

# Credit Europe Bank N.V.

## Full Rating Report

### Ratings

#### Foreign Currency

Long-Term IDR	BB
Short-Term IDR	B

Viability Rating	bb
Individual Rating	C/D
Support Rating	5
Support Rating Floor	NF

#### Sovereign Risk

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA

### Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

### Financial Data

#### Credit Europe Bank N.V.

	31 Dec 2010	31 Dec 2009
Total assets (USDm)	13,366	14,341
Total assets (EURm)	10,003	9,956
Total equity (EURm)	732.9	638.1
Operating profit (EURm)	117.7	77.6
Published net income (EURm)	102.2	50.5
Comprehensive income (EURm)	131.6	27.8
Operating ROAA (%)	1.18	0.77
Operating ROAE (%)	17.33	11.98
Fitch Core Capital/Weighted risks (%)	9.59	8.99
Tier 1 ratio (%)	11.39	9.21

### Key Rating Drivers

**Standalone Viability-Driven Ratings:** The ratings of Credit Europe Bank N.V. (CEB) reflect its status as a medium-sized bank operating in volatile, higher-risk markets, its niche focus on trade finance business, which is sensitive to economic conditions, and higher-risk consumer credit in Russia. However, they also take into account CEB's experienced management team's ability to react quickly to worsening economic conditions in its main operating markets, good liquidity management and stable results.

**Flexible Balance Sheet:** Very rapid loan expansion in 2005-2008 slowed substantially as soon as the crisis commenced, as management shored up liquidity and reduced credit exposures to higher-risk counterparties. This was achieved thanks to CEB's very short-term loan book. Loan growth is picking up again, however, in line with trade flows.

**High Emerging-Market Risk:** CEB's exposure is concentrated in Russia (20%, increasing), Turkey (18%, increasing), Romania (19%, decreasing), Ukraine (2%, stable) and other emerging markets (2%). Concentrations by customer group are high, reflecting CEB's corporate focus and relatively small equity base. Given the economic environment in many of the countries in which CEB operates, credit risk remains fairly high although, in most cases, adequately remunerated.

**Stable Asset Quality:** Impaired loans at end-2010 were stable at c.4.5% of total loans, but reserve coverage was reduced to 60%. The proportion of loans backed by collateral is reasonable at 60%, although it is subject to some recovery risk, particularly in some emerging markets.

**Western European Retail Funds:** The majority of retail deposits are obtained in Western Europe through virtual channels and they provide for most of CEB's funding requirements. Their maturity has been lengthening: at end-2010, 40% had remaining contractual maturities in excess of one year. Deposits are not concentrated and have proved stable through periods of stress. Banking book mismatches are strictly monitored and self-imposed liquidity limits are tough, with stress tests envisaging severe shocks.

**Capital Adequate for Risk:** Equity is rendered volatile by the hedging of FX movements against the bank's international investments, but current capital levels are deemed to be adequate. The bank issued USD125.750m of hybrid Tier 1 capital during 2010 which was subscribed by its shareholder.

**Shareholder Support Possible:** CEB is 100% owned by Credit Europe Group (CEG), itself ultimately fully owned by Fiba Group (FIBAG), a privately owned Turkish group. Fitch Ratings considers FIBAG's propensity to provide support to CEB, if needed, to be extremely high, reflecting CEB's strategic importance to the group. However, the shareholder's ability to provide such support cannot be relied on as FIBAG is not rated by Fitch.

### Related Research

[Credit Europe Bank Ltd \(May 2010\)](#)

### Analysts

Claudia Nelson  
+44 20 3530 1191  
[claudia.nelson@fitchratings.com](mailto:claudia.nelson@fitchratings.com)

Philippe Lamaud  
+33 1 44 29 91 26  
[philippe.lamaud@fitchratings.com](mailto:philippe.lamaud@fitchratings.com)

### What Could Trigger a Rating Action

Ratings would benefit from increased funding diversification and reduced reliance on parental funding, as well as from the continued build-up of a diversified franchise and a stable performance. Ratings could be downgraded if: the economies where CEB operates experience material contraction or upheaval; asset quality, or capitalisation, deteriorate significantly; or notable signs of depositor nervousness emerge.

- Niche bank, specialised in trade and commodity finance, consumer finance in Russia, mortgage lending in Romania
- Committed to retail expansion in selected developing countries and Germany
- Strong growth prospects in Russian and Turkish markets but more difficult short-term prospects in Romania

## Profile

CEB was established as Finansbank (Holland) N.V. in Amsterdam in 1994. However, it has used its current name since 2007, when FIBAG sold Finansbank, a medium-sized Turkish commercial bank, to National Bank of Greece. CEB provides trade and commodity finance and retail banking services to c.3 million customers through branches in the Netherlands, Germany, Belgium and Malta and subsidiaries in Russia, Romania, Switzerland, Dubai, Ukraine and, since 2010, Turkey. Leasing (Russia, Romania and Ukraine) and insurance (Russia) are undertaken through specialist subsidiaries. At end-2010, CEB had 6,042 staff, mostly located in Russia, and 222 branches.

## Retail Banking

CEB operates a number of retail branches, points of sale and virtual channels through which it provides retail banking services. Products include consumer loans, credit cards, points-of-sale finance, money transfers, insurance products and mortgages, although the latter are mostly a legacy portfolio and not strategic. Finance is extended according to scorecard decisions based on an in-house developed automated system, which is then fine-tuned country by country. While the majority of retail deposits are obtained in Western Europe (Netherlands, Belgium, Germany and Malta, where the bank has one branch in each country) through virtual channels, retail assets are mostly generated in Russia, Romania, Ukraine, Germany and Turkey.

## Corporate Banking

The major products CEB is involved in are trade and commodity finance, project finance, balance sheet lending, corporate loan syndications, marine finance, factoring and some foreign-currency and over-the-counter derivative trading on behalf of clients. These operations are generated in the Netherlands, Switzerland and Dubai (the latter consisting mostly of trade finance to Gulf-based and Asian clients). CEB advises Fitch that the recently acquired Turkish bank FibaBanka AS (the ex-Millennium Bank AS, acquired from Banco Comercial Portugues in December 2010) will focus on corporate banking business. At end-2010, FibaBanka AS had EUR495m in total assets and EUR315m in customer deposits.

CEB's strengths include a very dedicated and stable management team across all of its subsidiaries, with a rotation of top management across the various operations to ensure that best practice is carried out across the group. CEB intends to grow organically, focusing on markets that offer high growth potential, and, as and when opportunities arise, through acquisitions. Its structure is flexible enough to allow the bank to grow or shrink its operations relatively quickly. The pace of expansion will depend on economic conditions, and management retains a high degree of flexibility in establishing its growth targets, backed by a supportive shareholder.

