

UniCredit Bank

Issuer View • 30 May 2022

Authors: Melanie Kiene, CIAA // Dr Frederik Kunze

UniCredit Bank AG (UCB) is the parent company of HVB Group and is wholly owned by the Italian UniCredit S.p.A (global systemically important institution; add. capital buffer: 1.0%). Although the name has been changed from Bayerische Hypo- und Vereinsbank AG to UCB, the established HypoVereinsbank brand remains. Worldwide, HVB Group has around 461 business outlets, 325 of which are in Germany. HVB Group offers its retail and corporate customers, public-sector entities, international companies and institutional customers comprehensive services of a universal bank, and in doing so can offer its customers access to commercial banks from the UniCredit Group in 13 countries. The business is divided into the segments "Commercial Banking", "Corporate & Investment Banking (CIB)", "Group Corporate Center" and "Others". As a universal bank, UCB focuses on the regional development of the German market and represents the competence center for the investment banking and markets activities of the entire UniCredit Group. The Group-wide strategic plan "Team 23" was successfully implemented, and the focus of the new three-year strategic plan "UniCredit Unlocked 2022-24" is on simplifying the operating model with comprehensive process optimization and digitalization, growth in selected business areas, and an increase in capital efficiency. According to UCB, 2022 profit before tax is expected to be very significantly higher than the 2021 result. In terms of CET1 ratio, the bank expects a slight decrease compared to year-end 2021 (FY/2021: 17.4%).

Ratings

	Rating	Outlook
Fitch	BBB	Negative
Moody's	A2	Stable
S&P	BBB	Negative

Homepage

www.hypovereinsbank.de

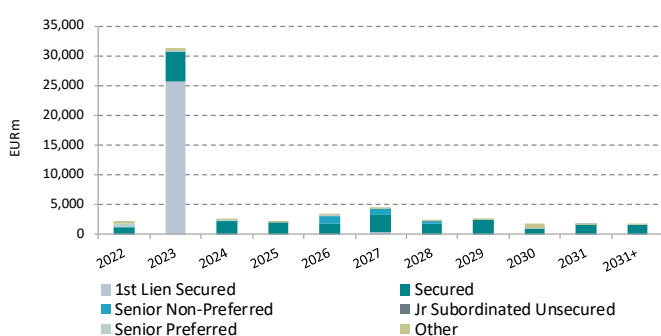
Balance Sheet

(EURm)	2020Y	2021Y	2022Q1
Net Loans to Customers	32,387	35,148	35,132
Total Securities	8,389	6,840	6,171
Total Deposits	32,415	35,160	34,071
Tier 1 Common Capital	2,807	2,783	-
Total Assets	53,122	56,325	54,475
Total Risk-weighted Assets	20,073	20,135	20,529

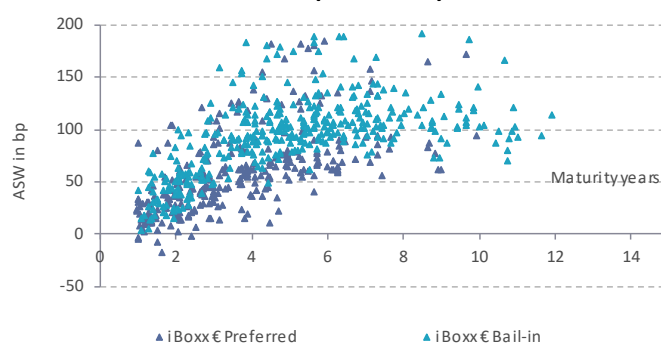
Income Statement

(EURm)	2020Y	2021Y	2022Q1
Net Interest Income	915	938	242
Net Fee & Commission Inc,	255	282	81
Net Trading Income	-27	11	-
Operating Expense	514	508	159
Credit Commit, Impairment	220	76	20
Pre-tax Profit	371	600	146

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2020Y	2021Y	2022Q1		2020Y	2021Y	2022Q1
Net Interest Margin	1.90	1.78	1.79	Liquidity Coverage Ratio	231.14	238.64	191.51
ROAE	7.11	11.00	10.35	IFRS Tier 1 Leverage Ratio	5.43	5.04	-
Cost-to-Income	45.93	46.12	48.80	NPL/ Loans at Amortised Cost	2.75	2.40	2.50
Core Tier 1 Ratio	13.98	13.82	-	Reserves/Loans at Amort. Cost	1.14	1.13	-

