S&P Global
Ratings

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Five Greek Banks And Two Cypriot Banks Ratings Affirmed Under Revised FI Criteria

February 1, 2022

- We have reviewed our ratings on five Greek and two Cypriot banks under our revised "Criteria | Financial Institutions | General: Financial Institutions Rating Methodology".
- We have affirmed the ratings on these banks, and the outlooks are unchanged.

PARIS (S&P Global Ratings) Feb. 1, 2022--S&P Global Ratings today said that it has affirmed its issuer credit rating (ICR) and issue credit ratings on five Greek banks and two Cypriot banks, as well as its resolution counterparty ratings (RCR) on those of the entities that have one. The affirmations follow a revision to our criteria for rating banks and nonbank financial institutions and for determining a Banking Industry Country Risk Assessment (BICRA) (see "Criteria | Financial Institutions | General: Financial Institutions Rating Methodology," published Dec. 9, 2021 and "Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions," published Dec. 9, 2021). The rating actions include:

- Bank of Cyprus Public Co. Ltd. (ICR: B+/Positive/B; RCR: 'BB/B') and Bank of Cyprus Holdings PLC (ICR: B-/Positive/B);
- RCB Bank Ltd. (ICR: BB-/Stable/B);
- National Bank of Greece S.A. (ICR: B+/Stable/B; RCR: BB-/B);
- Eurobank S.A. (ICR: B+/Stable/B; RCR: BB-/B);
- Alpha Bank S.A. (ICR: B+/Stable/B; RCR: BB-/B) and Alpha Services and Holdings S.A. (ICR: B-/Stable/B);
- Piraeus Bank S.A. (ICR: B/Stable/B; RCR: B+/B) and Piraeus Financial Holdings S.A. (ICR: B-/Stable/B); and
- Aegean Baltic Bank S.A. (ICR: B/Stable/B).

Our outlooks on the Greek banks and RCB Bank remain stable, while the outlooks on Bank of Cyprus Public Co. Ltd. and Bank of Cyprus Holdings PLC remain positive.

Our assessments of economic risk and industry risk in Greece and Cyprus are also unchanged, both at '8'. These scores determine the BICRA and the anchor, or starting point, for our ratings on financial institutions that operate primarily in these countries. We still see stable trends for economic and industry risk.

Under our revised criteria, the group stand-alone credit profiles (SACPs) for the abovementioned banks, and our assessment of their likelihood of receiving extraordinary external support, remain unchanged. Consequently, we have affirmed all our ratings on these banks, including our ratings

PRIMARY CREDIT ANALYSTS

Pierre Hollegien
Paris
+ 33 14 075 2513
Pierre.Hollegien
@spglobal.com

Miriam Fernandez, CFA
Madrid
+ 34917887232
Miriam.Fernandez
@spglobal.com

Goksenin Karagoz, FRM
Paris
+ 33.1.44206724
goksenin.karagoz
@spglobal.com

Irina Velieva
Moscow
+ 7 49 5783 4071
irina.velieva
@spglobal.com

SECONDARY CONTACT

Mirko Sanna
Milan
+ 390272111275
mirko.sanna
@spglobal.com

on their holding companies.

Bank of Cyprus Public Co. LTD (Lead Bank) and Bank of Cyprus Holdings PLC (Holding Company)

We affirmed our ratings on Bank of Cyprus Public Co. Ltd. (BoC) and its nonoperating holding company (NOHC). The ratings reflect its dominant franchise in Cyprus, its well-implemented clean-up strategy, and comfortable liquidity buffers. Our ratings are balanced by still-feeble profitability and efficiency prospects, and the bank's need to complete the workout of its legacy nonperforming exposures (NPEs).

Outlook

Upside scenario: The positive outlooks indicate that we could raise the long-term issuer credit ratings on these banks over the next 12 months if BoC sustains the improvement in its risk profile. This could happen if the knock-on effects of the pandemic remain manageable, and the overall NPE ratio remains broadly in line with the bank's international peers'. An upgrade would also depend on BOC's ability to improve its underlying profitability prospects.

Downside scenario: We could revise the outlooks to stable if credit quality deterioration at BoC was forecast to be much higher than we currently anticipate. This would jeopardize BoC's ability to complete its balance-sheet clean-up from the previous recession.