## Ownership Structure and Corporate Governance

CEB is 100% controlled by CEG. Entities previously controlled by CEG have gradually come under CEB's direct control to achieve a simpler ownership structure, and CEB now represents virtually all of CEG's assets, the only exception being two small non-operational companies. CEG is in turn 95%-owned by Turkey-based Fiba Holding AS (FIBAH), the parent company of FIBAG's financial services investments (5% is held by Girisim Factoring). Again, CEG and CEB represent the majority of FIBAH's business. The balance of its assets is made up of factoring and debt collection companies in Turkey. FIBAG, not a legal entity but a group of companies controlled by the same shareholder, was founded in 1987. In addition to investments in the financial sector, it has investments in retail, real estate, tourism, energy, and port ownership and management. It operates in the same developing countries as CEB, with large investments in shopping centres and real estate. Knowledge of these markets is strong group-wide.

CEB has both a supervisory board (seven members) and a managing board (a CEO plus five members), both of which are accountable to the majority shareholder. Supervisory board

- At end-2010, FIBAH had assets of USD14.7bn, equity of USD1.6bn and reported net income for the year of USD252m
- At end-2010, FIBAG's total assets amounted to USD18.5bn

## Related Criteria

[Global Financial Institutions Rating Criteria \(August 2010\)](#)  
[Short-term Ratings for Corporate Finance \(November 2010\)](#)  
[Treatment of Hybrids in Bank Capital Analysis \(July 2011\)](#)

members consist of Turkish nationals, well known to FIBAG, as well as shareholder family members, with the exception of the chairman of the supervisory board, who is an independent, experienced Dutch banker, and a recently appointed independent Dutch member. Fitch understands that the board may include one further independent member in the near future. Most members of the managing board have established careers within FIBAG and are jointly responsible for running the bank. FIBAG appointees, formerly members of CEB's senior management, head CEB's international subsidiaries.

In general, Fitch views the presence of a single dominant shareholder, which could influence the direction and strategy of a bank, as a potential concern, despite the presence of independent members on the Supervisory Board and despite the voluntary application of the best corporate governance practices outlined in the Dutch Corporate Governance Code.

The Dutch central bank supervises CEG, CEB (at consolidated and bank levels) and all of its operating banking subsidiaries, including carrying out visits to these entities. The international subsidiaries have to submit their standalone business plans to the parent bank's managing board, in the Netherlands, for approval. These plans are also subject to annual approval by the supervisory board. Compliance, internal audit, asset-liability management (ALM), IT, governance, financial control and risk management for the group are centralised in the head office in Amsterdam.

### Performance

CEB operates in potentially high-risk markets, although its experienced management team, the bank's track record in dealing with volatile markets and crises (which stems from heading Finansbank group through very testing periods in Turkey's 2001 banking crisis) and the relatively short-term maturity of its assets should mitigate the risks.

Most of the economies in which CEB operates have started to recover from the severe contractions they saw in 2009, but economic recovery remains muted in Russia, Romania and Ukraine. Russian economic growth, after severely contracting (by 7.9% in 2009), remains well below that seen in many emerging markets and, even if economic growth picks up, the business climate remains unfavourable, with large governance issues still unaddressed and a high degree of political risk. Romania's GDP growth turned slightly positive in early 2011 after one of the longest recessions in the EU, although the recovery is driven by strong export growth and domestic demand has continued to contract, in line with some of the austerity measures put in place.

The Ukrainian economy has started to show signs of growth after having contracted by 15% in 2009, but financial and economic stability remain risky and the banking system there remains distressed. In contrast, Turkey is showing some signs of overheating as a result of rapid and

- Profitable track record, with pressure on the net interest margin offset by lower LICs
- High level of non-operating/one-off capital gains and recoveries
- Fitch's analysis is based on CEB's consolidated financial statements, prepared using IFRS

Figure 1  
**Key Performance Indicators**

	Credit Europe Bank N.V.		CEB Ltd (Russia)		Garanti Bank International NV		Banque de Commerce et de Placements		Fimbank Plc	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Total assets (EURm)	10,003	9,956			3,532	3,657	2,550	2,522	861	695
Net interest income/average earning assets (%)	3.91	4.12	8.35	9.48	2.23	1.54	1.59	1.36	1.81	1.48
Non-interest expense/gross revenue (%)	52.94	50.05	48.65	39.97	43.38	70.92	47.47	43.11	68.05	76.46
Operating profit/average total assets (%)	1.18	0.77	23.77	16.11	1.90	1.04	2.17	2.14	0.80	0.25
Operating profit/average equity (%)	17.33	11.98	23.77	16.11	22.00	14.07	18.67	22.74	5.28	1.39
Loan and securities impairment charges/pre-impairment op. profit (%)	44.22	67.31	18.32	61.71	n.a.	n.a.	-2.17	6.79	40.77	74.36
Pre-impairment op. profit/average total assets (%)	2.12	2.35	5.36	7.60	1.90	1.04	2.13	2.30	1.36	0.98
Pre-impairment op. profit/average equity (%)	31.07	36.66	29.10	42.06	22.00	14.07	18.27	24.39	8.91	5.43
Tangible equity/tangible assets (%)	6.88	6.12	17.15	18.17	9.22	7.64	11.58	10.17	13.90	15.67

Source: Bank data reclassified by Fitch

Figure 2

**Breakdown of Net Income**

(EURm)	2010	2009
Western Europe (retail)	-14.5	-8.4
Western Europe (wholesale)	39.5	19.6
Russia (retail)	30.8	10.7
Russia (wholesale)	33.8	23.3
Romania	-0.1	-2.4
Other	12.7	7.7
<b>Total</b>	<b>102.2</b>	<b>50.5</b>

Source: CEB

above-potential growth, led by strong bank credit. In order to slow down demand and the economy, the Turkish central bank has put prudential measures in place restricting bank lending, although the effectiveness of this policy remains to be seen. Overall, the outlook for the bank's international business is improving, particularly as commodity prices and trade volumes increased during 2010.

Operating profit was 52% higher in 2010 than 2009, largely driven by higher trading and other income and lower impairment charges. Figure 2 provides a breakdown of the bank's performance by geographical area. "Western Europe (retail)" is loss-making, reflecting losses incurred on consumer loans that the bank had extended in Belgium and Germany, and which have suffered very high levels of impairment. CEB has improved credit management in these countries. "Western Europe (wholesale)", which consists of corporate and correspondent banking as well as treasury operations, has been performing well, although results in 2010 were skewed by capital gains from the sale of some securities (EUR26m, see below). Romanian results reflect losses in its SME business. "Other" includes the Dubai-based operations (Turkey was acquired on 27 December 2010 and is therefore not included).

Figure 3

**H111 Results**

(EURm)	Jun 11	Jun 10
Net interest revenue	175.2	168.7
Net fees and commissions	35.7	37.8
Other operating income	25.4	28.4
Operating expenses	145.6	115.8
<b>Pre-impairment operating profit</b>	<b>90.7</b>	<b>119.1</b>
Loan impairment charge	27.6	57.4
<b>Operating profit</b>	<b>63.1</b>	<b>61.7</b>
<b>Net income</b>	<b>48.4</b>	<b>49.0</b>

Source: Unaudited bank data

The Russian operations have been performing extremely well, with tightening margins addressed with better efficiency and lower impairment charges (as a result of the improving operating environment and tight monitoring of credit) and are increasingly dominating contributions to net income.

