MOODY'S
INVESTORS SERVICE

Credit Opinion: Credit Europe Bank N.V.

Global Credit Research - 03 Aug 2011

Amsterdam, Netherlands

Ratings

Category	Moody's Rating
Outlook	Positive
Bank Deposits	Ba2/NP
Bank Financial Strength	D
Baseline Credit Assessment	Ba2
Adjusted Baseline Credit Assessment	Ba2
Subordinate -Dom Curr	Ba3
Credit Europe Bank Ltd.	
Outlook	Positive(m)
Bank Deposits	Ba3/NP
NSR Bank Deposits -Dom Curr	Aa3.ru/--
Bank Financial Strength	D-
Baseline Credit Assessment	Ba3
Adjusted Baseline Credit Assessment	Ba3
Senior Unsecured	Ba3

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Key Indicators

Credit Europe Bank N.V. (Consolidated Financials)[1]

	[2]12-10	[2]12-09	[2]12-08	[3]12-07	[3]12-06	Avg.
Total Assets (EUR million)	10,003.1	9,955.6	9,522.3	7,486.4	3,837.8	[4]27.1
Total Assets (USD million)	13,419.6	14,283.7	13,236.4	10,945.5	5,060.7	[4]27.6
Tangible Common Equity (EUR million)	778.9	618.4	589.2	530.3	251.9	[4]32.6
Tangible Common Equity (USD million)	1,044.9	887.2	819.0	775.3	332.2	[4]33.2
Net Interest Margin (%)	3.3	3.4	5.4	4.6	3.4	[5]4.0
PPI / Avg RWA (%)	3.2	3.4	3.2	3.7	2.6	[6]3.3
Net Income / Avg RWA (%)	1.5	0.7	0.8	1.6	1.0	[6]1.0
(Market Funds - Liquid Assets) / Total Assets (%)	-15.6	-20.8	-17.4	-6.3	-21.3	[5]-16.3
Core Deposits / Average Gross Loans (%)	127.9	131.1	133.9	132.5	118.8	[5]128.9
Tier 1 Ratio (%)	11.4	9.2	9.2	8.4	8.0	[6]9.9
Tangible Common Equity / RWA (%)	10.9	9.1	8.1	12.0	8.7	[6]9.4
Cost / Income Ratio (%)	52.4	49.6	54.8	62.0	52.5	[5]54.3
Problem Loans / Gross Loans (%)	4.5	4.6	3.2	1.8	1.1	[5]3.1
Problem Loans / (Equity + Loan Loss Reserves) (%)	30.5	30.3	22.3	13.1	8.3	[5]20.9

Source: Moody's

[1] All ratios are adjusted using Moody's standard adjustments [2] Basel II; IFRS [3] Basel I; IFRS [4] Compound Annual Growth Rate based on IFRS reporting periods [5] IFRS reporting periods have been used for average calculation [6] Basel II & IFRS reporting periods have been used for average calculation

Opinion

RECENT CREDIT DEVELOPMENTS

On 19 July 2011, Moody's affirmed the standalone D bank financial strength rating (BFSR) (mapping to Ba2 on the long-term scale) and Ba2 long-term debt and deposit ratings of Credit Europe Bank N.V. (CEB) and changed the outlooks on these ratings to positive from negative. For further details, refer to the press release "Moody's affirms Ba2 ratings of CEB-NV; changed their outlook to positive".

SUMMARY RATING RATIONALE

CEB's D BFSR maps to Ba2 on the long-term scale and reflects (i) the resilient franchise of CEB's trade-finance operations; (ii) the retail-depositor funding profile, good efficiency and adequate profitability; and (iii) high exposure to emerging-market risk. This particular risk relates to unsecured consumer and SME lending in Turkey, Romania and Russia, through Credit Europe Bank Ltd (CEBRu, rated Ba3/NP/D-), its subsidiary since 2006.

CEB's deposit ratings of Ba2/Not Prime do not incorporate any likelihood of support from external sources in the form of either parental or systemic support. They are therefore based solely on CEB's Ba2 standalone credit strength.

