and stable over the previous years.

Overall, UniCredit's earnings figures worsened over the past years due to its relatively high customer loans impairments. However, considering the development in 2020, we expect a further strong decline of UniCredit's profitability due to increasing loan loss provisions following the Corona pandemic as well as due to the aforementioned one-off effects related to the Yapi Bank and the severance for the personnel in Italy. Thus, as a negative result for 2020 cannot be ruled out, we expect significant lower earnings ratios for 2020. In addition, even in 2021 UniCredit is likely to be not able to reach its level of profitability as of 2019.

A detailed overview of the income ratios for the years of 2016 through 2019 can be found in Figure 2 below:

Figure 2: Group key earnings figures| Source: eValueRate / CRA

Income Ratios (%)	2016	2017	2018	%	2019
Cost Income Ratio (CIR)	93,45	70,67	71,45	-2,92	68,54
Cost Income Ratio ex. Trading (CIRex)	102,46	74,84	75,08	-2,01	73,07
Return on Assets (ROA)	-1,32	0,69	0,52	-0,11	0,41
Return on Equity (ROE)	-26,23	9,61	7,57	-1,92	5,65
Return on Assets before Taxes (ROAbT)	-1,31	0,44	0,44	-0,09	0,35
Return on Equity before Taxes (ROEbT)	-26,04	6,14	6,44	-1,55	4,89
Return on Risk-Weighted Assets (RORWA)	-2,93	1,62	1,17	-0,25	0,92
Return on Risk-Weighted Assets before Taxes (RORWAbT)	-2,90	1,04	1,00	-0,20	0,80
Net Interest Margin (NIM)	1,57	1,44	1,48	-0,07	1,42
Pre-Impairment Operating Profit / Assets	0,15	0,72	0,69	+0,05	0,75
Cost of Funds (COF)	0,75	0,59	0,58	+0,01	0,59
Change in %- Points					

Asset Situation and Asset Quality

UniCredit's financial assets accounted for 95% of total assets in 2019, increasing by 2.8% in a year-over-year comparison (€22.7 billion). Net loans to customers (excl. repos) represent the largest share of financial assets, accounting for 52.6%, and decreasing by 2% YOY (€9 billion). The negative development is due to decreased lending activities in Italy and the Corporate and Investment Banking segment, which could not be offset by increased lending in Germany and the CEE Division. Total securities as the second largest asset represent 20% of financial assets of UniCredit, decreasing by 3.4% YOY (€5.8 billion). The decrease is primarily due to decreased debt securities of public sector entities (€15 billion) which were partially offset by debt securities of banks. In general, UniCredit's item of debt securities consists primarily of Italian government debt securities (about €57 billion of direct exposure), which shows the close connection to the Italian state. The increase in UniCredit's Cash and Balances with Central Banks is a result of an increase in the banks compulsory reserve, whereas the actual cash deposits at central banks decreased. The item of Other Financial Assets consists primarily of reverse repurchase loans with customers.

Following the Corona pandemic impact as of the first half year 2020, UniCredit reports a decrease in its loan business (excl. repos) over all segments except in Germany. In addition, the Group used the favorable TLTRO III funding to increase its loans to banks. As of 30 June 2020, UniCredit's total volume of exposures affected by moratorium measures amounted to €35 billion while state guaranteed loans amounted to about €7 billion.

A detailed look at the development of the asset side of the balance sheet for the years of 2016 through 2019 can be taken in Figure 3 below:

Figure 3: Development of assets| Source: eValueRate / CRA

Assets (€000)	2016	2017	2018	%	2019
Cash and Balances with Central Banks	36.498.892	89.718.940	43.114.000	+31,0	56.467.000
Net Loans to Banks	30.125.841	20.573.426	28.243.000	+1,5	28.661.000
Net Loans to Customers	417.868.403	421.846.292	437.900.000	-2,1	428.862.000
Total Securities	184.085.000	172.367.952	168.935.000	-3,4	163.133.000
Total Derivative Assets	53.098.839	40.445.089	39.273.000	+11,0	43.581.000
Other Financial Assets	48.664.024	51.064.409	74.375.000	+26,2	93.876.000
Financial Assets	**770.340.999**	**796.016.108**	**791.840.000**	**+2,9**	**814.580.000**
Equity Accounted Investments	6.158.551	6.212.142	5.502.000	-13,0	4.787.000
Other Investments	-	-	-	-	-
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	45.853.911	1.110.960	2.241.000	+12,1	2.512.000
Tangible and Intangible Assets	12.282.938	11.834.598	12.311.000	+12,9	13.897.000
Tax Assets	15.161.189	12.658.279	12.944.000	-0,2	12.922.000
Total Other Assets	9.735.186	8.957.637	7.334.000	-5,2	6.949.000
Total Assets	**859.532.774**	**836.789.724**	**832.172.000**	**+2,8**	**855.647.000**

Although UniCredits's NPL ratio improved markedly in the past years as well as in a year-over-year comparison (2.8 percentage points), it is still at a relatively high level. In addition, the groups NPL ratio is significantly worse than that of the peer group. However, UniCredit accomplished a further reduction of its gross non-performing exposure by about €12.9 billion YOY to a year-end 2019 amount of about €25.2 billion (€23.6 bn as of June 2020). The net non-performing exposure (stage 3) of UniCredit is at year-end 2019 at about €8.8 billion (stable as of June 2020), which corresponds to a year-over-year reduction of about €6.2 billion. We acknowledge and appreciate this clearly positive development with regard to UniCredit's quality of assets, which shows the banks clear approach to reduce its bad assets according to its strategy.
In addition, the Group's potential problem loans (represented by stage 2 loans) over net loans to customer ratio remained stable, but is clearly worse than the ones of the peer group. UniCredit's NPL/RWA ratio has improved equivalent to its NPL ratio, but is still considerably worse than the average of the peer group. By contrast, UniCredit's reserve/NPL ratio is higher than the average of the peer group and shows UniCredits`s prudent approach in this regard. The groups RWA/assets ratio, however, remained year-over-year roughly unchanged at a relatively high level in comparison to the peer group. Thus, the Group's assets are subject to a significantly higher risk with less leeway to increase. However, as of June 2020, UniCredit accomplished a reduction of its RWA ratio to 39.2% due to a reduction of its credit risk, which is mainly the result of the disposal of Yapi Bank (release of €20 bn RWA).

Overall, UniCredit's asset quality figures of 2019 are the least favorable performers in any of the areas analyzed. UniCredit still struggles despite steady improvements to catch up to its competitors and suffers still from its legacy of a high NPL exposure.

According to UniCredit's half-year 2020 report, the Group reports stable asset quality figures with regard to the stock of non-performing loans. However, we expect a strong decrease in the asset quality in the upcoming years due to the ending of public guarantees as well as the end of moratorium. According to the ECB, moratorium measures are not automatically a trigger of unlikeliness to pay. Thus, we perceive a high credit risk in addition to a high level of uncertainty with regard to UniCredit's asset quality as of now, which requires a close monitoring of the upcoming development.

A detailed overview of the asset quality for the years of 2016 through 2019 can be found in Figure 4 below:

Figure 4: Development of asset quality| Source: eValueRate / CRA

Asset Ratios (%)	2016	2017	2018	%	2019
Net Loans/ Assets	48,62	50,41	52,62	-2,50	50,12
Risk-weighted Assets/ Assets	45,04	42,56	44,48	-0,22	44,26
NPLs*/ Net Loans to Customers	13,48	11,48	8,70	-2,84	5,87
NPLs*/ Risk-weighted Assets	14,55	13,60	10,29	-3,65	6,64
Potential Problem Loans**/ Net Loans to Customers	2,36	2,19	10,26	+0,03	10,29
Reserves/ NPLs*	59,53	60,40	67,71	+7,76	75,47
Reserves/ Net Loans	8,03	6,93	5,89	-1,47	4,43
Net Write-offs/ Net Loans	3,12	0,57	0,61	+0,20	0,81
Net Write-offs/ Risk-weighted Assets	3,37	0,68	0,72	+0,20	0,92
Change in %-Points					

* NPLs are represented from 2017 onwards by Stage 3 Loans.
** Potential Problem Loans are Stage 2 Loans where available.