In 2011, underlying profitability has so far remained more or less in line with that in 2010 (see H111 results in Figure 3), with higher asset volumes, particularly in Russia and Turkey, and more selective growth in Belgium and Germany driving up net interest revenue and improvements in profitability, driven by lower LICs.

Net interest revenue dominates the bank's income sources, reflecting CEB's focus on commercial and retail banking and, given its emerging-market loan portfolio, its wide margins. In 2010, a strong liquidity policy and tightening spreads in Eastern Europe drove margins down compared with 2009, although these pressures eased slightly in the first part of 2011, with lower excess liquidity being maintained and wider lending rates in Turkey counterbalancing the pressure of tighter margins in Russia. As the majority of the bank's fees and commissions are lending-related, these are subject to trade volumes and can be volatile.

Figure 4

**Breakdown of Overall Exposure**

(%)	End-2010	End-2009
Russia	19.8	17.2
Romania	15.5	19.5
Turkey	19.3	17.0
Ukraine	1.5	1.6
Other Emerging Developed <sup>a</sup>	2.4	2.2
<b>Total Exposure (EURm)</b>	<b>10,273</b>	<b>10,180</b>

<sup>a</sup> Mostly Netherlands UK, US  
Source: CEB

As in 2009, trading and derivative gains were substantial in 2010 and in Q111. In 2010, CEB sold some of its held-to-maturity securities (mostly banks and sovereigns), with a consequent capital gain of EUR26m (H111: c.EUR2.6m). The bank also undertakes some derivatives trading on behalf of customers, thus generating additional trading spreads. Fitch has reclassified EUR8.9m of income from recoveries of previously written-off loans or from repossession of collateral in 2010 as non-operating income.

Overheads are well controlled, although with the recovery in world trade and expansion in Turkey, staff numbers have begun to rise again. The cost/income ratio is considered sound for a bank with a retail focus and a branch network in Eastern Europe: it inched upwards slightly in 2010 as a result of growth and the Turkish acquisition, where efficiency was lower. Improvements and investments in IT are expected, which may reduce the potential for cost cutting in the short term.

LICs have been falling as a percentage of pre-impairment operating profit but remain high and are mostly generated in Romania (about 39% of the total), Russia (about 10%) and by loans booked in the Netherlands (about 43.3%, predominantly marine finance loans); the balance is evenly spread between the other operations. The bank expects impairment charges for 2011 to remain high but not as high as in 2010.

- Centralised, hands-on approach to all aspects of risk management
- Credit risk high due to geographical and name concentrations but high collateral backing loan book
- Proven track record of working in volatile environments

### Risk Management

All subsidiaries are responsible for their own day-to-day management, but risk management functions have been centralised in Amsterdam since 2007. Central policies, determined by the managing board, are applicable to all subsidiaries, with control and reporting mechanisms in place at each. Policies and procedures are standardised. Limits are approved centrally and each operating subsidiary has a risk manager who reports directly to head office in Amsterdam. IT platforms are integrated across international subsidiaries apart from Turkey and parts of Romania, and, since Q110, Amsterdam, which uses its own software developed in-house. Risk management committees are held monthly, while the asset-liability management committee (ALCO) and the corporate credit risk committee meet weekly.

Very few of CEB's corporate exposures are externally rated. A 12-category internal rating scale forms part of all credit approval systems for corporate customers and is used in establishing limits. Retail lending approvals are decentralised. Each subsidiary operates using its own scorecards, adapted to reflect the local environment. Credit bureau checks are systematic. Generally, customer performance data indicates strong control over credit risk, although there have been strong impairments taken against retail loans in Netherlands, Germany and Romania.

At end-2010, total credit exposure (including all on- and off-balance-sheet exposure, including credit risk on securities, derivatives and loans, for both corporates and financial institutions) amounted to EUR10.3bn (end-2009: EUR10.2bn). A geographical breakdown of this exposure is provided in Figure 4. "Developed markets" includes a large portion of securities and interbank loans.

Gross loans were EUR6bn in 2010, or 57% of total exposure. A further geographical breakdown is provided in Figure 5. As expected, this shows a higher concentration towards emerging markets, which accounted for around half of the total, and, within the emerging markets subsection, an increased exposure to Russia and reduced exposure to Romania. Loans to emerging markets are set to increase following continued expansion in Russia, the acquisition in Turkey and a review of retail operations in the Netherlands and Germany. However, the bank advises Fitch that expansion in Turkey will only be undertaken once all IT systems are integrated with the parent.

A further breakdown of gross loans indicates that around a third comprise consumer and credit-card loans and mortgages, mostly extended in Russia and Romania (mostly mortgages), with a small amount in Turkey.

The remaining two-thirds consist mostly of corporate loans. These are broken down in Figure 6, which shows that there are some concentrations in riskier categories, which the bank has identified as target sectors. A large proportion of commercial real estate exposure is in Russia and Romania. The shipping industry underwent a period of intense crisis following the collapse of world trade in 2008 with the value of carriers falling accordingly, but picked up in 2010. About half of the corporate loan book comprises working-capital loans and is very short-term: only around 39% of the book matures after December 2011.

The top 20 customer group exposures at end-2010 were equivalent to a high 32% of total corporate exposures and 172% of end-2010 equity. Due to the bank's size, its largest exposures often reach maximum prudential limits, but internal limits mean that the top 10 names cannot exceed 20% of total corporate portfolio exposures, and single-sector limits are established at 15%.

Figure 5

#### Breakdown of Loan receivables

(%)	End-2010
Russia	27.5
Romania	22.6
Turkey	25.9
Ukraine	1.6
Other Emerging Markets	2.5
Developed Markets	19.9
<b>Total loan receivables</b>	<b>100.0</b>
<b>Total loan receivables (EURm)</b>	<b>6,018.2</b>

Source: CEB

Figure 6

#### Breakdown of Corporate Exposure (end-2010)\*

(%)	
Iron and steel	12.6
Shipping and shipyard	10.4
Real Estate, Construction and Installation	15.9
<i>Of which: Residential development</i>	5.4
<i>Commercial development</i>	4.5
<i>Other RE</i>	6.0
Leisure and Tourism	7.7
Energy and Coal	7.6
Financial Services and Investments	6.0
Other	39.8
<b>Total corporate exposure</b>	<b>100.0</b>
<b>Total corporate exposure (EURm)</b>	<b>4,162.3</b>

\* Includes debt securities and derivative exposures  
Source: CEB

Figure 7

Peer Group Risk and Asset Quality

(%)	CEB		CEB Russia		BCP		Fimbank	
	2010	2009	2010	2009	2010	2009	2010	2009
Growth of gross loans	11.27	-2.19	21.45	-8.91	27.72	58.06	64.54	32.88
Gross NPLs/gross loans	4.55	4.64	0.84	1.52	0.18	0.59	10.57	13.87
Reserves for NPLs/NPLs	60.20	75.62	437.72	480.37	88.89	197.83	57.56	56.36
NPLs net of specific reserves/equity	14.86	9.59	0	0	0.07	0	8.82	7.56
Impairment charge/gross loans	1.66	2.87	1.30	5.85	-0.13	0.62	1.68	1.89

Source: Fitch

Related-party lending accounted for just c.1% of total loans at end-2010. Collateral covered 60% of loans at end-2010, 9% in the form of financial collateral (bills of exchange, promissory notes, credit derivatives, guarantees and cash), 13% in the form of residential mortgages, and the balance consisting mostly of financed goods and some commercial mortgages. While coverage is high, Fitch considers the risk of obtaining this collateral when needed in some emerging countries to be higher.