Rating Drivers

- A modest franchise challenges CEB's ability to compete with larger, more established international banks

- The pre-provision profitability and capital generating capacity are good, due to high yields from lending activities in emerging markets, against lower-cost deposit funding mainly from Western Europe

- Its adequate funding profile in Western Europe is built on a retail-savings franchise, predominantly in the Netherlands and Germany

- A lack of geographical balance between assets and liabilities

- The potential for higher volatility in the operating environment through emerging-market exposure via lending activities (Russia 20%, Romania 16% and Turkey 19% of total assets)

- Counterparty concentration risk, particularly to corporate clients, combined with a sustained high proportion of unsecured consumer loans

Rating Outlook

The outlook on the ratings is positive, due to (i) the improved operating environment, notably in Russia and Turkey; (ii) the significant reduction in provisioning in 2010; and (iii) CEB's targeted franchise expansion. We understand that CEB intends to further diversify its revenue stream and deposit base through its new subsidiary 'Fibabanka' in Turkey, which will likely result in improved profitability indicators.

What Could Change the Rating - Up

Developments that would likely exert upward pressure on the BFSR and the deposit ratings include (i) the successful franchise expansion by geography and business activity, providing for a broader and more balanced diversification of earnings and risks; (ii) sustainability of the risk-adjusted, good pre-provision profitability and improvements in overall profitability metrics from their current levels; and (iii) a reversal of the group's European retail and Romanian wholesale activities, which has been loss-making in recent years. Additional positive rating drivers include (i) further reductions in CEB's non-performing loan levels from their current moderate levels; and (ii) maintenance of its sound capitalisation through internal capital generation. The latter point would be considered in the context of the evolution of its balance sheet and risk-weighted assets composition, without relying on injections from the ultimate shareholder.

What Could Change the Rating - Down

Developments that would likely exert downward pressure on the BFSR and deposit ratings include (i) increased problem loan levels and/or diminished provisioning coverage of problem loans; (ii) an increased risk profile through ambitious business strategies, or a shareholders' decision to expand CEB's scope to consolidate higher-risk operations and new banks; or (iii) delays in the ultimate shareholder providing capital injections to ensure a solid capitalisation levels.

Recent Results and Company Events

CEB reported a consolidated net operating income of EUR374 million at year-end 2010, representing an 18% improvement on 2009. The main driver for the profitability improvements was 35% lower interest expenses and 42% lower loan loss provisions.

During 2010, CEB decided to contract the structural surplus liquidity that it built up as a strategic liquidity buffer in H1 2009 at the height of the financial crisis. Given the satisfactory performance of its loan books - with constant debt service and redemptions throughout the crisis - the liquidity buffer was never used for its original purpose. Given the improving operating environments in CEB's core markets during 2010, it wound down about 27% of its average retail deposits compared with 2009, which caused profits to rise significantly.

Interest income also decreased during 2010 by 26% to EUR817 million, resulting in a stable net interest income of EUR323 million. This was due to the lower interest-rate and margin environment of 2010 and a lower portion of emerging-market securities on the balance sheet. These reductions were offset by an even larger decrease in interest expenses at 35%, due to the contraction of CEB's average retail-deposits base in 2010 compared with 2009, and because of the lower interest rates offered.

Loan-impairment allowances were reported at 2.8% of total loans. This is in line with year-end 2008 data, down from the 3.5% reported for 2009, but remains elevated compared with the 1.7% reported in 2007. Overall, CEB's asset quality compares favourably with the averages of those systems where it has an operational presence.

In December 2010, CEB completed the acquisition of a 95% stake in the Turkish retail bank Millennium Bank (unrated) - renamed Fibabanka AS - with a total balance sheet of EUR434 million, including EUR307 million deposits (as of December 2010). The subsidiary will form 5% of CEB's consolidated balance sheet and expand its presence in the region beyond its current representative office in Istanbul. The acquisition funds were provided by its parent company FIBA, through a capital injection of EUR30 million. Together with the replacement of EUR94 million Tier II capital with an equal amount Tier I capital and EUR100 million retained earnings, CEB's Tier 1 ratio increased to 11.4% at year-end 2010, up from 9.2% in 2009.

In November 2010, CEB appointed Mr. Scott Cheung as a new member of the managing board and as a chief risk officer (CRO). Additionally, Mr Hector de Beaufort has been appointed as the second independent board member, whom in our view, has further strengthened CEB's corporate governance standards.