Refinancing and Capital Quality

UniCredit's financial liabilities accounted for 97% of total liabilities in 2020. Total deposits from customers, as the major source of funding, correspond to 54.5% of total liabilities, remaining almost unchanged in comparison to the previous year. However, as of June 2020, the Group was able to attract significantly more customer deposits. By contrast, total debt as the second largest item of financial liabilities; accounting for 13.6% (€108.4 billion), increased by 17% YOY (€15.7 billion) and consists primarily of bonds other than structured bonds. However, UniCredit does not provide any additional information about this item. Total deposits from banks amount to €104 billion at year-end 2019 whereby €51.1 of these deposits are related to central banks.
In June 2020, UniCredit participated in the TLTRO III refinancing operation of the ECB with about €94.3 billion and benefits as a result from very favorable conditions (currently at the interest rate of -50 bp) with regard to its costs of funding. UniCredit used €50.7 billion of the TLTRO III funding for the early repayment of the TRTRO II funding. Considering the Group's half-year 2020 report, the TLTRO III funding represents the major driver of the increase in total assets to €892 bn.

The Group's total equity increased significantly due to suspended dividend distribution in relation with the Corona pandemic and the recommendation of the ECB. In addition, UniCredit postponed the intended share buyback for about €467 million. We are pleased about both measures taken by UniCredit. However, UniCredit intends to reinstate its dividend distribution policy for fiscal year 2020 and targets a payout ratio of about 50%.

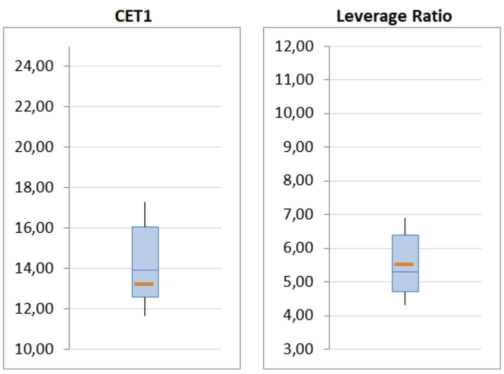
A detailed overview of the development of liabilities for the years of 2016 through 2019 can be found in Figure 5 below:

Figure 5: Development of refinancing and capital adequacy| Source: eValueRate / CRA

Liabilities (€000)	2016	2017	2018	%	2019
Total Deposits from Banks	83.470.398	103.298.527	101.752.000	+2,3	104.067.000
Total Deposits from Customers	396.076.700	413.819.886	433.787.000	-0,3	432.451.000
Total Debt	142.545.699	125.388.712	92.722.000	+16,9	108.380.000
Derivative Liabilities	53.111.154	38.589.171	36.728.000	+11,2	40.842.000
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	76.765.826	69.049.766	82.738.000	-0,4	82.411.000
Total Financial Liabilities	**751.969.777**	**750.146.062**	**747.727.000**	**+2,7**	**768.151.000**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	35.868.601	184.829	540.000	+34,3	725.000
Tax Liabilities	1.398.525	1.092.905	946.000	+45,7	1.378.000
Provisions	11.667.206	9.567.752	11.659.000	-5,1	11.059.000
Total Other Liabilities	15.440.363	15.573.476	13.950.000	-10,0	12.549.000
Total Liabilities	**816.344.472**	**776.565.024**	**774.822.000**	**+2,5**	**793.862.000**
Total Equity	**43.188.302**	**60.224.700**	**57.350.000**	**+7,7**	**61.785.000**
Total Liabilities and Equity	**859.532.774**	**836.789.724**	**832.172.000**	**+2,8**	**855.647.000**

UniCredit's CET1 ratio increased by 1.1 percentage points in comparison to the previous year. This positive development is due to the retained profit for 2019 (€3.373 bn), a positive valuation in the accumulated other comprehensive income primarily related to the change in the valuation criterion for tangible asset (€2.061 bn) and due to the positive effect equal deriving from the lower deduction on intangible assets connected to the deconsolidation of FinecoBank S.p.A (€654 mn). Despite of these improvement, the banks CET1 ratio is still below the average of the peer group and UniCredit still struggles to catch up to its competitors with regard to its regulatory capital ratios (see chart 3).