Ratings Score Snapshot

Issuer credit rating: B+/Positive/B

Bank holding company rating: B-/Positive/B

Resolution counterparty rating: BB/--/B

Stand-alone credit profile: b+

- Anchor: bb-
- Business Position: Adequate (0)
- Capital and Earnings: Moderate (0)
- Risk Position: Moderate (-1)
- Funding and Liquidity: Adequate and adequate (0)
- Comparable Rating Analysis: 0

Support: 0

- ALAC Support: 0
- GRE Support: 0
- Group Support: 0
- Sovereign Support: 0

Additional Factors: 0

ESG credit indicators: E-2, S-2, G-3

RCB Bank Ltd.

We affirmed our 'BB-/B' ratings on RCB Bank Ltd. The affirmation reflects the bank's strong capitalization metrics and stable asset-quality indicators. Moreover, we anticipate that potential support from the bank's largest institutional shareholder, Russia-based VTB Bank, will enable it to withstand stress in case of pressures on its portfolio's performance.

Outlook

The stable outlook indicates that we expect the bank's creditworthiness will remain broadly unchanged in the next 12-18 months.

Upside scenario: A positive rating action is unlikely in the next 12-18 months, and would depend on sustained and meaningful improvement in the bank's economic environment. It would also require that the bank's capitalization remains strong.

Downside scenario: Over the same time horizon, we could downgrade RCB Bank if we believe that capitalization has weakened, for example, as a result of more dynamic own-risk business growth or increased appetite for dividends.

Ratings Score Snapshot

Issuer credit rating: BB-/Stable/B

Stand-alone credit profile: bb-

- Anchor: bb-
- Business position: Moderate (-1)
- Capital and earnings: Strong(+1)
- Risk position: Adequate (0)
- Funding and liquidity: Adequate and Adequate (0)
- Comparable ratings analysis: 0

Support: 0

- Additional loss-absorbing capacity (ALAC) support: 0
- Government-related entity (GRE) support: 0
- Group support: 0
- Sovereign support: 0

Additional factors: 0

ESG credit indicators: E-2, S-2, G-3

National Bank of Greece S.A. (NBG)

In affirming our ratings on NBG, we balance its solid franchise within the concentrated Greek banking system against its low level of risk-adjusted capital, and the low quality of its risk-adjusted capital, owing to a high amount of deferred tax credits. Ratings are constrained by its large stock of legacy NPEs, compared with peers elsewhere in Europe. We acknowledge that management has made progress toward the targets set in the corporate transformation plan. Nevertheless, restoration of domestic profitability will take time as the private sector recovers from the episodes of the crises and demand for new loans remain weak.

Outlook

Our stable outlook on NBG over the next 12 months balances its low quality of capital against its strong business franchise, and improved liquidity. During this period, we expect the economic rebound in Greece, supported by expected utilization of structural EU funds, to bolster the bank's operational performance and the restoration of its asset quality as part of its ongoing strategic transformation. In this context, we expect NBG's RAC ratio to remain above 4%. NBG already cleaned up much of its legacy loan book and is well positioned to expand its lending against a strong economic rebound. We expect cost of risk to start normalizing during 2022, since NBG has lower volumes of NPE disposals in the pipeline than peers. As earnings gradually improve, we expect NBG's return on equity to improve to around 8%-9% during 2022.

Upside scenario: We could consider a positive action in the next 12 months if the bank maintains its recent positive momentum on earnings and asset quality. An upgrade could also occur if we see a material improvement in its quality of capital and its RAC ratio, although this is not our base-case scenario. During the coming year, we will closely monitor how the bank reduces its risk exposure and brings its earnings, NPE ratio, and cost of risk more in line with those of higher-rated peers.

Downside scenario: We could lower the rating over the next 12 months if NBG's RAC ratio drops below 3% on a sustained basis or its asset-quality metrics deteriorate. This could happen if macroeconomic conditions in Greece do not improve as we anticipate, or if internal capital generation remains insufficient and causes the RAC ratio to deteriorate.

Ratings Score Snapshot

Issuer credit rating: B+/Stable/B

Stand-alone credit profile: b+

- Anchor: bb-
- Business Position: Adequate (0)
- Capital and Earnings: Constrained (-1)
- Risk Position: Adequate (0)
- Funding and Liquidity: Adequate and adequate (0)
- Comparable Rating Analysis: 0

Support: 0

- ALAC Support: 0
- GRE Support: 0
- Group Support: 0
- Sovereign Support: 0

Additional Factors: 0

ESG credit indicators: E-2, S-2, G-2

Eurobank S.A.

In affirming our ratings on Eurobank, we balance its solid franchise within the concentrated Greek banking system against its low level of risk-adjusted capital, and the low quality of its risk-adjusted capital, owing to a high amount of deferred tax credits. Ratings are constrained by the large stock of legacy NPEs that remain on its books, compared with peers elsewhere in Europe. We acknowledge that management has made progress toward the targets set in the corporate transformation plan. Nevertheless, restoration of domestic profitability will take time as the private sector recovers from the crisis and demand for new loans remains weak.