Despite the high percentage of lending in developing countries, about 81% of customer loans were denominated in US dollars, euros or Swiss francs at end-2010, with Russian rouble and Romanian lei loans accounting for most of the rest. This adds foreign-currency risk to borrowers' ability to repay their loans. In Russia, FX loans accounted for 69% of the corporate and SME loan book but a relatively low percentage of retail lending. Romanian retail exposure in FX amounted to 29% of the total loan book, again subjecting the bank to the risk of increased exposure in the case of lei depreciation.

Figure 8

Breakdown of Impaired Loans Per Portfolio

(EURm)	End-2010	End-2009
Corporate	68.5	77.8
SMEs	60.1	40.4
Retail	145.0	132.8
Total impaired loans	273.6	251.0
Reserve coverage*	60.18	75.62

\* Incl. collective impairment allowance  
Source: CEB

Asset Quality

Impaired loans (90 days overdue for retail and SMEs; non-performing for corporates) rose in nominal terms during 2010 (by 9%), but given the strong loan growth accounted for 4.5% of total lending, the same as at end-2009 (Figure 7). The SME loan portfolio shows the highest level of impaired loans, followed by retail lending and corporates; loss experience in the trade finance book has been minimal. The bank had a further 3% of loans at end-2010 classified as restructured and a further 4% as watch list. A breakdown by country shows that a high proportion of NPLs were generated in Romania (around 60%), about half of which were in retail, a third in SMEs and a small amount in corporates, reflecting the negative macroeconomic situation there and the stagnant economy. Impaired loans in Russia were equivalent to 3% of the gross loan portfolio at end-2010 (end-2009: 7%; end-2008: 4.5%) as a substantial improvement was achieved here thanks to an ability to spot signs of deterioration early on, take steps to recover impaired loans quickly, and restructure what was impossible to recover.

Concentration in the loan portfolio is replicated in concentration in the largest impaired loans.

Other Assets

CEB has additional credit risk on its securities portfolio, which is used mainly for liquidity management and which has decreased in size since 2009 as the bank has reduced its liquidity buffer. Securities are held at the parent and all subsidiary banks and therefore include a small amount of local corporate and state bonds. Figure 9 provides a breakdown by securities type, and Figure 10 provides a breakdown by rating. Although the credit risk of its investments is relatively low, it is Fitch's opinion that the portfolio is utilised by the bank occasionally to take advantage of widening credit spreads and make additional opportunistic capital gains. At end-June 2011, CEB did not have any exposure to Greece, Ireland, Portugal, Italy or Spain or to any structured or leveraged products. Derivatives are largely used to hedge currency risk. Interbank exposure was highly rated, with the majority (81%) rated at least 'A-'.

Figure 9

Securities portfolio

(EURm)	2010
Government bonds	681.4
Bank bonds	595.7
Loans	127.6
Corporate bonds	151.8
Equities	1.1
Total	1,557.6

Source: CEB

Figure 10

Securities portfolio – rating breakdown

(%)	2010
AAA/AA-	41.7
A+/A-	15.8
BBB+/BBB-	23.0
BB-/B-	16.8
Below B- or no rating	2.7
<b>Total</b>	<b>100.0</b>
<b>Total (EURm)</b>	<b>1,557.6</b>

Source: CEB

### Market Risk

Market risk is monitored group-wide by the group ALCO, which in turn receives regular information from the ALCOs of all of the bank's operating subsidiaries. The group ALCO reports directly to the chief financial officer and the managing board. Subsidiary banks transfer their interest rate positions to the parent bank, where a centralised ALM is in place. At the group level, ALM mismatches in differing currencies and maturity buckets must be hedged if they exceed 15% of equity. A 200bp change in interest rates must not erode equity by more than 5%. Value at risk (VaR, using a 99% confidence interval and based on a historical approach using 250 days of historical data) in the trading book is limited to EUR1.5m for a 10-day holding period or 2% of equity. During 2010, the maximum VaR reached EUR14m in respect of interest rate risk, or 1.9% of equity, lower than for 2009 when markets were more volatile. The negative effect on the net present value of the bank's interest rate exposure in its banking book at end-2010 was calculated to be EUR26.5m or 4% of equity. Movements in foreign exchanges because of CEB's international operations are hedged.

### Operational Risk

Statistics are currently compiled with a view to moving towards calculating operational risk more adequately in the medium term. To date, statistics indicate the highest incidences of fraud in the Russian and Romanian subsidiaries, but the values concerned are small due to the highly fragmented nature of the business in these two countries.

### Funding, Liquidity and Capital

The bank mainly sources retail deposits from the Dutch bank (three-quarters of the total, see Figure 11) which are then partially on-lent to its overseas businesses. Overall, customer funds accounted for a high proportion of total funding and total liabilities, with very little reliance on the interbank and wholesale funding markets (see Figure 12). However a number of subsidiaries continue to rely on funding from the parent, despite the stated long-term aim for each subsidiary to become independent in terms of its funding needs.

Within the retail portfolio, average deposit values are low, with a very high percentage of retail deposits covered by the Dutch depositor guarantee scheme (up to a maximum of EUR100,000): CEB deliberately discouraged more volatile corporate deposits and does not accept deposits over EUR1m. As a result, the deposit base is not concentrated, with the 20 largest depositors representing a low 6.7% of total customer funding at end-2010. Related-party funding accounts for only a small percentage of the total.

The bank is trying to reduce reliance on the parent. The Russian subsidiary issued a three-year USD3200m Eurobond in H110, a RUB4bn three-year domestic bond in February 2011 and a RUB5bn three-year bullet domestic bond in April 2011. It plans to issue a further RUB5bn domestic bond in Q411. In total, the Russian subsidiary has EUR450m of outstanding term debt, which largely matures in 2013. Additional funds to be issued in 2011 include possible bilateral loans with supranational and international institutions. CEB has not made use of any of the government-supported schemes in place in the Netherlands. The bank is also planning to build up its depositor base in Turkey, Russia and Romania.