Chart 3: Boxplot of UniCredit's CET1 ratio and leverage ratio | Source: Own presentation



In addition, UniCredit's AT1 Capital ratio (despite the issue of €1 billion AT1 Capital in March 2019) as well as its Total Capital ratio (despite the issue of about 3.3 bn Tier 2 Capital since February 2019) are slightly lower than the average of the peer group. However, due to the additional issue of €1.25 billion AT1 Capital in February 2020 and the issue of about €3.3 bn Tier 2 Capital in 2020, we expect UniCredit to catch up to its competitors with regard to its AT1 and Total Capital ratio. In addition, the Groups capital ratios will benefit from the waived dividend payment and share buyback. However, a negative net profit by the end of 2020 is likely which might counteract the aforementioned positive developments.

By contrast, the Group's Total Equity ratio exceeds the average of the peer group banks, while the leverage ratio of UniCredit is in line with the peer group average (see chart 3). Overall, UniCredit comfortably meets all regulatory requirements (CET1: 10.09%, AT1: 11.59% and TC: 13.59%) with its capital ratios.

A detailed overview of the development of capital ratios for the years of 2016 through 2019 can be found in Figure 6 below:

Figure 6: Development of capital ratios | Source: eValueRate / CRA

Capital Ratios (%)	2016	2017	2018	%	2019
Total Equity/ Total Assets	5,02	7,20	6,89	+0,33	7,22
Leverage Ratio	3,61	5,73	5,06	+0,45	5,51
Common Equity Tier 1 Ratio (CET1)	8,15	13,73	12,13	+1,09	13,22
Tier 1 Ratio (CET1 + AT1)	9,04	15,36	13,64	+1,26	14,90
Total Capital Ratio (CET1 + AT1 + T2)	11,66	18,10	15,80	+1,89	17,69
Change in %-Points					

Due to UniCredit's bank capital and debt structure, as well as its status as an G-SIB, the Group's Preferred Senior Unsecured Debt instruments have not been notched down in comparison to the long-term issuer rating. Due to the seniority structure, UniCredit's non-preferred senior unsecured debt has been notched down by one notch. However, UniCredit's Tier 2 capital rating is three notches below the long-term issuer rating based on the bank's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 capital is rated five notches below the long-term issuer rating, reflecting a high bail-in risk in the event of resolution.

Liquidity

UniCredit has not published any exact figures for its Net Stable Funding Ratio, however, this ratio is binding starting 2021. The Group's LCR of 143% is just in line with the average of the peer group.

The customer deposits to total funding ratio reports the Group's stable and favorable source of funding - the deposits of its customers. However, considering the negative interest rate for deposits at the ECB, UniCredit has to be aware in case of excess liquidity (in particular after the TLTRO III participation with the maximum amount). In addition, the almost equal LTD ratio with about 99% shows an adequate demand for the Group's loans.

Up to now, we do not perceive any liquidity issues at UniCredit and the whole banking sector.

A detailed overview of the development of liquidity for the years of 2016 through 2019 can be found in Figure 7 below.

Figure 7: Development of liquidity | Source: eValueRate / CRA

Liquidity (%)	2016	2017	2018	%	2019
Net Loans/ Deposits (LTD)	105,50	101,94	100,95	-1,78	99,17
Interbank Ratio	36,09	19,92	27,76	-0,22	27,54
Liquidity Coverage Ratio	132,00	185,29	151,00	-8,00	143,00
Customer Deposits / Total Funding (excl. Derivates)	51,89	56,07	58,77	-1,34	57,43
Net Stable Funding Ratio (NSFR)	-	-	-	-	-

Change in %- Points

Environmental, Social and Governance (ESG) Score Card

UniCredit SpA (Group) 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. This sub-factor is rated positive due to UniCredit's successfully executed Transform 2020 strategy, its ambitious goals with regard to its ESG policies as well was its sound development of its earnings figures and its asset quality.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated positive due to role as a joint book-runner in 29 issues of green bonds in 2019, Coporate Behaviour is rated negative due the bank's misconduct in in relation with US sanctions and money laundering.

ESG Score
3,7 / 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 2020	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	(+)
	1.2 Exposure to Environmental 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	(+)
	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	(+)
	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 positive in terms of the CRA ESG criteria.	4	(+)
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated negative in terms of the CRA ESG criteria.	3	(-)
	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".

Conclusion

Overall, UniCredit S.p.A. (Group) shows an ordinary year of performance in 2019, but faces a very challenging fiscal year 2020. The Corona pandemic has a massive impact on the Italian market, which is the major market of UniCredit. Moreover, the current economic development is characterized by a high degree of uncertainty for the second largest bank in Italy despite its diversified business model.

The Group reported an ordinary level of profitability with its earnings figures in 2019. However, we expect a strong negative impact on the profitability of UniCredit in the fiscal year 2020 due the Corona pandemic. The massive increase in loan loss provisions has a significantly negative impact on UniCredit's profitability. In addition, the bank has to cope with two adverse one-off effects related to the sale of Yapi Bank and related to the severance for the personnel in Italy. A positive net result for fiscal year 2020 is questionable. Moreover, a second wave of the pandemic might lead to a further decline of the profitability. In addition, the development of UniCredit's cost of risk is subject to a high degree of uncertainty because of the strong economic downturn in Italy. However, a strong increase of the banks cost of risk is foreseeable. By contrast, UniCredit benefits from its cost cutting measures following its new strategy, its diversified business model and its operating profitability.

The asset quality of UniCredit remains unsatisfactory even though UniCredit was able to improve its quality in the past years clearly. However, the sudden impact of the Corona pandemic and the following strong economic downturn, especially in Italy, is likely to lead to regression with regard to UniCredit's reduction of its NPL portfolio. In addition, UniCredit reports a significant amount of exposure related to memorandum measures. Thus, the bank might bear huge credit risk in its loan portfolio, which in turn might have a negative impact on the Group's profitability and capitalization.

UniCredit's business activities are dependent to a high degree on wellbeing of its home market Italy. In addition, a significant amount of Italian government bonds tightens the connection to the Italian state. The economic downturn of about a 10% in Italy's GDP imposes a huge burden. The expected low and slow rebound might reinforce this burden. However, UniCredit benefits from the ECB's TLTRO III operations by decreasing cost of funding.

On the liabilities side, UniCredit records a sound growth in its customer deposits (excl. repos) following the Corona pandemic. UniCredit's regulatory capital ratios are below average of its competitors. However, the banks regulatory capital ratio will benefit from the waived dividend payment for 2019 and the postponed share buyback. The already announced dividend payment in 2020 might have a contrary effect. The liquidity situation of UniCredit remains sufficient.

It remains to be seen whether the Group will be able to be profitable in 2020 and whether the loan loss provision proves to be sufficient. In addition, the impact of the Corona pandemic bears a high risk for the Group next to the still challenging low interest rate environment. Nevertheless, we expect UniCredit as the second largest bank in Italy with a strong franchise in Germany and Austria to overcome this challenging environment. However, the development is strongly correlated with the wellbeing of the banks major market Italy.

Outlook

We consider the outlook of UniCredit's (Group) long-term issuer rating and its bank capital and debt instruments as stable. This reflects our view that the bank likely be profitable in the long-run despite the tremendous short-term Corona pandemic impact. In particular, we expect UniCredit to achieve a solid positive result in 2021. However, we will observe how the bank will deal with the Corona pandemic effects on the economy and especially the impact on the banks quality of assets. In addition, we assume no significant economic worsening due to the Corona pandemic and stable political environment in the banks markets of operations.

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 “BBB+“ rating in the “best case” scenario and an “BB-” rating 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.

We might upgrade UniCredit S.p.A. (Group) long-term issuer credit rating and its bank capital and debt instruments if we see that UniCredit is able to improve significantly its asset quality in addition to increased capital ratios while maintaining its level of profitability.

By contrast, a downgrade of the Group`s long-term issuer credit rating and its bank capital and debt instruments is likely if we see declining capital ratios as well as a declining profitability. In particular, we will observe the ongoing Corona pandemic impact on UniCredit's asset quality and its business activities in general. Moreover, we see a close economic relation to the wellbeing of the Italian nation.

