

Rating Action: Moody's assigns (P)Baa1 senior unsecured and (P)Baa3 junior senior unsecured program ratings to Raiffeisen Bank SA

28 Apr 2021

Frankfurt am Main, April 28, 2021 -- Moody's Investors Service (Moody's) has assigned (P)Baa1 long-term senior unsecured EMTN program ratings and (P)Baa3 junior senior unsecured EMTN program ratings to Raiffeisen Bank SA (RBRO). Concurrently, Moody's affirmed the bank's Baa1 long-term deposit ratings and Counterparty Risk Ratings, and its Baa2(cr)/P-2(cr) Counterparty Risk Assessment. The outlook on the long-term deposit ratings remains negative.

A full list of affected ratings and rating inputs can be found at the end of this press release.

The new rating assignments follow the set-up of RBRO's €850 million EMTN program, under which the bank can issue senior unsecured debt designated as "Ordinary Senior Notes" or "Ordinary Senior Eligible Notes" (commonly referred to as "senior preferred") and junior senior unsecured debt designated as "Non-Preferred Senior Eligible Notes" (commonly referred to as "senior non-preferred") in the documentation.

RATINGS RATIONALE

-- ASSIGNMENT OF SENIOR UNSECURED PROGRAM RATING

The (P)Baa1 rating assigned to RBRO's long-term senior unsecured EMTN program reflects (1) the bank's baa3 Adjusted Baseline Credit Assessment (BCA); and (2) the result of Moody's Advanced Loss Given Failure (LGF) analysis, which indicates a very low loss-given-failure for senior unsecured instruments and yields two notches of rating uplift; and (3) a low probability of government support, which results in no additional rating uplift.

The indicated very low loss-given-failure results from Moody's advanced forward-looking LGF analysis and is based on the rating agency's assessment of the bank's liability structure at the end of 2022, a year before the bank needs to fully meet its minimum requirement for own funds and eligible liabilities (MREL).

RBRO's standalone BCA of ba1 reflects its low stock of problem loans, offset by Moody's assessment of high asset risk because of significant foreign-currency (FC) lending, balanced by the bank's sound capitalisation, strong liquidity, and very low dependency on market funds. The BCA also captures the still challenging economic conditions that will likely continue to strain the bank's profitability, and its elevated reliance on FC funding. The rating agency's assumption of the likelihood of support from its parent, Raiffeisen Bank International AG (RBI), deposit A3 stable/senior unsecured A3 stable, BCA baa3), is high, leading to a baa3 Adjusted BCA, a one notch rating uplift from the bank's ba1 standalone BCA.

-- ASSIGNMENT OF JUNIOR SENIOR UNSECURED PROGRAM RATING

The (P)Baa3 rating assigned to the junior senior unsecured EMTN program reflects (1) the bank's baa3 Adjusted BCA; and (2) the result of Moody's Advanced LGF analysis, which indicates a moderate loss-given-failure for these instruments in the event of the bank's failure, leading to no rating uplift from the Adjusted BCA; and (3) a low probability of government support, which also results in no uplift.

-- RBRO's MREL REQUIREMENTS

RBRO is subject to the Romanian operational resolution regime based on Romania's implementation of the Bank Recovery and Resolution Directive (BRRD). Under this regime the bank has been set provisional MREL requirements of 29.95% of adjusted risk-weighted assets in March 2020, which must be met from capital and other eligible liabilities by the end of 2023. Moody's believes that there is a low likelihood that the implementation of revisions to the BRRD (commonly referred to as BRRD2) in Romania will result in a significantly changed final MREL target for RBRO. Accordingly, the rating agency expects that RBRO's current funding plans over the period 2021-2023 will remain substantially unchanged.

In assigning today's program ratings, Moody's has taken into consideration the bank's funding plans over the next 2 years. Based on that, Moody's expects RBRO to issue approximately up to €850 million (RON4.2 billion) of MREL eligible debt by the end of 2022[1].

-- AFFIRMATION OF COUNTERPARTY RISK RATINGS AND DEPOSIT RATINGS

As part of today's rating action, Moody's has also affirmed RBRO's Counterparty Risk Ratings and deposit ratings at Baa1/P-2. Although these liability classes will also benefit from the expected additional volume of subordinated instruments as part of the bank's MREL requirements, ratings are constrained at two notches above the Baa3 rating of the Government of Romania. Similarly, the rating agency has affirmed the Counterparty Risk Assessment at Baa2(cr)/P-2(cr), constrained at one notch above the government rating.

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

An upgrade of the (P)Baa1 senior unsecured program rating is subject to an upgrade of the government bond rating in combination with an upgrade of the bank's Adjusted BCA. An upgrade of RBRO's standalone BCA could result from a sustained improvement in its profitability and asset quality, while maintaining its strong capital and liquidity buffers.

Through Moody's Advanced LGF analysis, the (P)Baa3 junior senior unsecured program ratings may also be upgraded following a material shift in the bank's liability structure through the raising of additional junior senior unsecured or subordinated debt.

RBRO' (P)Baa1 senior unsecured and (P)Baa3 junior senior unsecured program ratings would be downgraded together with any downgrade of RBRO's BCA. The bank's BCA could be downgraded following a significant weakening of its asset quality, which would erode the bank's capital buffers and could weaken its liquidity position. Any deterioration in the creditworthiness of Romania would also exert downward pressure on the bank's senior unsecured program ratings.

Both program ratings of RBRO could also be downgraded if the bank issues lower than expected MREL-eligible securities or in case Moody's base case assumptions do not materialise.

LIST OF AFFECTED RATINGS

Issuer: Raiffeisen Bank SA

..Assignments:

....Senior Unsecured Medium-Term Note Program, assigned (P)Baa1

....Junior Senior Unsecured Medium-Term Note Program, assigned (P)Baa3

..Affirmations:

....Long-term Counterparty Risk Ratings, affirmed Baa1

....Short-term Counterparty Risk Ratings, affirmed P-2

....Long-term Bank Deposits, affirmed Baa1, outlook remains Negative

....Short-term Bank Deposits, affirmed P-2

....Long-term Counterparty Risk Assessment, affirmed Baa2(cr)

....Short-term Counterparty Risk Assessment, affirmed P-2(cr)

..Outlook Action:

....Outlook remains Negative

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1261354 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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 at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004 .

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REFERENCES/CITATIONS

[1] RBI Group MREL Presentation, 29 March 2021

https://www.rbinternational.com/en/investors/presentations-webcasts/_jcr_content/root/responsivegrid/contentcontainer/contentbox/downloadlist_copy_co_1900896091.download.html/0/March%202021.pdf

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