

Rated entity:

Mortgage Covered Bond Program issued by UniCredit S.p.A.

Rating:

A+

Rating outlook / watch:

watch neutral

Rating summary:

This monitoring report covers our update of the UniCredit S.p.A. mortgage covered bonds (*Obbligazioni Bancarie Garantite or OBG*) program guaranteed by UniCredit OBG S.r.l. issued under Italian law by UniCredit S.p.A. („UniCredit“). Our rating of UniCredit Mortgage Covered Bond Program is reflected by our issuer rating opinion of UniCredit S.p.A. (group) due to its group structure. On 10 March 2022, Creditreform Rating confirmed the unsolicited long-term issuer rating of UniCredit S.p.A. (group) at BBB-. However, UniCredit S.p.A. is present in the Russian Federation through its subsidiary UniCredit Bank Russia and has additional cross-border exposures. The impact of a potential total loss, as outlined in a press release dated March 8, 2022 by UniCredit, is unlikely to affect the current long-term issuer ratings; however, the potential uncontrolled loss of a subsidiary is noteworthy and grounds for further in-depth monitoring. Therefore, in the wake of the Russian-Ukrainian war, the "stable" outlook is withdrawn and "watch (unknown)" status is assigned in light of this development.

During our covered bonds monitoring, we did not come to any new findings that could have an impact on the final rating outcome of the program with regard to legal and regulatory framework, the liquidity and refinancing risk and the credit and portfolio risk. Therefore, we maintain a rating uplift of 4 notches for the legal and regulatory framework and a rating uplift of 1 notch for the liquidity and refinancing risk. Furthermore, the credit metrics from the last rating of 18 January 2022 are valid. The cover pool and cash flow analysis resulted in A, which ensures a secondary uplift of zero (0) notch and the final covered bond program rating of A+.

Taking into consideration the updated issuer rating, our analysis of the regulatory framework, liquidity and refinancing risks, as well as our cover pool assessment and results of the cash flow analysis with credit metrics as of 18 January 2022, CRA affirms the covered bond program at A+. However, the outlook has been updated and a rating supplement ‘watch neutral’ is assigned. The A+ rating represents a high level of credit quality and low investment risk.

Risk Factor	Result
Issuer rating	BBB- (rating as of 10.03.2022)
+ Legal and regulatory framework	+4 Notches
+ Liquidity and refinancing risk	+1 Notch
= Rating after 1 st uplift	A+
Cover pool & cash flow analysis	A
+ 2 nd rating uplift	+/-0 Notch
= Rating covered bond program	A+

Primary key rating driver:

- + Covered Bonds are subject to strict legal requirements (legal framework for OBG)
- + Covered bondholders have full recourse to the issuer
- + Covered bonds are backed by the appropriate cover asset class
- The sanctions imposed on Russia in response to the Russian-Ukrainian war have far-reaching implications for financial actors doing business in Russia. UniCredit has a risk exposure through its Russian subsidiary and additional cross-border exposure
- The impact of the sanctions on the ease of doing business, credit worthiness and general access to the Russian market cannot yet be fully estimated and remain subject to further developments. However, the uncontrolled, potential loss of access to its Russian subsidiary is notable

Rating sensitivities:

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.

Best-case scenario: In this scenario, the base case assumptions remained stable, resulting in a cover pool rating of A.

Worst-case scenario: In this scenario, we (ceteris paribus) reduced recoveries by 50% and increased credit risk by 50%, resulting in a cover pool rating of B-. This would not affect the 2nd rating uplift of zero (0) notch, still resulting in a rating of A+ for the covered bond program.

ESG-criteria:

CRA generally takes ESG-relevant factors (environmental, social and governance) into account when assessing Covered Bond ratings. Overall, ESG factors have a significant impact on the current rating of this Covered Bond program. CRA identifies governance factors, in particular, to have a highly significant impact on Covered Bond ratings. Since Covered Bonds are subject to strict legal requirements, regulatory risk plays an important role in assessing the credit rating.

The Italian legal framework for OBG defines clear rules to mitigate risks in particular regarding insolvency remoteness, asset segregation, investor's special claim vis-à-vis other creditors, the roll and appointment of a special administrator, among other provisions. However, no requirements with respect to liquidity risks, i.e. a mandatory liquidity buffer, are specified within the legal framework. Additionally, Risk management and internal controls as well as the macroeconomic factors such as hedging strategies, interest rates and yield curve are considered to have a highly significant impact on the assessment of the credit rating. Other individual factors with a potential key rating influence were not identified, and therefore did not affect the final rating.

On the subject of ESG (environment, social and governance), Creditreform Rating AG has published the basic document ("The Impact of ESG Factors on Credit Ratings"), which is available on the homepage under the following link:

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

Rating Date / disclosure to rated entity / maximum validity:

March 15, 2022 / March 15, 2022 / January 1, 2050

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

Initial rating date / rating:

February 11, 2019 / A+ - Outlook stable

Lead-analyst – position / Person approving (PAC):

Aaron Kamruzzaman (Lead) – Analyst

Christian Konieczny (PAC) – Senior Analyst

Name & address of legal entity:

Creditreform Rating AG, Europadamm 2-6, 41460 Neuss, Germany

Status of solicitation:

The rating is an unsolicited rating. The degree of participation was as follows:

With Rated Entity or Related Third Party Participation: No

With Access to Internal Documents: No

With Access to Management: No

Rating methodology / Version / Date of application / Link:

[Rating Criteria and Definitions, Version 1.3, January 2018](#)

[Technical Documentation Portfolio Loss Distributions, Version 1.4, July 2018](#)

[Rating Methodology Covered Bonds, Version 1.0, July 2017](#)

Information on the meaning of a rating category, definition of default and sensitivity analysis of relevant key rating assumptions can be found at "Creditreform Rating AG, Rating Criteria and Definitions".

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

Endorsement:

Creditreform Rating did not endorse the rating according Article 4 (3), CRA-Regulation.

Regulatory requirements:

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 of the issuer.

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. Transaction structure and participants
2. Transaction documents
3. Issuing documents
4. Other rating relevant documentation

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