DETAILED RATING CONSIDERATIONS

Detailed considerations for CEB's currently assigned ratings are as follows:

Bank Financial Strength Rating

The D BFSR is underpinned by CEB's sound capitalisation and profitability, satisfactory liquidity and robust asset quality. The ratings are constrained by the high credit-risk concentrations to corporate and unsecured consumer loans in the CIS and the low quality of CEB's revenue stream. In general, Moody's regards revenues from the retail and asset-management franchise as less volatile, higher-quality earning streams. Overall, the revenue stream is supported by its profitable wholesale lending activities in Europe and Russia, where revenues from Russian retail lending activities are partially offset by the non-profitable European retail-loan book. The developing nature of CEB's modest market share in the markets where it has presence is an additional constraining rating factor.

As a point of reference, the assigned D BFSR is two notches below the C- outcome of Moody's adjusted bank financial strength scorecard for 2010. Moody's believes the D rating is an appropriate measure of CEB's financial strength, due to a number of factors:

(i) The geographical lack of balance between assets and liabilities.

(ii) The potentially significant effect on asset-quality ratios from the seasoning of high-growth loan books notably in Turkey, and in the unsecured consumer and SME segments in Russia.

(iii) The modest, developing nature of CEB's franchise and its low earnings quality. This could lead to significant performance variation within a short period, driven by market factors that tend to be outside CEB's control.

QUALITATIVE RATING FACTORS (50% weighting)

FACTOR 1: FRANCHISE VALUE

Trend: Neutral

CEB was founded as a specialised trade-finance bank in 1994 aimed at actively participating in the wholesale financing of international trade. It is an internationally oriented bank based in the Netherlands, specialising in commodity and structured trade-finance lending. The bank has strong experience in selected sectors, such as iron and steel, coal, oil and petrochemicals, and agriproducts (fertilisers).

It has branches in Belgium, the Netherlands, Germany, Malta and subsidiaries in Switzerland, Romania, Ukraine, Dubai and a new subsidiary in Turkey, Fibabanka. CEB is a member of the Dutch savings-deposit insurance scheme and operates in retail banking, consumer and mortgage lending, SME lending/leasing and insurance brokerage, trade-finance activities.

Its franchise is constrained by its small market share of total loans, deposits and assets of the banking systems where it has a presence. At the same time, we acknowledge the moderate geographical diversification of its revenue stream in our assessment of franchise value.

Our assessment of CEB's franchise is further constrained by its low earnings stability. We define this as combined earnings from the retail banking/consumer lending assets-management and fiduciary/transaction-services business lines, where CEB's good retail revenues from Russia are (45%) partially offset by the loss-making European retail loan book. Overall, its revenue stream is supported by profitable wholesale lending activities in Europe and Russia. At the group level, the major contribution to net profit comes from activates in Russian (63%), followed by Western Europe(25%), with the rest from Turkey, Romania and Ukraine. We expect future diversification benefits to stem primarily from the growth of the retail business in Turkey. However, in the near-term we do not expect much benefit from Romania and Ukraine, due to regional operating environment volatility and the smaller nature of these subsidiaries.

CEB's loan portfolio was dominated 75% by commercial loans in 2006, with the remainder mainly comprising consumer loans. In a continuous effort to diversify, the emphasis is gradually shifting. As of December 2010, commercial loans account for most of the portfolio at 66%, consumer loans at 30% and credit cards at 4%.

The overall score of D- for CEB's franchise value reflects the small and developing nature of its franchise, as well as its low earnings quality.

FACTOR 2: RISK POSITIONING

Trend: Improving

Moody's assessment of CEB's risk positioning is supported by its improving risk management, satisfactory liquidity profile and moderate market-risk appetite. At the same time, it is constrained by high top 20 group exposures, the relatively unseasoned credit environment and evolving risk culture, particularly in European retail and SME lending in Romania. Other constraints include potential market volatility against the background of a typically dynamic operating environment in emerging markets.

CEB employs solid credit and market-risk management practices, with an adequate understanding of risk appetite. The risk-management function is independent and supervised at board level. CEB's risk management was tested during the global recession and its overall asset-quality deterioration remained contained and below the averages of the banking systems where it has a presence.