Outlook

Our stable outlook on Eurobank over the next 12 months balances its low quality of capital against its strong business franchise in Greece and improved liquidity. During this period, we expect the economic rebound in Greece, supported by expected utilization of structural EU funds, to bolster the bank's ongoing transformation and the restoration of its operational performance and asset quality. We expect Eurobank's RAC ratio to improve to 4.0% by the end of 2023. Eurobank, like NBG, has already disposed of a large part of its legacy problem loans, which should support its lending growth against a strong economic rebound. In our view, the benefits of significant cost-cutting efforts in recent years will be partly offset until year-end 2022 by additional provisioning needs for planned NPE sales, and slight margin contraction. Because it plans to dispose of more NPEs, we expect Eurobank's NPE ratio to improve further, but remain above the European average.

Upside scenario: We could raise the rating in the next 12 months should the bank maintain its recent positive momentum on earnings and asset quality. An upgrade could occur if we see a material improvement in its quality of capital and its RAC ratio, although this is not our base-case scenario. During the coming year, we will closely monitor how the bank reduces its risk exposure and brings its earnings, NPE ratio, and cost of risk more in line with those of higher-rated peers.

Downside scenario: We could lower the rating is the RAC ratio drops below 3% on a sustained basis or its asset-quality metrics deteriorate further. This could happen if macroeconomic conditions in Greece do not improve as we anticipate.

Ratings Score Snapshot

Issuer credit rating: B+/Stable/B

Stand-alone credit profile: b+

- Anchor: bb-
- Business Position: Adequate (0)
- Capital and Earnings: Constrained (-1)
- Risk Position: Adequate (0)
- Funding and Liquidity: Adequate and adequate (0)
- Comparable Rating Analysis: 0

Support: 0

- ALAC Support: 0
- GRE Support: 0
- Group Support: 0
- Sovereign Support: 0

Additional Factors: 0

ESG credit indicators: E-2, S-2, G-2

Alpha Services And Holdings S.A. (Holding Company) And Alpha Bank S.A. (Lead Bank)

We affirmed our 'B+/B' long- and short-term ICRs on Alpha Bank S.A. and our 'B-/B' long- and short-term ICRs on Alpha Services and Holdings S.A. The ratings continue to balance Alpha's solid franchise within the concentrated Greek banking system against its low level of risk-adjusted capital, and the low quality of its risk-adjusted capital, owing to a high amount of deferred tax credits. Ratings are constrained by the large stock of legacy NPEs that remain on the books, compared with peers elsewhere in Europe. We acknowledge that management has made progress toward the targets set in the bank's strategy to reduce its risk exposure. Nevertheless, restoration of domestic profitability will take time as the private sector recovers from the crisis and demand for new loans remain weak.

Outlook

Our stable outlook on Alpha Bank S.A. and Alpha Services and Holdings S.A. over the next 12 months balances the bank's low quality of capital and weak earnings against its improved liquidity and the benefits from its ongoing strategic transformation, which targets a cleaner balance sheet.

Upside scenario: We could consider a positive action on Alpha Bank S.A. in the next 12 months should the bank maintain its recent positive momentum on earnings and asset quality. An upgrade could occur if we see a material improvement in its quality of capital and its RAC ratio, although this is not our base-case scenario. During the coming year, we will closely monitor how the bank reduces its risk exposures and brings its earnings, NPE ratio, and cost of risk more in line with those of higher-rated peers.

A positive rating action on Alpha Services and Holdings would follow a positive rating action on Alpha Bank. However, an upgrade of the subordinated notes at the NOHC level would require an upward revision of the group SACP by at least two notches and appears remote at this stage.

Downside scenario: We could lower the rating on Alpha Bank over the next 12 months if macroeconomic conditions in Greece do not improve as we anticipate, leading to resumed stress on asset quality, high NPEs, and a worsening of the RAC ratio to below 3%.

We could lower the rating on Alpha Services and Holdings if macroeconomic conditions in Greece substantially worsen, causing asset quality to come under strain again and NPEs to rise to levels like those in the past downturn. Additionally, we could lower the rating on Alpha Services and Holdings if we saw a lower likelihood of Alpha Bank meeting its obligations toward the NOHC.

