

**Rating Action: Moody's confirms RCB Bank's B1 deposit ratings, with negative outlook**

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28 Mar 2022

**This follows the announcement of the voluntary phasing out of banking operations, including the full repayment of depositors**

Limassol, March 28, 2022 -- Moody's Investors Service ("Moody's") has today confirmed RCB Bank Ltd.'s (RCB Bank) long-term deposit ratings at B1, with a negative outlook. Concurrently, Moody's has downgraded the bank's Baseline Credit Assessment (BCA) and Adjusted BCA to caa2 from b3, the long-term Counterparty Risk (CR) Assessment to B1(cr) from Ba3(cr), and the long-term Counterparty Risk Ratings (CRR) to B1 from Ba3. This action follows the bank's announcement on 24 March 2022 of the voluntary phasing out of its banking operations, including the full repayment of depositors, and concludes the review for downgrade initiated on the bank's ratings on 10 March 2022.

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

RATINGS RATIONALE

RATIONALE FOR CONFIRMATION OF DEPOSIT RATINGS

The confirmation of the bank's B1 long-term deposit ratings captures Moody's expectations that RCB Bank's depositors will be repaid in full. On 24 March 2022, RCB Bank announced its decision to voluntarily phase out its banking operations, including the full repayment of depositors, with an aim to transform the Bank into a regulated asset management company. The European Central Bank (ECB) has decided to restrict the bank's business to avoid risks emerging during the bank's phasing-out process.

Moody's expectations that RCB Bank's depositors will be paid in full is underpinned by an analysis of the bank's liquidity profile, which is sufficient to repay all outstanding customer deposit obligations. This follows the announcement of the sale of €556 million of loans to Hellenic Bank Public Company Ltd on 22 March 2022, that has ensured sufficient immediately accessible liquidity. Moody's expectations are also supported by the clear statements by both RCB Bank and the ECB that RCB Bank's voluntary phasing out of banking operations will include the full repayment of depositors.

RCB Bank intends to repay deposits according to their contractual maturity or within the standard notice period of five business days, in case of early termination. RCB Bank will also negotiate with customers whose fixed deposits mature after June 2022, regarding the terms of early repayment.

As soon as all depositors are repaid, Moody's intends to withdraw RCB Bank's deposit ratings.

NEGATIVE OUTLOOK

The negative outlook on the long-term deposit ratings captures potential implementation and logistical risks to the orderly and timely settlement of deposits. Risks are nonetheless contained as the ECB has decided to appoint a temporary administrator that will, together with management, control the settlement of all deposits.

DOWNGRADE

The lowering of the BCA and Adjusted BCA to caa2 from b3, reflects the bank's weakened residual operations and franchise. As part of the bank's phase out, the ECB has restricted the bank's business to avoid risks emerging, so RCB Bank will not be able to accept any new deposits, grant any new loans or make any new investments. Once the bank shifts away from accepting deposits and granting loans, it plans to transform into a regulated asset management company, given the substantial outstanding assets on its balance sheet. Risks are elevated on outstanding assets that include Russian corporate exposures and companies domiciled outside of Russia, but with Russian business links and interests, following the impact of geopolitical risks on its operations since the Russian invasion of Ukraine.

The long-term Counterparty Risk (CR) Assessment has been lowered to B1(cr) from Ba3(cr), and the long-term Counterparty Risk Ratings (CRR) to B1 from Ba3, to be aligned with the deposit ratings. Similarly to deposits, this rating level is consistent with the way Moody's assesses an institution that is phasing out its banking operations, where we expect a full repayment of these senior obligations.

These ratings and assessments are assigned to banks under Moody's Banks Methodology and will be withdrawn as the bank transitions to a non-bank financial institution and it no longer has a banking license, as they will no longer be applicable.

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

Given the negative outlook on RCB Bank's ratings, there is currently limited upside pressure on the ratings in the next 12-18 months.

The ratings may be downgraded if Moody's suspects there could be a delay or risk in some depositors receiving all of their deposits in an orderly manner.

#### LIST OF AFFECTED RATINGS

..Issuer: RCB Bank Ltd.

Downgrades, previously placed on review for Downgrade:

...Adjusted Baseline Credit Assessment, Downgraded to caa2 from b3

...Baseline Credit Assessment, Downgraded to caa2 from b3

...Long-term Counterparty Risk Assessment, Downgraded to B1(cr) from Ba3(cr)

...Long-term Counterparty Risk Ratings, Downgraded to B1 from Ba3

Confirmations, previously placed on review for Downgrade:

...Long-term Bank Deposit Ratings, Confirmed at B1, Outlook Changed To Negative From Ratings Under Review

Affirmations:

...Short-term Counterparty Risk Assessment, Affirmed NP(cr)

...Short-term Counterparty Risk Ratings, Affirmed NP

...Short-term Bank Deposit Ratings, Affirmed NP

Outlook Action:

...Outlook, Changed To Negative From Ratings Under Review

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1269625](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1269625) . Alternatively, please see the Rating Methodologies page on [www.moody.com](http://www.moody.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.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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