Overall, we consider that there is an adequate degree of control awareness at both CEB and CEBRu with regards to limit utilisation, exposures and the default performance of the various portfolios. However, the lagging poor performance of its European retail lending and Romanian subsidiary are constraining factors in our assessment of its risk positioning. CEB has adjusted its underwriting practices in these business segments, which are expected to result in improved performances. Given the group's expansion strategy and the encompassing growth in branch network and credit volume, we expect CEB's management to make the necessary adjustments to respond to the challenges to risk management, processes and controls posed by the growth.

However, CEB's profile remains risky, given its still-high proportion of unsecured consumer loans and its corporate exposures (mostly in foreign currencies), both in CIS countries. The top 20 group credit exposures amounted to approximately more than 2x and 8x of Tier 1 capital and annualised pre-provision income respectively, at year-end 2010. Most of which comprises well-known Turkish and Russian corporate clients.

CEB's corporate governance structure has some inherent weaknesses. These include a complex ownership structure - which Moody's defines as > 50% ultimate ownership by individual or family - and a board that, although competent, has a controlling shareholder family with a presence on the board of one third. The appointment of a second independent board member is a credit-positive development in its corporate governance structure. Overall, we are comfortable with CEB's corporate-governance principles, with functioning committees at the board level. Three-year average related-party lending is estimated at 20% of Tier 1 capital, within the threshold (<25% of Tier 1) of Moody's neutral assessment. Overall, it shows an improving trend and was reported at 8% of Tier 1 as of year-end 2010.

Regarding financial reporting transparency, Moody's notes that CEB publicly discloses a satisfactory level of information on key issues such as non-performing loans, risk-weighted assets and Tier 1 Capital. Moody's views positively the semi-annual disclosure of a "Risk Management and Capital Adequacy Pillar III Report".

CEB's interest and currency risk is largely offset by its sound lending principles. FX loans are lent to corporate clients with FX and FC-indexed revenue streams, or with strong balance sheets that can accommodate exchange-rate volatility. Additionally, CEB adheres to duration-matched lending and uses derivative instruments. It does not carry equity trading or FX retail lending which has been discontinued since 2008.

The scorecard outcome of D for risk positioning is broadly in line with Moody's view of the current risk profile for CEB.

FACTOR 3: REGULATORY ENVIRONMENT

Please refer to the Moody's most recent Banking System Outlook for the Netherlands, to obtain a detailed discussion on the regulatory environment.

FACTOR 4: OPERATING ENVIRONMENT

Trend: Neutral

The unadjusted factor of A- applies to all Netherlands-based banks. However, an operating environment score that is based on the estimated weighted average of the scores for the countries that account for CEB's assets and revenues is D+. The significant weight of Russia, Romania and Turkey in CEB's activities has been a key element in adjusting this score.

QUANTITATIVE RATING FACTORS (50% weighting)

FACTOR 5: PROFITABILITY

Trend: Improving

As of year-end 2010, CEB reported a consolidated pre-provision income of EUR222 million, representing an 8% reduction compared from EUR239 million and net income of EUR102 million, double the EUR50 million reported for 2009. A significant increase in net profits in 2010 was underpinned by a 42% reduction in loan-loss provisions to EUR93 million, due to the improved operating environments in Russia (27% of loan book), Romania (22%), Turkey (26%) and primarily Western Europe (20%). Russia contributed 19%, Romania 60%, Turkey 12% and primarily Western Europe 4% to the loans that are either non-performing, or are on CEB's internal watch list.

Additionally, for 2010, Moody's estimates CEB's net interest margin (NIM) to be 3.27%, similar to the 3.38% reported in 2007, but considerably below the record level of 5.36% in 2008. We consider that the 2008 NIM was an exception, due to the widening of the spreads in the heightened risk environment of that year.

On a risk-weighted basis, for 2010 CEB's pre-provision income and net income-to-risk-weighted assets are estimated to be 3.20% and 1.47%. This compares with 3.54% and 0.75% in 2009 and 3.44% and 1.03% in 2008. The improvement in net profits is underpinned primarily by the 42% reduction in loan-loss provisions. We assign an improving outlook to profitability given the improved operating environment, notably in Russia and Turkey, the significant reduction in provisioning in 2010 and CEB's targeted franchise expansion with anticipated further diversification of its revenue stream and deposit base through Fibabanka.

