

Announcement: Moody's affirms Ba2 ratings of CEB-NV; changed their outlook to positive

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Frankfurt am Main, July 19, 2011 -- Moody's Investors Service has today affirmed the 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-NV) and changed their outlook to positive from negative. The Not Prime short-term debt and deposit ratings are unchanged.

RATINGS RATIONALE

The affirmation of CEB-NV's ratings are supported by the bank's sound capitalization, and profitability, satisfactory liquidity, and asset quality. The CEB-NV's ratings are constrained by the bank's high credit risk concentration to corporate and unsecured consumer loans in CIS, and the weak quality of the bank's revenue stream. In general, Moody's regards revenues from the retail and asset management franchise as less volatile, higher quality earning streams. Overall, CEB-NV's 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-NV's modest market share in the markets it has presence in, is an additional constraining rating factor.

CEB-NV is mainly funded by deposits collected in Western Europe (deposits from the Netherlands, Belgium and Germany represented 56% of the bank's funding according to year-end 2010 consolidated audited annual report). During 2009 the bank adopted a strategy of increasing its liquidity through 33% deposit increase in Western Europe, thereby reducing its reliance on wholesale funding during the heightened market volatility in the first-half of 2009. Mid-2009 onwards, the bank followed a reverse strategy where the improved operating environment and the highly liquid balance-sheet led the bank to reduce its deposit rates and deposit funding base. During this time, additional deposit funds were invested into liquid assets which peaked at 43% of balance sheet in June 2009 and since then normalized and was reported at 34% of balance sheet as per year-end 2010 in line with previous years and the bank continuous to maintain satisfactory liquidity indicators.

The outlook change to positive on the bank's ratings reflects the overall stronger performance of the bank's emerging market loan book compared to the banking systems' it has presence in, where overall the asset quality deterioration remained contained, during the global recession. The decline in CEB-NV's profitability was short lived and the higher credit loss changes in 2009 and 2008 was offset by the good pre-provisioning income. Given the improved operating environment, notably in Russia and Turkey, significant reduction in bank's provisioning in 2010, and bank's targeted franchise expansion with anticipated further diversification of its revenue stream and deposit base through CEB-NV's new subsidiary, 'Fibabanka' in Turkey, Moody's expects CEB-NV profitability indicators to continue to improve. Furthermore, in 2010, CEB-NV increased in its capitalization, with a Euro 30 million capital injection, the replacement of Euro 94 million Tier II capital with an equal amount Tier I capital and Euro 100 million retained earnings, resulting in tier 1 ratio of 11.39% as per year-end 2010 up from 9.21% a year earlier. The bank further strengthened its corporate governance standards with the appointment of a second independent supervisory board member.

PRINCIPAL METHODOLOGIES

The principal methodologies used in rating CEB-NV were Moody's "Bank Financial Strength Ratings: Global Methodology", published in February 2007, and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", published in March 2007.

Please see ratings tab on the issuer/entity page on www.moody's.com for the last rating action and the rating history.

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