

20 DEC 2024

## Fitch Revises Romanian UniCredit's Outlook to Negative, Affirms IDR at 'BBB+'

Fitch Ratings - Warsaw - 20 Dec 2024: Fitch Ratings has revised UniCredit Bank S.A.'s (UCBRO) Outlook to Negative from Stable, while affirming its Long-Term Issuer Default Rating (IDR) at 'BBB+' and Viability Rating (VR) at 'bb+'. A full list of rating actions is detailed below.

The Negative Outlook on UCBRO's Long-Term IDR follows Fitch's recent revision of the Outlook on Romania's sovereign Long-Term IDR to Negative from Stable and reflects Romania's Country Ceiling of 'BBB+', which constrains our assessment of potential support (see: [Fitch Revises Romania's Outlook to Negative; Affirms at 'BBB-' dated 17 December 2024 at www.fitchratings.com](#)).

### Key Rating Drivers

**Support-Driven IDRs:** UCBRO's IDRs and Shareholder Support Rating (SSR) are driven by Fitch's view of a high likelihood of extraordinary support from its parent, UniCredit S.p.A. (BBB+/Positive), given its inclusion in UniCredit's single-point-of-entry resolution group and the considerable reputational risk for UniCredit from a default of its Romanian subsidiary.

Our support assessment also factors in the strategic importance of UCBRO to the parent and its small relative size, meaning any support would be immaterial relative to UniCredit's ability to provide it. UniCredit's commitment to the Romanian market is underpinned by the ongoing acquisition of Alpha Bank Romania S.A. that will ultimately be merged with UCBRO, strengthening the group's position in the market. The common branding and the significant integration between the parent and the subsidiary also contribute positively to our assessment of UniCredit's propensity of support.

**Country Ceiling Constrains Rating:** Romania's country risks - in particular transfer and convertibility - may limit UCBRO's ability to use parental support to service its foreign-currency obligations. Therefore, Romania's Country Ceiling of 'BBB+' constrains our assessment of potential support and drives the lower Short-Term IDR of the two options mapping to its Long-Term IDR. As we expect the Country Ceiling to move in tandem with the sovereign rating, the Negative Outlook on UCBRO's Long-Term IDR reflects that on the Romanian sovereign.

**Gradually Improving Standalone Profile:** UCBRO's VR reflects its moderate franchise and weaker through-the-cycle profitability than at larger domestic peers. It also considers its moderate asset quality, strong capital ratios for the rating and reasonable funding and liquidity. The planned merger with ABR will enhance the combined entity's market position and presents medium-term strategic and operational advantages, while generating operational risks in the short term.

The Negative Outlook for the Romanian sovereign has led us to revise the outlook of the operating environment (OE) score for Romanian banks to negative. The OE is assessed at 'bbb-' and capped at the sovereign rating. It will be downgraded should the sovereign rating be downgraded.

For more details of Key Rating Drivers, see the rating action commentary on 19 November 2024 ('Fitch Affirms Romanian UniCredit's IDR at 'BBB+'; Upgrades VR to 'bb+' at [www.fitchratings.com](http://www.fitchratings.com)).

## **Rating Sensitivities**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

UCBRO's IDRs and SSR could be downgraded if UniCredit's Long-Term IDR is downgraded or if Romania's Country Ceiling was revised down. UCBRO's IDR and SSR could also be downgraded on an adverse change in the resolution strategy of the group with respect to UCBRO.

UCBRO's VR could come under pressure from a sustained weakening of the bank's impaired loans ratio to above 5% without adequate mitigation measures, and from profitability deterioration leading to a decline of operating profit to below 1.25% of risk-weighted assets (RWAs) on a sustained basis. The common equity Tier 1 (CET1) ratio falling materially below 16% without credible plans to swiftly restore it would also be credit-negative.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

An upgrade of UCBRO's IDRs and SSR would require both an upgrade of the parent's IDRs and an upward revision of Romania's Country Ceiling.

A VR upgrade would require the Romanian OE score to be maintained at 'bbb-' and could follow a successful completion of the merger, contingent on a smooth integration process that strengthens the bank's business profile and enhances its franchise. An upgrade would also be contingent on UCBRO maintaining strong capital ratios with sizeable buffers over their regulatory minimum requirements, while achieving asset quality and profitability in line with the largest Romanian peers'.

## **VR ADJUSTMENTS**

The earnings & profitability score of 'bb+' is below the 'bbb' implied category score, due to the following adjustment reasons: revenue diversification (negative).

The capitalisation & leverage score of 'bbb-' is below the 'a' implied category score, due to the following adjustment reasons: business and risk profile (negative).

The funding & liquidity score of 'bb+' is below the 'bbb' implied category score, due to the following adjustment reasons: deposit structure (negative).

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## Public Ratings with Credit Linkage to other ratings

UCBRO's Long-Term IDR and SSR are capped by the Romanian Country Ceiling and therefore linked to the Romanian sovereign Long-Term IDR. UCBRO's IDRs and SSR are driven by support from UniCredit and therefore linked to the latter's IDR.

## ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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## Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
UniCredit Bank S.A.	LT IDR	BBB+ 	Affirmed	BBB+ 
	ST IDR	F2	Affirmed	F2
	Viability	bb+	Affirmed	bb+
	Shareholder Support	bbb+	Affirmed	bbb+

## RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

## Applicable Criteria

[Bank Rating Criteria \(pub.15 Mar 2024\) \(including rating assumption sensitivity\)](#)

## Additional Disclosures

[Solicitation Status](#)

## Endorsement Status

UniCredit Bank S.A. EU Issued, UK Endorsed

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