CEB scores C for profitability.

FACTOR 6: LIQUIDITY

Trend: Neutral

CEB is 72% funded by deposits - primarily collected in Western Europe - and 22% by wholesale funding. Deposits from the Netherlands, Belgium and Germany represented 56% of CEB's funding, according to year-end 2010 data. During 2009, CEB adopted a strategy of increasing its liquidity through a 33% deposit increase in Western Europe, thereby reducing its reliance on wholesale funding during the heighted market volatility in H1 2009. The peak of retail deposit funds was EUR7.1 billion in April 2009, up from EUR5.3 billion at year-end 2008. From mid-2009 onwards, the improved operating environment and the highly liquid balance-sheet led CEB to reduce its deposit rates between March 2009 and December 2010, resulting in a 29% deposit outflow. Since then, the retail deposit rates have been more or less steady, resulting in a stable deposit base.

During this period, the loan book remained mostly flat and the excess funds from the increase in the deposit base were invested in ECB-eligible government-debt instruments. This resulted in liquid assets-to-total assets peaking at 43% in June 2009 from 37% in 2008; as of year-end 2010, it stood at 35%. Overall, as of year-end 2010, CEB's liquidity is satisfactory, with a loan-to-deposit ratio of 79%.

At that time, one third of CEB's securities came from emerging-market securities, which is a positive improvement compared with previous years when it was much higher. Previously, much of it was either unrated or rated non-investment grade, making it difficult to liquidate, if needed.

Market funds - liquid assets represents of total assets at strong (-ve 15.3%), resulting in the scorecard outcome of B- for the bank's liquidity. We view this as too favourable, as the scorecard does not readily capture the true liquidity of the securities are invested in emerging-market paper, which may prove less liquid in a stress situation. We therefore use a lower score in our stress case scenario.

The liquidity score is B- for CEB.

FACTOR 7: CAPITAL ADEQUACY

Trend: Neutral

As of year-end 2010, Tier 1 capital was 11.4%, up from 9.2% in 2009. CEB has a solid capital buffer due to its high capital generating capacity and because no dividends have been paid to its shareholders since inception. We understand that to support its expansion strategy, the group plans to increase its capital through retained earnings (i.e. not making dividend payments for the foreseeable future). We therefore expect the capital ratio to remain at current levels.

The increase in the Tier 1 ratio in 2010 was driven by a EUR30 million capital injection, the replacement of EUR94 million Tier II capital with an equal amount Tier I capital and EUR100 million retained earnings.

Basel III should have a limited effect on CEB, due to its historical reliance on `core' capital and its limited use of hybrid capital instruments.

The score for capital adequacy is B+.

FACTOR 8: EFFICIENCY

Trend: Neutral

CEB's cost-to-income ratio of 53% is in line with its CTI ratios of recent years: 50% at year-end 2009 and 53% in 2008. We consider that these are at reasonable levels, given CEB's franchise expansion policy.

CEB's management has historically maintained strict control over expenses after any business-line expansion phase, scaling back from areas that prove inefficient. We expect that it will adopt a similar approach towards Fibabanka. Additionally, CEB has been able to limit its staff size - despite increasing its balance sheet - with a significant reduction in the total number of employees between 2008 and 2010 (to 6,439 from 5,465).

The score for efficiency is B.

FACTOR 9: ASSET QUALITY

Trend: Improving

As of 2010, CEB's non-performing loan (NPL) ratio remains elevated at 4.5%, in line with 4.6% reported in 2009. However, it remains high compared with 3.2% reported in 2008. The increase in the NPL ratio was driven by (i) elevated credit risk in 2009 compared with 2008; and (ii) new NPL generation, as newly originated loans began to season. The NPL composition is 61% from Romania, 18% from Russia and 3% from Western Europe. The remaining 19% of NPLs are primarily from Ukraine and Turkey. NPLs from Turkey are from the seasoned NPLs at Fibabanka.

The overall NPL loan-reserve coverage was reported at 60% in 2010, down from 76% in 2009 and 90% in 2008. The declining trend in the overall NPL reserve coverage has been due to the change in the type of the NPLs. Recently, it has been weighted more towards secured loans, where the collateralisation is accounted for within the impairment loan-reserve provisioning.

Overall, CEB scores a moderate C for asset quality. We expect a gradually improving trend for asset quality, due to the improved operating environments and tightened underwriting principles in Romania and Western Europe retail lending.

Global Local Currency Deposit Rating (Joint Default Analysis)

Moody's assigns CEB a long-term GLC deposit rating of Ba2, reflecting its standalone credit strength of Ba2.

Moody's has not assigned any probability of systemic support to CEB. Its ultimate parents - Turkey's Fiba Holding AS and its sister company Fina Holdings (both unrated) - are sizeable conglomerates. However, no parental support can be attributed to these entities, as they are unrated and domiciled in a ceiling-constrained environment. Furthermore, in Moody's view, CEB does not have the size or presence to receive systemic support in the event of distress.

Notching Considerations

CEB's dated subordinated debt is rated Ba3 - one notch below CEB's senior debt rating - in line with Moody's methodology entitled "Moody's Guidelines for Rating Bank Hybrid Securities and Subordinated Debt", 16 November 2009.

Foreign Currency Deposit Rating

Moody's foreign-currency deposit ratings for CEB are Ba2/Not Prime, at the same level as the long-term GLC deposit rating.

Foreign Currency Debt Rating

Moody's foreign-currency debt ratings for CEB are Ba2/Not Prime, at the same level as the long-term GLC deposit rating.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. BFSRs do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honour its domestic or foreign currency obligations. Factors considered in the assignment of BFSRs include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although BFSRs exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the BFSR as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, they are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, which includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's baseline credit assessment. In calculating the Global Local Currency Deposit rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of systemic support for the bank in the event of a stress situation and the degree of dependence between the issuer rating and the Local Currency Deposit Ceiling.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. A Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be noted that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt ratings may also be constrained by the country ceiling for foreign currency bonds and notes; however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

About Moody's Bank Financial Strength Scorecard

Moody's bank financial strength model (see scorecard below) is a strategic input in the assessment of the financial strength of a bank, used as a key tool by Moody's analysts to ensure consistency of approach across banks and regions. The model output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating Factors

Credit Europe Bank N.V.

Rating Factors [1]	**A**	**B**	**C**	**D**	**E**	**Total Score**	**Trend**
Qualitative Factors (50%)						**D+**	
Factor: Franchise Value						**D-**	**Neutral**
Market Share and Sustainability					**x**		
Geographical Diversification			**x**				
Earnings Stability					**x**		
Earnings Diversification [2]							
Factor: Risk Positioning						**D**	**Improving**
Corporate Governance [2]				**x**			
- Ownership and Organizational Complexity				x			
- Key Man Risk							
- Insider and Related-Party Risks							
Controls and Risk Management			**x**				
- Risk Management				x			
- Controls		x					
Financial Reporting Transparency			**x**				
- Global Comparability	x						
- Frequency and Timeliness				x			

- Quality of Financial Information				x			
Credit Risk Concentration					**x**		
- Borrower Concentration					x		
- Industry Concentration		x					
Liquidity Management			**x**				
Market Risk Appetite		**x**					
Factor: Operating Environment						**D+**	**Neutral**
Economic Stability	--	--	--	--	--		
Integrity and Corruption	--	--	--	--	--		
Legal System	--	--	--	--	--		
Financial Factors (50%)						**C+**	
Factor: Profitability						**C**	**Improving**
PPI / Average RWA - Basel II		3.27%					
Net Income / Average RWA - Basel II				1.01%			
Factor: Liquidity						**B-**	**Neutral**
(Mkt funds-Liquid Assets) / Total Assets	-17.74%						
Liquidity Management			x				
Factor: Capital Adequacy						**B+**	**Neutral**
Tier 1 Ratio - Basel II		9.93%					
Tangible Common Equity / RWA - Basel II	9.39%						
Factor: Efficiency						**B**	**Neutral**
Cost / Income Ratio		52.30%					
Factor: Asset Quality						**C**	**Improving**
Problem Loans / Gross Loans			4.13%				
Problem Loans / (Equity + LLR)			27.71%				
Lowest Combined Score (15%)						**C**	
Economic Insolvency Override						**Neutral**	
Aggregate Score						**C-**	
Assigned BFSR						**D**	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information [2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral