Research Update:

UniCredit SpA Long-Term Rating Upgraded To 'A-', One Notch Above The Sovereign Italy; Outlook Stable

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Overview

- UniCredit SpA has strengthened its business and financial profile and its buffer of bail-inable subordinated debt.
- The bank benefits from a strong, geographically diversified franchise, robust profitability, sound asset quality, and ample liquidity, though its capitalization is becoming more stretched as the bank builds up strategic investments.
- The withdrawal of its offer for Banco BPM provides clarity on the shape of the group, particularly the relative size of its Italian exposures. We now think that a hypothetical default of the sovereign, Italy, would not immediately trigger the bank's default on its senior obligations.
- Therefore, we raised our long-term issuer credit rating (ICR) on UniCredit to 'A-' from 'BBB+', one notch above our 'BBB+' long-term sovereign rating on Italy. We affirmed our 'A-2' short-term ICR on UniCredit.
- The stable outlook mirrors the stable outlook on Italy's long-term sovereign rating, because we consider it as unlikely that we would place our rating on UniCredit two notches above that on the sovereign.

Rating Action

On Oct. 9, 2025, S&P Global Ratings raised its long-term ICR on UniCredit to 'A-' from 'BBB+' and affirmed the 'A-2' short-term ICR. The outlook is stable.

We also raised the long- and short-term resolution counterparty ratings (RCRs) on UniCredit to 'A/A-1' from 'A-/A-2'.

Finally, we affirmed the ratings on the hybrid instruments: Senior nonpreferred debt at 'BBB' and dated subordinated debt at 'BBB-'.

Rationale

UniCredit's geographic diversification in relatively low risk economies such as Germany and Austria supports its creditworthiness. This also makes it eligible to benefit from a higher anchor (or starting point) than the one applicable to banks operating primarily in Italy. In addition to its position as the second largest player in its home market of Italy (which accounts for less than 40% of the group's lending), UniCredit's footprint abroad offers a good combination of more stable, large markets (Germany and Austria, accounting respectively for 30% and 15% of loans) with smaller, higher risk, higher return and rapidly growing economies in Central Eastern Europe (CEE; somewhat above 15%). UniCredit's diverse footprint supports its resilience and revenue stability through the economic cycles, even if there is some correlation among its markets of operations. At 'bbb+' UniCredit's anchor is aligned with that of other European banks that also run operations in CEE countries, like Erste Group Bank AG, Raiffeisen Banking Group, KBC Group N.V., or ING Groep N.V.

UniCredit has successfully transformed the way it operates and has strengthened its financial profile, which puts the bank in a good position for the next phase. The "UniCredit Unlocked" strategy was successfully implemented over 2022-2024, this has made the 13 banks that make up the group operate more cohesively and in line; has reduced complexity, as processes have been redefined; and has boosted the group's financial profile, setting a good base for phase two of the UniCredit Unlocked strategy ("Unlock Acceleration"), where the focus will turn more to growth.

Unicredit's profitability and asset quality are set to remain robust. After posting solid results in 2023 and 2024, the group aims to further strengthen its profitability over 2025-2027, targeting a return on tangible equity (RoTE) of more than 20%, on the back of robust earnings, cost containment, and low credit provisions, which we see as feasible. While net interest income will fall in 2025 and 2026 as assets reprice down, the bank's hedging and some lending growth should help contain the decline. Additionally, the recovery of fees, the contribution of equity accounted income from UniCredit's investments in Commerzbank and Alpha Bank, the additional income from its now fully owned insurance subsidiaries, and cost-efficiency will do the rest.

Furthermore, we expect UniCredit's asset quality will remain sound. As of June 2025, the bank reported its lowest level of nonperforming exposures (NPE) in years, 2.8% according to our calculations, and a comfortable coverage, including €1.7 billion of overlays. This places it in a good position to deal with potential asset quality deterioration, which could come from its corporate lending exposure to sectors and markets more vulnerable to softer global trade dynamics. We expect, however, any deterioration to be contained, with credit provisions standing at about 20 basis points (bps) of average loans over 2025-2027. The bank's asset quality should benefit from limited lending growth in its core markets in recent years, a massive reduction of its Russian exposures which are now residual, tighter underwriting, and more supportive economic and financing conditions for borrowers.

Inorganic growth and generous shareholder distributions are putting pressure on UniCredit's capitalization, but we expect it to remain adequate. UniCredit was not able to buy Italy-based Banco BPM, however, through 2025 it used a large share of its excess regulatory capital to build up a 26% physical interest in Germany-based Commerzbank, secure a similar stake in Greece-based Alpha Bank through derivatives, and fully internalize its life insurance operations (previously joint ventures with Allianz SE and CNP Assurances S.A.). These transactions, coupled with the distribution to shareholders of the bulk of the profits it generates and our assumption of the eventual write-off of the group's investment in Russia, will result in a significant capital erosion, with the bank's risk-adjusted capital (RAC) ratio declining to about 6.5% by end 2025, or

200 bps from the 8.5% we calculated at end 2024 (pro forma of Italy's improved economic risk assessment). We expect that RAC will moderately recover thereafter, standing at 7%-7.9% over 2026-2027, a level that is still commensurate with our adequate capital and earnings assessment, but leaves little room for further investments, extraordinary distributions of excess regulatory capital, or to accommodate unexpected events.

For the time being, UniCredit considers its investments in Commerzbank and Alpha Bank as strategic financial investments that would provide a boost to earnings, but we do not disregard they could evolve into larger deals over the medium term. Equally, we think that UniCredit will remain attentive to inorganic growth opportunities in Italy to reinforce its franchise in the north, where it is underrepresented, or in certain business lines such as asset management.

A potential merger of Commerzbank and HVB (UniCredit's German subsidiary) would make strategic sense for UniCredit as it would strengthen its franchise and profitability prospects in Germany, while on a group basis it would also help to balance its footprint in riskier economies. Integrating the two banks, operationally and culturally, will require time and effort, however, and depending on the terms of the deal, it could be a source of further pressure on UniCredit's capitalization. Limited support from public authorities is an additional hurdle the bank would have to contend with.

Presence in Russia, even if residual, still exposes the bank to financial, operational, and reputational risks. The group has meaningfully reduced its cross-border exposures and the scale of its local operations in Russia, with total assets in the Russian subsidiary amounting to €6.3 billion or 0.7% of the group's consolidated assets as of June 2025. That said, it has not managed to sell its subsidiary, which means that it remains exposed to financial, operational, and reputational risks (even if to a much lesser extent than in the past), and that it has about €3 billion capital investment trapped in the country.

We improved UniCredit's stand-alone credit profile to 'a-'. Good peers at this level are Italy-based Intesa Sanpaolo SpA, Austria-based Raiffeisen, Spain-based Caixabank S.A., and Czechia-based Ceska Sporitelna.

A large buffer of subordinated bail-inable instruments would protect senior debt holders in a resolution scenario. UniCredit's additional loss-absorbing capacity (ALAC) buffer, comprising €10.1 billion senior nonpreferred debt and €6.3 billion subordinated debt as of end 2024, reached 320 bps of S&P Global Ratings' risk-weighted assets at end 2024 (pro forma of Italy's improved economic risk assessment). Over the next three years, we expect that ALAC will strengthen to 350 bps, remaining sustainably above the 300-bps threshold we deem commensurate with a one-notch uplift of its ICR.

We consider that, to some extent, UniCredit would be able to withstand the financial stress generated by a hypothetical default of its home sovereign, Italy. Thus, we decided to raise our long-term ICR on UniCredit to ‘A-’, one notch above our long-term sovereign rating on Italy. This is thanks to its geographic diversification outside of Italy and its going and gone concern loss absorption buffers. However, we think that there would still be a substantial effect on the bank's franchise and financial standing if the Italian sovereign were to default. Therefore, we restrict our ICR on UniCredit at a maximum of one notch above the sovereign rating on Italy.