Appendix

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 8: 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
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)
Rating Update	01.10.2020	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
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
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
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
UniCredit Bank Ireland Plc		
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
Bank Capital and Debt Instruments of UniCredit Bank Ireland Plc		
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

Figure 9: UniCredit Bank Ireland Plc income statement | Source: eValueRate / CRA

Income Statement	2016	2017	2018	%	2019
Income (€000)					
Net Interest Income	106.513	73.941	66.083	-23,0	50.910
Net Fee & Commission Income	-16.370	-5.188	-5.786	+56,6	-9.060
Net Insurance Income	-	-	-	-	-
Net Trading Income	6.339	-27.017	3.369	> +100	7.493
Equity Accounted Results	-	-	-	-	-
Dividends from Equity Instruments	-	-	-	-	-
Other Income	-	207	341	-34,3	224
Operating Income	**96.482**	**41.943**	**64.007**	**-22,6**	**49.567**
Expenses (€000)					
Depreciation and Amortisation	1.033	1.056	1.168	+7,8	1.259
Personnel Expense	4.084	4.542	3.955	+5,3	4.163
Tech & Communications Expense	-	-	-	-	-
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Expense	7.720	9.789	9.716	+6,1	10.306
Operating Expense	**12.837**	**15.387**	**14.839**	**+6,0**	**15.728**
Operating Profit & Impairment (€000)					
Pre-impairment Operating Profit	**83.645**	**26.556**	**49.168**	**-31,2**	**33.839**
Asset Writedowns	-400	-1.789	-832	> +100	-3.033
Net Income (€000)					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**84.045**	**28.345**	**50.000**	**-26,3**	**36.872**
Income Tax Expense	10.581	3.569	6.308	-26,3	4.647
Discontinued Operations	-	-	-	-	-
Net Profit (€000)	**73.464**	**24.776**	**43.692**	**-26,2**	**32.225**
Attributable to minority interest (non-controlling interest)	-	-	-	-	-
Attributable to owners of the parent	-	-	43.692	-26,2	32.225

Figure 10: UniCredit Bank Ireland Plc key earnings figures| Source: eValueRate / CRA

Income Ratios (%)	2016	2017	2018	%	2019
Cost Income Ratio (CIR)	13,31	36,69	23,18	+8,55	31,73
Cost Income Ratio ex. Trading (CIRex)	14,24	22,31	24,47	+12,91	37,38
Return on Assets (ROA)	0,37	0,14	0,30	-0,03	0,26
Return on Equity (ROE)	3,20	1,06	1,90	-0,53	1,37
Return on Assets before Taxes (ROAbT)	0,42	0,16	0,34	-0,04	0,30
Return on Equity before Taxes (ROEbT)	3,67	1,21	2,17	-0,61	1,56
Return on Risk-Weighted Assets (RORWA)	-	-	-	-	-
Return on Risk-Weighted Assets before Taxes (RORWAbT)	-	-	-	-	-
Net Interest Margin (NIM)	0,56	0,26	0,47	+0,00	0,47
Pre-Impairment Operating Profit / Assets	0,42	0,15	0,33	-0,06	0,27
Cost of Funds (COF)	2,48	2,29	2,57	-0,32	2,25

Change in %- Points

Figure 11: Development of assets of UniCredit Bank Ireland Plc | Source: eValueRate / CRA

Assets (€000)	2016	2017	2018	%	2019
Cash and Balances with Central Banks	-	-	-	-	-
Net Loans to Banks	7.238.322	6.773.114	4.520.239	-44,1	2.525.877
Net Loans to Customers	1.440.206	1.106.021	1.713.221	> +100	3.435.507
Total Securities	10.807.712	10.055.362	8.195.539	-26,5	6.023.891
Total Derivative Assets	178.078	94.545	371.832	-0,8	368.907
Other Financial Assets	314.000	-	-	-	-
Financial Assets	**19.978.318**	**18.029.042**	**14.800.831**	**-16,5**	**12.354.182**
Equity Accounted Investments	-	-	-	-	-
Other Investments	-	-	-	-	-
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	-	-	-	-	-
Tangible and Intangible Assets	2.882	2.414	1.569	> +100	3.620
Tax Assets	6.024	4.996	1.430	-49,5	722
Total Other Assets	429	365	621	+11,3	691
Total Assets	**19.987.653**	**18.036.817**	**14.804.451**	**-16,5**	**12.359.215**

Figure 12: Development of asset quality of UniCredit Bank Ireland Plc | Source: eValueRate / CRA

