



Fitch Upgrades Credit Europe Bank's Individual Rating to 'C/D'; Affirms IDR 'BB'

Ratings

09 Aug 2010 5:17 AM (EDT)

Fitch Ratings-London-09 August 2010: Fitch Ratings has upgraded Credit Europe Bank N.V.'s (CEB) Individual Rating to 'C/D' from 'D'. Its other ratings are affirmed at Long-term Issuer Default (IDR) 'BB' with a Stable Outlook, Short-term IDR 'B', Support '5' and Support Rating Floor of 'No Floor'.

The upgrade of the Individual rating reflects management's ability to react quickly to worsening economic conditions in its main markets. As a result, in 2009 and in H110 the bank slowed down loan growth dramatically and reduced exposures to higher-risk counterparts. It has also shored up its liquidity by extending the maturity profile of its savings and investing in liquid securities. Although the negative impact of maintaining such high liquidity buffers on its net interest revenue was significant, overall profitability was kept fairly stable. A reduction of the excess liquidity buffer in 2010 should lift the pressure on margins.

The IDRs and the Individual rating of CEB reflect its medium-size, niche focus and large exposures to developing markets which generate fairly high credit risk. Its exposures are mainly concentrated in Romania (19%), Turkey (17%), Russia (17%), Ukraine (2%) and other emerging markets (2%). Concentrations by customer group are moderately high, reflecting its corporate focus and relatively small equity base in absolute terms.

The bank's impaired loans at end-2009 reached 4.6% of the total and remained stable in H110. Impaired loans were reasonably reserved, at 76% of gross loans, although the collateral is subject to some recovery risk, particularly in some emerging countries.

Fitch views the quality of its funding as weak, as it relies on internet channels in Western Europe to obtain funds to invest overseas. While these deposits have remained fairly stable, only a small proportion can be considered core for liquidity purposes. Nonetheless, some of these savings deposits now have contractual maturities of up to 10 years.

The bank's Support rating and its Support Rating Floor reflect Fitch's opinion that while the its ultimate shareholder is committed to supporting its growth given the subsidiary's strategic importance, such support cannot be relied upon to drive the ratings. This is because the ability of this shareholder to provide support in case of need cannot be quantified by Fitch. CEB is fully owned by Credit Europe Group (CEG), itself ultimately fully-owned by Fiba Group (FIBAG), a leading Turkish group with significant cash resources and 100% owned by Husnu Ozyegin, a prominent businessman.

CEB was established in 1994 as Finansbank (Holland) N.V. in Amsterdam. At end-2009 it had assets of EUR10bn and equity of EUR638m. It provides worldwide tailor-made trade and commodity finance and retail banking services to around 3 million customers through branches in the Netherlands, Germany, Belgium and Malta and subsidiaries in Russia, Romania, Switzerland, Dubai and Ukraine.

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 29 December 2009, are available on www.fitchratings.com.

Contacts: Claudia Nelson, London, Tel:+ 44 20 7682 7140; Philippe Lamaud, Paris, + 33 1 44 29 91 26.

Media Relations: Hannah Warrington, London, Tel: +44 (0) 207 417 6298, Email: hannah.warrington@fitchratings.com.

Additional information is available on www.fitchratings.com.

Related Research:

Global Financial Institutions Rating Criteria

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.

Copyright © 2010 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries.