

MOODY'S

RATINGS

Rating Action: Moody's Ratings takes actions on four Romanian banks

18 Mar 2025

Rating actions follow the affirmation of the Government of Romania's Baa3 issuer and senior unsecured bond rating with negative outlook

Limassol, March 18, 2025 -- Moody's Ratings (Moody's) has today affirmed the ratings of the following four Romanian banks: Banca Comerciala Romana S.A. (BCR), BRD - Groupe Societe Generale (BRD), Raiffeisen Bank SA (RBRO) and Alpha Bank Romania S.A. (ABR). Concurrently we changed the outlooks of the banks' Baa1 long-term deposit ratings and the senior unsecured debt ratings, where applicable, to negative from stable.

The rating actions follow the affirmation and outlook change to negative from stable of the Baa3 issuer and senior unsecured bond rating of the Government of Romania. For further information on the sovereign rating action, please refer to our press release dated 14 March 2025 ("Moody's Ratings changes Romania's outlook to negative from stable, affirms Baa3 ratings"; <https://ratings.moodys.com/ratings-news/439299>).

Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL503583 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

The ratings and assessments of Romanian banks not mentioned in this press release, remain unaffected by today's rating action.

RATINGS RATIONALE

The affirmations of the banks' ratings reflect their financial performance – characterized by good asset quality and capitalization, strong profitability, and substantial liquidity buffers that largely mitigate funding risks stemming from a high proportion of foreign currency deposits. We expect the banks to maintain their good financial performance despite the fiscal challenges faced by the sovereign and the potential weakening in the government's credit quality. Our expectations are driven by

the acceleration in economic growth in 2025, sustained low unemployment and low private sector debt.

The ratings affirmations also capture our unchanged assumptions of parental support, and the outcomes of our Advanced Loss Given Failure (LGF) analysis that remain unchanged.

Today's rating action also considers Banca Comerciala Romana S.A.'s sustained improvement of its financial fundamentals, in particular its lower asset risk, good capitalization and strong profitability.

NEGATIVE OUTLOOKS

The negative outlooks of the banks' long-term deposits and senior unsecured bond ratings, where applicable, are driven by the negative outlook on the sovereign rating. In case of a downgrade of the Government of Romania, the long-term deposit ratings of BCR, BRD, ABR, and the long-term deposit and senior unsecured debt ratings of RBRO, would be capped at two notches above the sovereign rating.

BANK-SPECIFIC RATING DRIVERS

--Banca Comerciala Romana S.A.

The upgrade of BCR's standalone Baseline Credit Assessment (BCA) to ba1 from ba2 acknowledges the sustained improvement in the bank's financial performance, mainly its solvency. BCR's asset quality has improved over time, supported by its prudent underwriting and high loan loss reserves. Our assessment also acknowledges BCR's good capitalization and its high profitability, despite an expected softening once the Romanian central bank resumes its interest rate cuts. BCR further benefits from a strong deposit-based funding profile and its large liquidity buffers, which partly mitigate funding risks stemming from the large portion of deposits in foreign currency.

The affirmation of the bank's Baa1 long-term deposit and (P)Baa1 senior unsecured MTN programme ratings as well as the affirmation of BCR's Baa2 and (P)Baa2 junior senior unsecured (also referred to as senior non-preferred) ratings and MTN programme ratings, respectively, reflect the affirmation of the bank's baa3 Adjusted BCA, which now benefits from one notch (from previously two notches) of uplift from our assumption of a high likelihood of support from its Austrian parent, Erste Group Bank AG (Erste, A1 stable/A1 stable, BCA baa1). The application of our Advanced LGF analysis to the bank's liabilities continues to result in three notches of rating uplift for the bank's deposit and senior unsecured debt ratings, and one notch of uplift for the junior senior unsecured debt. However, we constrain the bank's deposit and senior unsecured debt ratings at Baa1, two notches above the sovereign rating.