Asset Ratios (%)	2016	2017	2018	%	2019
Net Loans/ Assets	7,21	6,13	11,57	+16,22	27,80
Risk-weighted Assets/ Assets	-	-	-	-	-
NPLs*/ Net Loans to Customers	-	-	-	-	-
NPLs*/ Risk-weighted Assets	-	-	-	-	-
Potential Problem Loans**/ Net Loans to Customers	-	-	-	-	-
Reserves/ NPLs*	-	-	-	-	-
Reserves/ Net Loans	0,06	0,01	0,07	-0,04	0,02
Net Write-offs/ Net Loans	-0,03	-0,16	-0,05	-0,04	-0,09
Net Write-offs/ Risk-weighted Assets	-	-	-	-	-
Change in %- Points					

* NPLs are represented from 2017 onwards by Stage 3 Loans.
** Potential Problem Loans are Stage 2 Loans where available.

Figure 13: Development of refinancing and capital adequacy of UniCredit Bank Ireland Plc | Source: eValueRate / CRA

Liabilities (€000)	2016	2017	2018	%	2019
Total Deposits from Banks	667.209	1.204.714	1.742.460	-24,3	1.318.533
Total Deposits from Customers	120.367	258.077	3.630.799	-2,9	3.525.107
Total Debt	5.471.159	5.263.430	2.148.820	-9,6	1.943.191
Derivative Liabilities	1.430.533	966.177	778.624	-10,4	697.691
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	10.000.000	8.000.000	4.200.000	-40,4	2.502.423
Total Financial Liabilities	**17.689.268**	**15.692.398**	**12.500.703**	**-20,1**	**9.986.945**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	-	7.005	-	-	8.610
Provisions	-	-	-	-	-
Total Other Liabilities	5.533	2.425	2.745	+65,8	4.551
Total Liabilities	**17.694.801**	**15.701.828**	**12.503.448**	**-20,0**	**10.000.106**
Total Equity	**2.292.852**	**2.334.989**	**2.301.003**	**+2,5**	**2.359.109**
Total Liabilities and Equity	**19.987.653**	**18.036.817**	**14.804.451**	**-16,5**	**12.359.215**

Figure 14: Development of capital ratios of UniCredit Bank Ireland Plc | Source: eValueRate / CRA

Capital Ratios (%)	2016	2017	2018	%	2019
Total Equity/ Total Assets	11,47	12,95	15,54	+3,55	19,09
Leverage Ratio	-	-	-	-	-
Phased-in: Common Equity Tier 1 Ratio (CET1)	37,14	38,54	68,32	+53,33	121,65
Phased-in: Tier 1 Ratio (CET1 + AT1)	-	-	-	-	-
Phased-in: Total Capital Ratio (CET1 + AT1 + T2)	43,67	44,32	74,38	+47,27	121,65
Common Equity Tier 1 Ratio (CET1)	36,52	38,41	68,30	+53,40	121,70
Tier 1 Ratio (CET1 + AT1)	-	-	-	-	-
Total Capital Ratio (CET1 + AT1 + T2)	36,52	38,41	68,30	+53,35	121,65
Change in %- Points					

Figure 15: Development of liquidity of UniCredit Bank Ireland Plc | Source: eValueRate / CRA

Liquidity (%)	2016	2017	2018	%	2019
Net Loans/ Deposits (LTD)	1196,51	428,56	47,19	+50,27	97,46
Interbank Ratio	1084,87	562,22	259,42	-67,85	191,57
Liquidity Coverage Ratio	309,00	716,00	471,00	+2164,00	2635,00
Customer Deposits / Total Funding (excl. Derivates)	0,74	1,75	30,97	+6,93	37,89
Net Stable Funding Ratio (NSFR)	-	-	111,00	+19,00	130,00
Change in %- Points					

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. Subject to a peer group analysis were 24 competing institutes.

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 as (Version 2.0), the methodology for the rating of bank capital and unsecured debt instruments (Version 2.0) as well as the rating methodology for Environmental, Social and Governance Score for Banks (Version 1.0) in conjunction with Creditreform's basic document Rating Criteria and Definitions (Version 1.3).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (Version 1.3) are published on our homepage:

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

On 01 October 2020, 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 the relevant 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.

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.

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 "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".

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