Our assessment of UniCredit's ability to withstand a sovereign default is informed by our sovereign stress test model. Under this approach, we estimate the potential credit losses and liquidity outflows that the bank could suffer in a hypothetical sovereign default scenario, and so the bank's financial resilience. Our analysis considers both the group's potential solvency on a consolidated basis and at the solo level of UniCredit SpA. The modeled losses--arising principally from its home sovereign bond portfolio and domestic loan book--could be substantial. Nevertheless, we consider that authorities would apply resolution powers to UniCredit, leading to the write-down of all outstanding capital instruments and the bail-in of nonpreferred senior debt instruments, which would be sufficient to restore the bank to an acceptable level of capitalization, while authorities also ensure access to funding during the resolution process. Our opinion that a hypothetical Italian sovereign default would trigger the bail-in of hybrid instruments also explains why we affirmed our ratings on the bank's senior nonpreferred and subordinated debt at their current level.

Outlook

The stable outlook on UniCredit mirrors the stable outlook on our long-term sovereign rating on Italy. Over the next 18-24 months, we expect UniCredit will continue to deliver robust profitability and will gradually strengthen its capitalization, while maintaining sound asset quality, liquidity, and its buffer of subordinated bail-inable debt. Despite the bank's inorganic growth ambitions, our current ratings cannot anticipate further moves.

Downside scenario

The most likely trigger for a negative rating action on UniCredit would be a negative rating action on our long-term sovereign credit rating on Italy, given that at the current level the ratings are constrained by the latter. Conversely, a weakening of UniCredit's stand-alone creditworthiness (for example, if its ambitious inorganic plans were to result in an excessive erosion of its capital or returns, or in a footprint that carry higher economic risks, or were to pose high managerial challenges), the ICRs (and senior debt and hybrid debt ratings) would likely remain unchanged provided that the bank maintains its buffer of bail-inable subordinated instruments.

Upside scenario

An upgrade is contingent on us raising our long-term sovereign rating on Italy, and UniCredit preserving its rating strengths.

Rating Component Scores

Rating Component Scores

Issuer Credit Rating	A-/Stable/A-2
SACP	a-
Anchor	bbb+
Business position	Strong (1)
Capital and earnings	Adequate (0)
Risk position	Adequate (0)
Funding and liquidity	Adequate and Adequate (0)
Comparable ratings analysis	0
Support	1
ALAC support	1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	-1
SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.	

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Bulletin: UniCredit SpA's Underlying Credit Fundamentals Remain Supportive Despite The Withdrawal Of Banco BPM Offer, July 24, 2025

- Banking Industry Country Risk Assessment: Italy, May 16, 2025
- Various Rating Actions Taken On 15 Italian Banks On Sovereign Upgrade And More Resilient Industry Dynamics, April 18, 2025
- Italy Rating Raised To 'BBB+' On External Buffers And Monetary Flexibility; Outlook Stable; 'A-2' Rating Affirmed, April 11, 2025
- Italian Banking Sector Outlook 2025: Big changes ahead, Jan. 15, 2025
- Bulletin: UniCredit Opens Another Door For Inorganic Growth With Launch Of Offer For Italian Banco BPM, Nov. 25, 2024
- Bulletin: UniCredit's Purchase Of A Significant Stake In Commerzbank Could Pave The Way For A More Transformational Deal, Sept. 12, 2024

Ratings List

Ratings List		
Upgraded; Outlook Action		
	To	**From**
UniCredit SpA		
Issuer Credit Rating	A-/Stable/A-2	BBB+/Positive/A-2
Upgraded		
	To	**From**
UniCredit SpA		
Resolution Counterparty Rating	A/--/A-1	A-/--/A-2
Certificate Of Deposit	A-/A-2	BBB+/A-2
Senior Unsecured	A-	BBB+
Ratings Affirmed		
UniCredit SpA		
Senior Subordinated	BBB	
Subordinated	BBB-	