In addition to issuing term debt, the bank has been actively extending the maturity profile of its deposits by way of pricing. At end-2010, c.40% of deposits had a remaining maturity of more than one year, and deposits with maturities of over two years represented around 24% of total retail deposits. Around 5% of deposits matured after five years. However, the bank's depositors generally do not use CEB as their main bank and do not have their salaries paid into their accounts there.

As a result of the turmoil in the market, the bank maintained a cautious liquidity buffer until 2009. While this has now been reduced, it remains higher than the minimum required by the Dutch bank regulator. Management has a self-imposed objective of holding sufficient

- Retail deposits stable during crisis, although Fitch views online deposits obtained by the bank as not "core"
- Tough liquidity limits imposed by management to deal with potential volatility
- Supportive shareholder ready to inject fresh capital if required

Figure 11

#### Source of deposits

(EURm)	End-2010
Germany <sup>a</sup>	3,261
Netherlands <sup>a</sup>	1,822
Belgium/Malta <sup>a</sup>	330
Russia	766
Romania	524
Switzerland	159
Turkey	307
Ukraine	6
Dubai	25
<b>Total</b>	<b>7,200</b>

<sup>a</sup> Through CEB NV  
Source: CEB

Figure 12

## Peer Group Funding, Liquidity and Capital Ratios

(%)	CEB NV		CEB Russia		GarantiBank		BCP		Fimbank	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Loans/customer deposits	83.76	74.87	198.94	237.04	56.64	62.38	105.45	101.37	81.53	53.44
Interbank assets/interbank liabilities	70.52	46.73	75.02	109.73	185.81	118.35	89.66	86.70	98.57	164.13
Customer deposits/total funding (excl derivatives)	81.31	80.45	45.26	38.66	79.46	79.16	42.29	34.21	40.37	49.33
Tangible equity/tangible assets	6.88	6.12	17.15	18.17	9.22	7.64	11.58	10.17	13.90	15.67
Tier 1 regulatory capital/risk-weighted assets	11.39	9.21	19.58	19.71	n.a.	11.85	15.88	13.58	14.32	20.57
Fitch core capital/risk-weighted assets	9.59	8.99	20.02	19.90	n.a.	n.a.	16.30	13.99	n.a.	19.39
Impaired loans less reserves/equity	14.86	9.59	0	0	n.a.	n.a.	0.07	0	8.82	7.56
Fitch core capital (EURm)	684.4	607.5	357.5	289.5	n.a.	n.a.	295.3	256.3	n.a.	107.7
Reported equity	732.9	638.1	357.5	289.5	325.8	279.5	295.3	256.3	120.9	107.7

Source: Fitch

immediate liquidity to repay 40% of customer deposits overnight as one of its liquidity buffer components. Internal bank limits also do not allow wholesale funds to exceed 40% of total funding. The top 10 depositors cannot exceed 10% of total customer funding; consolidated cumulative maturity mismatches must be positive for six months (even after assuming that 40% of savings deposits will be lost overnight). The bank's liquidity buffer (cash, bank placements and repo-able securities) at end-2010 amounted to EUR1,857m, including EUR575m of securities eligible for rediscounting with the European Central Bank. Based on the bank's current calculations, CEB complies with the Basel III suggested minimum NSFR and LCR liquidity ratios.

CEB's shareholder approves and supports its growth plans, injecting fresh capital as required. In H110, USD125.75m of subordinated debt was paid back and an equivalent amount of perpetual hybrid capital, qualifying as Tier 1 capital for regulatory purposes, was issued. Consequently, the total amount of lower Tier 2 subordinated debt provided by the shareholder decreased to EUR188m and that provided by third parties to EUR48m, with final maturities extending to 2018. In line with its updated criteria on assigning equity credit to hybrid debt, Fitch has not assigned any equity credit to this Tier 1 instrument because of the presence of a dividend pusher.

CEB's policy is not to pay dividends to its ultimate shareholder. Double leverage is not an issue for the group because debt issued by CEG is minimal and is not used to capitalise subsidiaries. The bank has a targeted total capital ratio of 13% and, overall, Fitch deems this ratio to be adequate for its risk profile. CEB currently calculates its capital charge for credit risk and for market risk using the standardised approach, although it is collecting data for an eventual move to the internal ratings-based approach for credit risk. The operational risk charge is calculated using the basic indicator approach.

Credit Europe Bank N.V.  
Income Statement

	31 Dec 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	Year End	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	EURm	Earning	EURm	Earning	EURm	Earning	EURm	Earning
	Unqualified	Unqualified	Assets	Unqualified	Assets	Audited/Report not seen	Assets	Audited/Report not seen	Assets
1. Interest Income on Loans	732.4	548.1	6.52	613.6	7.53	722.5	9.78	319.6	5.68
2. Other Interest Income	359.3	268.9	3.20	489.8	6.01	382.9	5.18	137.4	2.44
3. Dividend Income	0.1	0.1	0.00	0.2	0.00	0.0	0.00	0.0	0.00
<b>4. Gross Interest and Dividend Income</b>	<b>1,091.8</b>	<b>817.1</b>	<b>9.72</b>	<b>1,103.6</b>	<b>13.54</b>	<b>1,105.4</b>	<b>14.97</b>	<b>457.0</b>	<b>8.12</b>
5. Interest Expense on Customer Deposits	326.7	244.5	2.91	374.6	4.60	307.6	4.16	137.7	2.45
6. Other Interest Expense	333.9	249.9	2.97	387.5	4.75	336.9	4.56	111.5	1.98
<b>7. Total Interest Expense</b>	<b>660.6</b>	<b>494.4</b>	<b>5.88</b>	<b>762.1</b>	<b>9.35</b>	<b>644.5</b>	<b>8.73</b>	<b>249.2</b>	<b>4.43</b>
<b>8. Net Interest Income</b>	<b>431.2</b>	<b>322.7</b>	<b>3.84</b>	<b>341.5</b>	<b>4.19</b>	<b>460.9</b>	<b>6.24</b>	<b>207.8</b>	<b>3.69</b>
9. Net Gains (Losses) on Trading and Derivatives	-4.9	-3.7	-0.04	69.7	0.86	19.3	0.26	17.0	0.30
10. Net Gains (Losses) on Other Securities	63.3	47.4	0.56	5.6	0.07	-18.8	-0.25	-1.6	-0.03
11. Net Gains (Losses) on Assets at FV through Income Statement	21.6	16.2	0.19	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
13. Net Fees and Commissions	93.4	69.9	0.83	54.9	0.67	65.6	0.89	28.7	0.51
14. Other Operating Income	7.9	5.9	0.07	3.6	0.04	8.2	0.11	1.6	0.03
<b>15. Total Non-Interest Operating Income</b>	<b>181.3</b>	<b>135.7</b>	<b>1.61</b>	<b>133.8</b>	<b>1.64</b>	<b>74.3</b>	<b>1.01</b>	<b>45.7</b>	<b>0.81</b>
16. Personnel Expenses	171.7	128.5	1.53	126.3	1.55	157.8	2.14	77.8	1.38
17. Other Operating Expenses	158.9	118.9	1.41	111.6	1.37	127.1	1.72	59.6	1.06
<b>18. Total Non-Interest Expenses</b>	<b>330.6</b>	<b>247.4</b>	<b>2.94</b>	<b>237.9</b>	<b>2.92</b>	<b>284.9</b>	<b>3.86</b>	<b>137.4</b>	<b>2.44</b>
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
<b>20. Pre-Impairment Operating Profit</b>	<b>281.9</b>	<b>211.0</b>	<b>2.51</b>	<b>237.4</b>	<b>2.91</b>	<b>250.3</b>	<b>3.39</b>	<b>116.1</b>	<b>2.06</b>
21. Loan Impairment Charge	124.7	93.3	1.11	159.8	1.96	148.0	2.00	42.4	0.75
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	1.0	0.01	3.5	0.06
<b>23. Operating Profit</b>	<b>157.3</b>	<b>117.7</b>	<b>1.40</b>	<b>77.6</b>	<b>0.95</b>	<b>101.3</b>	<b>1.37</b>	<b>70.2</b>	<b>1.25</b>
24. Equity-accounted Profit/ Loss - Non-operating	0.7	0.5	0.01	n.a.	-	0.0	0.00	0.0	0.00
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
28. Other Non-operating Income and Expenses	11.9	8.9	0.11	n.a.	-	0.0	0.00	0.0	0.00
<b>29. Pre-tax Profit</b>	<b>169.8</b>	<b>127.1</b>	<b>1.51</b>	<b>77.6</b>	<b>0.95</b>	<b>101.3</b>	<b>1.37</b>	<b>70.2</b>	<b>1.25</b>
30. Tax expense	33.3	24.9	0.30	27.1	0.33	26.7	0.36	20.9	0.37
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
<b>32. Net Income</b>	<b>136.6</b>	<b>102.2</b>	<b>1.22</b>	<b>50.5</b>	<b>0.62</b>	<b>74.6</b>	<b>1.01</b>	<b>49.3</b>	<b>0.88</b>
33. Change in Value of AFS Investments	-11.6	-8.7	-0.10	7.9	0.10	-9.4	-0.13	-1.4	-0.02
34. Revaluation of Fixed Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
35. Currency Translation Differences	50.9	38.1	0.45	-22.3	-0.27	-64.7	-0.88	-11.6	-0.21
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	-8.3	-0.10	56.2	0.76	0.0	0.00
<b>37. Fitch Comprehensive Income</b>	<b>175.8</b>	<b>131.6</b>	<b>1.57</b>	<b>27.8</b>	<b>0.34</b>	<b>56.7</b>	<b>0.77</b>	<b>36.3</b>	<b>0.65</b>
38. Memo: Profit Allocation to Non-controlling Interests	3.1	2.3	0.03	1.3	0.02	2.4	0.03	0.7	0.01
39. Memo: Net Income after Allocation to Non-controlling Interests	133.5	99.9	1.19	49.2	0.60	72.2	0.98	48.6	0.86
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	n.a.	-	0.0	0.00	13.5	0.24
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Exchange rate	USD1 = EUR0.74840			USD1 = EUR0.69416		USD1 = EUR0.71855		USD1 = EUR0.67930	

Credit Europe Bank N.V.  
Balance Sheet

	31 Dec 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
<b>Assets</b>									
<b>A. Loans</b>									
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	2,431.5	1,819.7	18.19	1,880.0	18.88	2,251.8	23.60	940.4	15.95
4. Corporate & Commercial Loans	4,952.6	3,706.5	37.05	3,355.1	33.70	3,277.0	34.35	2,288.5	38.82
5. Other Loans	657.4	492.0	4.92	173.4	1.74	0.7	0.01	271.7	4.61
6. Less: Reserves for Impaired Loans/ NPLs	220.1	164.7	1.65	189.8	1.91	159.8	1.67	64.4	1.09
<b>7. Net Loans</b>	<b>7,821.4</b>	<b>5,853.5</b>	<b>58.52</b>	<b>5,218.7</b>	<b>52.42</b>	<b>5,369.7</b>	<b>56.28</b>	<b>3,436.2</b>	<b>58.29</b>
<b>8. Gross Loans</b>	<b>8,041.4</b>	<b>6,018.2</b>	<b>60.16</b>	<b>5,408.5</b>	<b>54.33</b>	<b>5,529.5</b>	<b>57.96</b>	<b>3,500.6</b>	<b>59.38</b>
9. Memo: Impaired Loans included above	365.6	273.6	2.74	251.0	2.52	177.2	1.86	85.6	1.45
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>B. Other Earning Assets</b>									
1. Loans and Advances to Banks	1,050.0	785.8	7.86	615.5	6.18	952.9	9.99	1,509.2	25.60
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	191.5	143.3	1.43	995.7	10.00	251.6	2.64	421.0	7.14
4. Derivatives	280.9	210.2	2.10	202.3	2.03	425.1	4.46	99.4	1.69
5. Available for Sale Securities	1,705.4	1,276.3	12.76	651.6	6.55	103.8	1.09	158.3	2.69
6. Held to Maturity Securities	184.5	138.1	1.38	466.2	4.68	282.8	2.96	n.a.	-
7. At-equity Investments in Associates	0.9	0.7	0.01	0.1	0.00	0.1	0.00	0.0	0.00
8. Other Securities	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
<b>9. Total Securities</b>	<b>2,363.2</b>	<b>1,768.6</b>	<b>17.68</b>	<b>2,315.9</b>	<b>23.26</b>	<b>1,063.4</b>	<b>11.15</b>	<b>678.7</b>	<b>11.51</b>
10. Memo: Government Securities included Above	910.5	681.4	6.81	1,012.2	10.17	169.2	1.77	76.4	1.30
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
13. Insurance Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	0.0	0.00	1.0	0.02
<b>15. Total Earning Assets</b>	<b>11,234.5</b>	<b>8,407.9</b>	<b>84.05</b>	<b>8,150.1</b>	<b>81.86</b>	<b>7,386.0</b>	<b>77.41</b>	<b>5,625.1</b>	<b>95.42</b>
<b>C. Non-Earning Assets</b>									
1. Cash and Due From Banks	1,650.1	1,234.9	12.35	1,596.4	16.04	1,964.8	20.59	174.9	2.97
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
4. Fixed Assets	119.3	89.3	0.89	82.5	0.83	91.7	0.96	48.5	0.82
5. Goodwill	19.8	14.8	0.15	11.7	0.12	7.5	0.08	0.0	0.00
6. Other Intangibles	20.3	15.2	0.15	10.7	0.11	8.2	0.09	3.5	0.06
7. Current Tax Assets	58.3	43.6	0.44	18.9	0.19	6.7	0.07	2.3	0.04
8. Deferred Tax Assets	24.7	18.5	0.18	8.2	0.08	12.6	0.13	3.2	0.05
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
10. Other Assets	239.0	178.9	1.79	77.1	0.77	63.3	0.66	37.5	0.64
<b>11. Total Assets</b>	<b>13,366.0</b>	<b>10,003.1</b>	<b>100.00</b>	<b>9,955.6</b>	<b>100.00</b>	<b>9,540.8</b>	<b>100.00</b>	<b>5,895.0</b>	<b>100.00</b>
<b>Liabilities and Equity</b>									
<b>D. Interest-Bearing Liabilities</b>									
1. Customer Deposits - Current	2,186.9	1,636.7	16.36	1,009.9	10.14	1,073.9	11.26	288.7	4.90
2. Customer Deposits - Savings	2,564.0	1,918.9	19.18	2,388.9	24.00	2,384.0	24.99	1,769.7	30.02
3. Customer Deposits - Term	4,849.8	3,629.6	36.28	3,824.6	38.42	3,344.0	35.05	1,894.7	32.14
<b>4. Total Customer Deposits</b>	<b>9,600.7</b>	<b>7,185.2</b>	<b>71.83</b>	<b>7,223.4</b>	<b>72.56</b>	<b>6,801.9</b>	<b>71.29</b>	<b>3,953.1</b>	<b>67.06</b>
5. Deposits from Banks	1,488.9	1,114.3	11.14	1,317.2	13.23	1,229.4	12.89	553.8	9.39
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Deposits and Short-term Borrowings	135.6	101.5	1.01	104.8	1.05	0.0	0.00	251.1	4.26
<b>8. Total Deposits, Money Market and Short-term Funding</b>	<b>11,225.3</b>	<b>8,401.0</b>	<b>83.98</b>	<b>8,645.4</b>	<b>86.84</b>	<b>8,031.3</b>	<b>84.18</b>	<b>4,758.0</b>	<b>80.71</b>
9. Senior Debt Maturing after 1 Year	266.8	199.7	2.00	109.5	1.10	135.6	1.42	380.0	6.45
10. Subordinated Borrowing	315.6	236.2	2.36	223.5	2.24	231.1	2.42	179.6	3.05
11. Other Funding	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
<b>12. Total Long Term Funding</b>	<b>582.4</b>	<b>435.9</b>	<b>4.36</b>	<b>333.0</b>	<b>3.34</b>	<b>366.7</b>	<b>3.84</b>	<b>559.6</b>	<b>9.49</b>
13. Derivatives	418.0	312.8	3.13	198.6	1.99	334.5	3.51	53.9	0.91
14. Trading Liabilities	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
<b>15. Total Funding</b>	<b>12,225.7</b>	<b>9,149.7</b>	<b>91.47</b>	<b>9,177.0</b>	<b>92.18</b>	<b>8,732.5</b>	<b>91.53</b>	<b>5,371.5</b>	<b>91.12</b>
<b>E. Non-Interest Bearing Liabilities</b>									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
3. Reserves for Pensions and Other	n.a.	n.a.	-	0.7	0.01	1.7	0.02	0.0	0.00
4. Current Tax Liabilities	23.4	17.5	0.17	1.9	0.02	10.6	0.11	5.9	0.10
5. Deferred Tax Liabilities	47.4	35.5	0.35	29.5	0.30	28.9	0.30	5.3	0.09
6. Other Deferred Liabilities	13.2	9.9	0.10	23.2	0.23	24.9	0.26	105.7	1.79
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
9. Other Liabilities	77.0	57.6	0.58	85.2	0.86	71.1	0.75	21.7	0.37
<b>10. Total Liabilities</b>	<b>12,386.7</b>	<b>9,270.2</b>	<b>92.67</b>	<b>9,317.5</b>	<b>93.59</b>	<b>8,869.7</b>	<b>92.97</b>	<b>5,510.1</b>	<b>93.47</b>
<b>F. Hybrid Capital</b>									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
<b>G. Equity</b>									
1. Common Equity	1,173.2	878.0	8.78	748.0	7.51	703.6	7.37	386.6	6.56
2. Non-controlling Interest	29.9	22.4	0.22	17.6	0.18	23.0	0.24	9.8	0.17
3. Securities Revaluation Reserves	-14.7	-11.0	-0.11	-2.3	-0.02	-10.2	-0.11	-0.8	-0.01
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	-209.1	-156.5	-1.56	-125.2	-1.26	-45.3	-0.47	-10.7	-0.18
<b>6. Total Equity</b>	<b>979.3</b>	<b>732.9</b>	<b>7.33</b>	<b>638.1</b>	<b>6.41</b>	<b>671.1</b>	<b>7.03</b>	<b>384.9</b>	<b>6.53</b>
<b>7. Total Liabilities and Equity</b>	<b>13,366.0</b>	<b>10,003.1</b>	<b>100.00</b>	<b>9,955.6</b>	<b>100.00</b>	<b>9,540.8</b>	<b>100.00</b>	<b>5,895.0</b>	<b>100.00</b>
8. Memo: Fitch Core Capital	914.5	684.4	6.84	607.5	6.10	639.1	6.70	n.a.	-
9. Memo: Fitch Eligible Capital	914.5	684.4	6.84	607.5	6.10	639.1	6.70	n.a.	-

Exchange rate USD1 = EUR0.74840 USD1 = EUR0.69416 USD1 = EUR0.71855 USD1 = EUR0.67930

