

Fitch confirms outlooks for Romanian BCR and BRD at BBB+, Stable Outlook

Fitch Ratings has affirmed Banca Comerciala Romana S.A.'s (BCR) and Banca Romana de Dezvoltare's (BRD) Long-Term Issuer Default Rating (IDR) at 'BBB+' with a Stable Outlook.

BCR's Long-Term IDR and Shareholder Support Rating (SSR) are driven by Fitch's view of a high likelihood of extraordinary support from its parent, Erste Group Bank AG (Erste; A/Stable), the same being the case with BRD's IDRs and Shareholder Support Rating (SSR), which reflect the potential support from the bank's majority owner, Societe Generale S.A. (SG; A-/Positive).

Romania's Country Ceiling of 'BBB+' constrains our assessment of potential support from Erste to BCR, reflecting country risks. Our SSR assessment also considers BCR's strategic importance to the parent, high reputational risks for the parent and its international franchise, and high level of integration with the broader Erste group.

BRD's support-driven Long-Term IDR is constrained by Fitch's assessment of country risks, in particular transfer and convertibility risks, as reflected by Romania's Country Ceiling of 'BBB+'. BRD's Long-Term IDR is currently at the level of Romania's Country Ceiling, while the Stable Outlook reflects that on the Romanian sovereign rating (BBB-/Stable).

The strength of the Romanian economic environment is converging toward central and eastern Europe (CEE) levels, improving Romanian banks' moderate opportunities for profitable business. The sector's reasonable financial metrics and growth prospects are balanced against Romania's potentially volatile macroeconomic variables. Banks' high exposure to the Romanian sovereign (BBB-/Stable), meaningful sector fragmentation, low financial inclusion levels in the economy and higher-than-peers' euroisation of the economy are key structural weaknesses, according to Fitch.

BCR's and BRD's Long-Term IDR and SSR would be downgraded if Romania's Country Ceiling was lowered. The Long-Term IDR and SSR could also be downgraded following a multi-notch downgrade of SG's Long-Term IDR or if BCR or BRD becomes less strategically important to its parent banks, Erste and Societe Generale. At the same time, an upgrade of Romania's Country Ceiling would lead to an improvement in BCR's and BRD's ratings.