Ratings Score Snapshot

Issuer credit rating: B+/Stable/B

Bank holding company rating: B-/Stable/B

Stand-alone credit profile: b+

- Anchor: bb-
- Business Position: Adequate (0)
- Capital and Earnings: Constrained (-1)
- Risk Position: Adequate (0)
- Funding and Liquidity: Adequate and adequate (0)
- Comparable Rating Analysis: 0

Support: 0

- ALAC Support: 0
- GRE Support: 0
- Group Support: 0
- Sovereign Support: 0

Additional Factors: 0

ESG credit indicators: E-2, S-2, G-2

Piraeus Financial Holdings S.A. (Holding Company) and Piraeus Bank S.A. (Lead Bank)

We affirmed our 'B/B' long- and short-term ICRs on Piraeus Bank S.A. and our 'B-/B' long- and short-term ICRs on Piraeus Financial Holdings S.A. The ratings continue to balance Piraeus' solid franchise within the concentrated Greek banking system against its low level of risk-adjusted capital, owing to a high amount of deferred tax credits, and deteriorated asset quality.

We believe recent actions to enhance capital and the bank's solid retail and corporate banking franchise in Greece will support its ambitious 2021-2024 business plan, which aims to achieve an NPE ratio below 10% in the first half of 2022 and a return on tangible equity (ROTE) above 10% by year-end 2024. Piraeus had lowered its NPE ratio to 16% by the end of the third quarter of 2021, from 45% at end-2020, thanks to several large securitizations and sales. Its target of achieving an NPE ratio below 10% in the first half of 2022 is now in sight, but the bank still has a long way to go to boost its returns. The 10% ROTE by year-end 2024 target looks very ambitious.

In addition, Piraeus remains highly vulnerable to external shocks because of its still-weak capitalization and poor quality of capital. The bank's cleanup strategy will consume most of its recent capital gains, leaving limited buffers to absorb shocks and any spillover from the pandemic.

Outlook

Our stable outlook on Piraeus Bank S.A. and Piraeus Financial Holdings S.A. balances the bank's low quality of capital, weak earnings capacity, and large capital hit from ongoing clean-up of legacy NPEs against its improved liquidity and the benefits from its strategic transformation, which targets a cleaner balance sheet.

Upside scenario: We could raise the rating on Piraeus Bank in the next 12 months if the bank maintains its recent positive momentum on earnings and asset quality. An upgrade could occur if we saw a material improvement in its quality of capital and its RAC ratio, although this is not our base-case scenario. During the coming year, we will closely monitor how the bank reduces its risk exposure and brings its earnings, NPE ratio, and cost of risk more in line with those of higher-rated peers.

A positive rating action on Piraeus Financial Holdings is highly unlikely because of the NOHC's structural subordination to Piraeus Bank. If the anchor is 'bb-', we usually rate NOHCs two notches below the group SACP. Therefore, an upgrade to the NOHC would require us to revise the group SACP upward by at least two notches. An upgrade of the subordinated notes at the NOHC level also appears remote.

Downside scenario: We could downgrade Piraeus Bank over the next 12 months if economic conditions in Greece do not improve as we anticipate, leading to resumed stress on asset quality, with no positive trend in NPEs. We could also lower the ratings if Piraeus' capital enhancement actions are more than offset by credit losses linked to the strategy to reduce risk so that the bank's RAC ratio is below the 3% threshold and it still has significant legacy NPEs to tackle.

We could downgrade Piraeus Financials Holdings S.A. if economic conditions in Greece substantially worsen, leading to intensified stress on asset quality and NPEs rising to levels similar to those in the past downturn, or if Piraeus' funding profile unexpectedly weakens. Also, we could lower the ratings on Piraeus Financial Holdings if we saw a lower likelihood of Piraeus Bank meeting its obligations toward the NOHC.

Ratings Score Snapshot

Issuer credit rating: B/Stable/B

Bank holding company rating: B-/Stable/B

Stand-alone credit profile: b

- Anchor: bb-
- Business Position: Adequate (0)
- Capital and Earnings: Constrained (-1)

- Risk Position: Moderate (-1)
- Funding and Liquidity: Adequate and adequate (0)
- Comparable Rating Analysis: 0

Support: 0

- ALAC Support: 0
- GRE Support: 0
- Group Support: 0
- Sovereign Support: 0

Additional Factors: 0

ESG credit indicators: E-2, S-2, G-2

Aegean Baltic Bank S.A.

We affirmed our 'B/B' long- and short-term ICRs on Aegean Baltic Bank (ABB), while the outlook remained stable. The ratings balance the high systemic risks in Greece, ABB's monoline business model, and its small asset size in domestic and global terms, against its strong capitalization in absolute and qualitative terms, as well as its positive track record of operational performance.

ABB's business profile is highly concentrated in the shipping segment in Greece. The bank diversification strategy was to accelerate its portfolio growth and lend to new segments such as commercial real estate segment and renewable energies, but it remains structurally more concentrated than peers. We expect the bank's RAC ratio will remain sound, although decreasing to about 10.5% by year-end 2022, supported by still-positive income generation. That said, we believe that ABB's high single-name and business concentration in shipping financing makes it highly vulnerable in the current economic environment. In our view, ABB's funding and liquidity profiles are on par with those of domestic and foreign peers. Its access to central bank facilities and the funds it raises via its private banking segment offset the weaknesses associated with a lack of a retail deposit base.

Outlook

The stable outlook on ABB balances ABB's high concentration in the highly volatile shipping industry against its sound capital position and good financial track record over the next 12 months. We anticipate that ABB will preserve its solvency, with its RAC ratio remaining above 10% through 2021-2022, and maintain adequate funding and liquidity and high collateralization in its loan book.

Upside scenario: We see limited likelihood of a positive rating action, owing to capital profile erosion due to rapid growth and the uncertain duration of the pandemic.

Downside scenario: We could lower the ratings if we conclude that:

- ABB's asset quality has significantly deteriorated compared with historical levels.
- The bank will be unable to preserve its sound capitalization. Specifically, this could happen if the RAC ratio falls below 10% on a sustained basis, mostly due to rising credit losses or

aggressive growth. In turn, this could stem from a scenario in which shipping industry trade volumes and business activity are more severely affected, putting material pressure on shippers' cash flow capacity and overall financial profiles.

- The bank's funding or liquidity profiles deteriorate because of fast growth or high asset-liability mismatches.

Ratings Score Snapshot

Issuer credit rating: B/Stable/B

Stand-alone credit profile: b

- Anchor: bb-
- Business Position: Constrained (-2)
- Capital and Earnings: Strong (1)
- Risk Position: Moderate (-1)
- Funding and Liquidity: Adequate and adequate (0)
- Comparable Rating Analysis: 0

Support: 0

- ALAC Support: 0
- GRE Support: 0
- Group Support: 0
- Sovereign Support: 0

Additional Factors: 0

ESG credit indicators: E-2, S-2, G-2

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, 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: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Certain Financial Institution Issuer And Issue Ratings Placed Under Criteria Observation Following Criteria Update, Dec. 9, 2021
- RFC Process Summary: Financial Institutions Rating Methodology, Dec. 9, 2021
- RFC Process Summary: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Financial Institutions And BICRA Criteria Published, Dec. 9, 2021

Ratings List

*** * * * * * * * * * * * * Aegean Baltic Bank S.A. * * * * * * * * * * * ***	
Ratings Affirmed	
Aegean Baltic Bank S.A.	
Issuer Credit Rating	B/Stable/B
*** * * * * * * * Alpha Services and Holdings Societe Anonyme * * * * * * ***	
Ratings Affirmed	
Alpha Bank SA	
Issuer Credit Rating	B+/Stable/B
Resolution Counterparty Rating	BB-/--/B
Alpha Services and Holdings Societe Anonyme	
Issuer Credit Rating	B-/Stable/B
*** * * * * * * * * * * Bank of Cyprus Public Co. Ltd. * * * * * * * * * * ***	
Ratings Affirmed	
Bank of Cyprus Public Co. Ltd.	
Issuer Credit Rating	B+/Positive/B
Resolution Counterparty Rating	BB/--/B
Bank of Cyprus Holdings PLC	
Issuer Credit Rating	B-/Positive/B
*** * * * * * * * * * * * * Eurobank Ergasias S.A * * * * * * * * * * * * ***	
Ratings Affirmed	
Eurobank S.A	
Issuer Credit Rating	B+/Stable/B
Resolution Counterparty Rating	BB-/--/B

*** * * * * * * * * * * * National Bank of Greece S.A. * * * * * * * * * * ***	
Ratings Affirmed	
National Bank of Greece S.A.	
Issuer Credit Rating	B+/Stable/B
Resolution Counterparty Rating	BB-/--/B
*** * * * * * * * * * * Piraeus Financial Holdings S.A. * * * * * * * * * ***	
Ratings Affirmed	
Piraeus Bank S.A.	
Issuer Credit Rating	B/Stable/B
Resolution Counterparty Rating	B+/--/B
Piraeus Financial Holdings S.A.	
Issuer Credit Rating	B-/Stable/B
*** * * * * * * * * * * * * * * RCB Bank Ltd. * * * * * * * * * * * * * * ***	
Ratings Affirmed	
RCB Bank Ltd.	
Issuer Credit Rating	BB-/Stable/B

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.