**Credit Europe Bank N.V.**

**Summary Analytics**

	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
	Year End	Year End	Year End	Year End
<b>A. Interest Ratios</b>				
1. Interest Income on Loans / Average Gross Loans	9.76	11.01	14.28	10.90
2. Interest Expense on Customer Deposits / Average Customer Deposits	3.47	5.01	5.41	4.07
3. Interest Income / Average Earning Assets	9.89	13.32	15.22	9.89
4. Interest Expense / Average Interest-bearing Liabilities	5.40	8.17	8.54	5.65
5. Net Interest Income / Average Earning Assets	3.91	4.12	6.34	4.50
6. Net Int. Inc Less Loan Impairment Charges / Av. Earning Assets	2.78	2.19	4.31	3.58
7. Net Interest Inc Less Preferred Stock Dividend / Average Earning Assets	3.91	4.12	6.34	4.50
<b>B. Other Operating Profitability Ratios</b>				
1. Non-Interest Income / Gross Revenues	29.60	28.15	13.88	18.03
2. Non-Interest Expense / Gross Revenues	53.97	50.05	53.23	54.20
3. Non-Interest Expense / Average Assets	2.48	2.35	3.44	2.82
4. Pre-impairment Op. Profit / Average Equity	31.07	36.66	43.12	36.09
5. Pre-impairment Op. Profit / Average Total Assets	2.12	2.35	3.02	2.39
6. Loans and securities impairment charges / Pre-impairment Op. Profit	44.22	67.31	59.53	39.53
7. Operating Profit / Average Equity	17.33	11.98	17.45	21.82
8. Operating Profit / Average Total Assets	1.18	0.77	1.22	1.44
9. Taxes / Pre-tax Profit	19.59	34.92	26.36	29.77
10. Pre-Impairment Operating Profit / Risk Weighted Assets	2.96	3.51	3.78	2.62
11. Operating Profit / Risk Weighted Assets	1.65	1.15	1.53	1.58
<b>C. Other Profitability Ratios</b>				
1. Net Income / Average Total Equity	15.05	7.80	12.85	15.32
2. Net Income / Average Total Assets	1.02	0.50	0.90	1.01
3. Fitch Comprehensive Income / Average Total Equity	19.38	4.29	9.77	11.28
4. Fitch Comprehensive Income / Average Total Assets	1.32	0.28	0.68	0.75
5. Net Income / Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income / Risk Weighted Assets	1.43	0.75	1.13	1.11
7. Fitch Comprehensive Income / Risk Weighted Assets	1.84	0.41	0.86	0.82
<b>D. Capitalization</b>				
1. Fitch Core Capital / Weighted Risks	9.59	8.99	9.65	n.a.
2. Fitch Eligible Capital / Weighted Risks	9.59	8.99	8.81	n.a.
3. Tangible Common Equity / Tangible Assets	6.88	6.12	6.72	6.44
4. Tier 1 Regulatory Capital Ratio	11.39	9.21	9.18	8.40
5. Total Regulatory Capital Ratio	13.26	12.57	12.41	12.46
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity / Total Assets	7.33	6.41	7.03	6.53
8. Cash Dividends Paid & Declared / Net Income	n.a.	n.a.	0.00	27.38
9. Cash Dividend Paid & Declared / Fitch Comprehensive Income	n.a.	n.a.	0.00	37.19
10. Cash Dividends & Share Repurchase / Net Income	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends / Total Equity	13.94	7.91	11.12	9.30
<b>E. Loan Quality</b>				
1. Growth of Total Assets	0.48	4.35	61.85	53.60
2. Growth of Gross Loans	11.27	-2.19	57.96	47.94
3. Impaired Loans (NPLs) / Gross Loans	4.55	4.64	3.20	2.45
4. Reserves for Impaired Loans / Gross loans	2.74	3.51	2.89	1.84
5. Reserves for Impaired Loans / Impaired Loans	60.20	75.62	90.18	75.23
6. Impaired Loans less Reserves for Imp Loans / Equity	14.86	9.59	2.59	5.51
7. Loan Impairment Charges / Average Gross Loans	1.66	2.87	2.93	1.45
8. Net Charge-offs / Average Gross Loans	0.84	0.51	0.16	0.76
9. Impaired Loans + Foreclosed Assets / Gross Loans + Foreclosed Assets	4.55	4.64	3.20	2.45
<b>F. Funding</b>				
1. Loans / Customer Deposits	83.76	74.87	81.29	88.55
2. Interbank Assets / Interbank Liabilities	70.52	46.73	77.51	272.52
3. Customer Deposits / Total Funding excl Derivatives	81.31	80.45	80.99	74.34

Credit Europe Bank N.V.  
Reference Data

	31 Dec 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
<b>A. Off-Balance Sheet Items</b>									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	414.6	310.3	3.10	n.a.	-	272.2	2.85	157.6	2.67
4. Acceptances and documentary credits reported off-balance sheet	499.1	373.5	3.73	n.a.	-	12.7	0.13	7.2	0.12
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	-	190.5	2.00	36.6	0.62
6. Other Contingent Liabilities	423.7	317.1	3.17	n.a.	-	828.4	8.68	372.8	6.32
7. Total Business Volume	14,703.4	11,004.0	110.01	9,955.6	100.00	10,844.6	113.67	6,469.2	109.74
8. Memo: Total Weighted Risks	9,540.4	7,140.0	71.38	6,759.8	67.90	7,253.1	76.02	4,429.3	75.14
9. Fitch Adjustments to Weighted Risks.	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Weighted Risks	9,540.4	7,140.0	71.38	6,759.8	67.90	7,253.1	76.02	4,429.3	75.14
<b>B. Average Balance Sheet</b>									
Average Loans	7,504.9	5,616.7	56.15	5,574.5	55.99	5,057.8	53.01	2,933.4	49.76
Average Earning Assets	11,037.9	8,260.8	82.58	8,286.9	83.24	7,264.2	76.14	4,619.3	78.36
Average Assets	13,327.0	9,973.9	99.71	10,107.7	101.53	8,283.0	86.82	4,866.4	82.55
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	12,236.8	9,158.0	91.55	9,330.9	93.73	7,544.7	79.08	4,408.8	74.79
Average Common equity	1,036.9	776.0	7.76	730.1	7.33	595.2	6.24	320.0	5.43
Average Equity	907.5	679.2	6.79	647.6	6.50	580.5	6.08	321.7	5.46
Average Customer Deposits	9,420.5	7,050.3	70.48	7,482.5	75.16	5,689.6	59.63	3,381.8	57.37
<b>C. Maturities</b>									
<b>Asset Maturities:</b>									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	1,091.9	11.44	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	1,171.1	12.27	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	3,106.6	32.56	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	188.8	1.98	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	21.6	0.23	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	41.3	0.43	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	847.4	8.88	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	86.7	0.91	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	18.9	0.20	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>Liability Maturities:</b>									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	2,735.3	28.67	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	3,051.9	31.99	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	1,014.7	10.64	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	601.0	6.30	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	353.6	3.71	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	274.9	2.88	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	135.6	1.42	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	135.6	1.42	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	1.0	0.01	n.a.	-
Subordinated Debt Maturing 1 - 5 Year	n.a.	n.a.	-	n.a.	-	230.0	2.41	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	315.6	236.2	2.36	223.5	2.24	231.1	2.42	179.6	3.05
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>D. Equity Reconciliation</b>									
1. Equity	979.3	732.9	7.33	638.1	6.41	671.1	7.03	384.9	6.53
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	979.3	732.9	7.33	n.a.	-	n.a.	-	n.a.	-
<b>E. Fitch Eligible Capital Reconciliation</b>									
1. Total Equity as reported (including non-controlling interests)	979.3	732.9	7.33	638.1	6.41	671.1	7.03	384.9	6.53
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	19.8	14.8	0.15	11.7	0.12	7.5	0.08	0.0	0.00
5. Other intangibles	20.3	15.2	0.15	10.7	0.11	8.2	0.09	3.5	0.06
6. Deferred tax assets deduction	24.7	18.5	0.18	8.2	0.08	16.3	0.17	2.1	0.04
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
9. Fitch Core Capital	914.5	684.4	6.84	607.5	6.10	639.1	6.70	n.a.	-
10. Eligible weighted Hybrid capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
12. Fitch Eligible Capital	914.5	684.4	6.84	607.5	6.10	639.1	6.70	n.a.	-

Exchange Rate

USD1 = EURO.74840

USD1 = EURO.69416

USD1 = EURO.71855

USD1 = EURO.67930

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 WEB SITE AT [WWW.FITCHRATINGS.COM](http://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 © 2011 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of Great Britain, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.