As of: 30.05.2022; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Liquidity profile
- Capitalization

Risks / Weaknesses

- Strong link to parent company affects rating
- Earnings volatile due to capital market business

Covered Bonds

Authors: Melanie Kiene, CIIA // Dr Frederik Kunze

Two programs for issuing Pfandbriefe

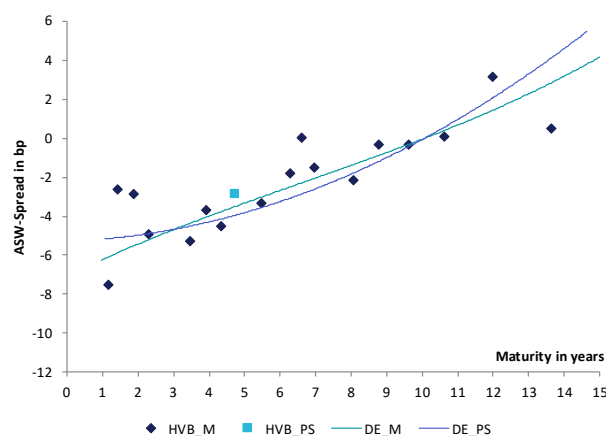
UniCredit Bank has both mortgage and public sector Pfandbriefe outstanding. With a volume of EUR 25.5bn, mortgage Pfandbriefe clearly exceed those of the public sector (EUR 5.3bn). Accordingly, the cover pool for mortgage-backed securities is almost five times larger than the cover pool for public sector Pfandbriefe. UniCredit Bank is currently represented in the iBoxx EUR Covered with 18 covered bond benchmarks with a total volume of EUR 14.5bn.

Programme data

31 March 2022	Mortgage	Public Sector
Covered bonds outstanding	EUR 25,459bn	EUR 5,296bn
Cover pool volume	EUR 29,941bn	EUR 6,310bn
Current OC (nominal / legal)	17.6% / 2.0%	19.1% / 2.0%
Type	70.8% Residential	45.6% Local authorities
Main country	100% Germany	92.2% Germany
Main region	44.4% Bavaria	23.6% Berlin
Number of loans	140,528	1,607
Share of 10 largest exposures	8.6%	42.1%
Fixed interest (Cover Pool / CBs)	82.0% / 98.9%	71.7% / 99.9%
WAL (Cover Pool / CBs)	6.9y / 6.6y	5.2y / 3.4y
NPL	0.0%	0.0%
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -	- / Aaa / -

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (BMK) – Germany



Mortgage cover pool with high residential share

UniCredit Bank's cover pool for mortgage Pfandbriefe is composed of 98.1% mortgage assets and 1.9% substitute cover. Within the primary cover assets, residential assets account for 70.8%, while 29.2% are attributable to the commercial sector. 33.5% of the primary cover assets are allocated to the category "multi-family assets" and 42.2% to the category "house, detached or semi-detached". In total, as of the March 31, 2022 reporting date, the cover pool included 140,528 loans held against over 107,593 borrowers. Geographically, all assets are located in Germany. Regionally, Bavaria (44.4%) dominates, followed by Berlin (10.9%) and North Rhine-Westphalia (9.6%). The remaining 35.1% is accounted for by the remaining 13 federal states. The average loan volume in the residential sector is EUR 156,036, while in the commercial sector it is EUR 1,186,374. Almost 40% of the residential properties are owner-occupied. Among the commercial assets, more than half of the loan volume (53.4%) is accounted for by office properties, and 31.3% by retail. The NPL ratio for both pools is 0.0%. All cover assets and mortgage Pfandbriefe are denominated in EUR; only in the public sector segment are 6.5% of the cover assets and 8.5% of the public sector Pfandbriefe denominated in USD.

Rating and Regulatory

Both the Mortgage Pfandbriefe and the Public Pfandbriefe are rated Aaa by Moody's. Accordingly, they benefit from a preferred risk weighting under CRR of 10%. Bonds in benchmark format also benefit from classification as a Level 1 asset in the LCR context, in our assessment. In addition, UniCredit Bank Pfandbriefe are eligible for purchase under the ECB's CBPP3 purchase program and can be deposited as collateral in repo transactions with the Eurosystem.

Appendix

Contacts at NORD/LB

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