-- BRD - Groupe Societe Generale

The affirmation of BRD's ba1 BCA reflects its strong capital buffers and sound

profitability. Our assessment also incorporates the bank's large liquidity buffers, its predominantly deposit-based funding profile but also the significant portion of foreign-currency deposits which elevate funding risks. The ba1 BCA also incorporates the bank's high exposure to riskier unsecured consumer loans and its high loan growth which exposes the bank to potential asset quality deterioration as these loans season.

The affirmation of BRD's Baa1 long-term deposit ratings further reflects our unchanged assumption of a high likelihood of parental support from its French parent, Societe Generale (A1 negative/A1 negative, BCA baa2), which results in a baa3 Adjusted BCA, and three notches of uplift following the application of our Advanced LGF analysis. However, we constrain the bank's deposit ratings at Baa1, two notches above the sovereign rating.

-- Raiffeisen Bank SA

The affirmation of RBRO's ba1 BCA reflects its strong capital buffers and sound profitability. Our assessment also incorporates the bank's large liquidity buffers, its predominantly deposit-based funding profile but also the significant portion of foreign-currency deposits which elevate funding risks. The ba1 BCA further captures the high concentration in its loan book stemming from its large corporate exposure as well as its high exposure to riskier unsecured consumer loans.

The affirmation of RBRO's Baa1 long-term deposit ratings, Baa1 senior unsecured bond rating and Baa2 junior senior unsecured rating reflect the affirmation of the bank's baa3 Adjusted BCA which continues to benefit from one notch of uplift from our assumption of a high likelihood of support from its Austrian parent, Raiffeisen Bank International AG (A1 stable/A1 stable, BCA baa3); and the application of our Advanced LGF analysis that result in three notches of rating uplift for the bank's deposit and senior unsecured debt ratings and one notch of uplift for the junior senior unsecured debt. However, we constrain the bank's deposit and senior unsecured debt ratings at Baa1, two notches above the sovereign rating.

-- Alpha Bank Romania S.A.

The affirmation of ABR's ba3 BCA reflects its strong capitalization, improved loan book quality, large liquidity buffers and limited reliance on market funding. These strengths are balanced against still high asset risks from its significant foreign currency lending and sizeable exposure to the cyclical commercial real estate sector, weaker-than-peers profitability, as well as a high share of foreign currency deposits and sizeable dependence on more confidence-sensitive corporate deposits.

The affirmation of ABR's Baa1 long-term deposit ratings also incorporates our unchanged assumption of a very high likelihood of parental support from its Italian parent, UniCredit S.p.A. (Baa1 stable/Baa1 stable, BCA baa3) which results in a ba1 Adjusted BCA; and three notches of uplift following the application of our Advanced LGF analysis.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The banks' ratings could be upgraded following an upgrade of the sovereign ratings. BCR's and RBRO's junior senior unsecured debt ratings could also be upgraded following the issuance of additional volumes of more junior instruments resulting in a larger uplift from our Advanced LGF analysis.

An upgrade of the banks' BCAs would require further improvements in their asset quality, while maintaining strong capitalization and large liquidity buffers. An upgrade of BCR's, BRD's and RBRO's BCAs would also be contingent on the Romanian Government maintaining its Baa3 rating given the strong links between these banks and the sovereign.

The banks' long-term deposit ratings, CRRs and the senior unsecured programme and debt ratings of BCR and RBRO, respectively, could be downgraded following a downgrade of the government rating. ABR's long-term deposit ratings could also be downgraded owing to changes in its liability structure which would lead to higher losses for its senior creditors. The junior senior unsecured debt ratings of BCR and RBRO could be downgraded following changes in their liability structure resulting in higher losses for junior senior unsecured bondholders in case of failure.

The banks' BCAs could be downgraded following a deterioration in their solvency, owing to a sharp rise in problem loans or substantially weaker capitalization or due to significant reductions in their liquidity buffers.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2024 and available at <https://ratings.moodys.com/rmc-documents/432741>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL503583 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

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- UK Endorsement Status
- Rating Solicitation
- Issuer Participation
- Participation: Access to Management
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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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