FitchRatings

Credit Europe Bank N.V.

Update

Key Rating Drivers

Prudent Balance-Sheet Management: Credit Europe Bank N.V.'s (CEB) franchise in commodity trade finance remains a rating strength, despite its limited diversification. Since 2018, CEB has been de-risking its balance sheet by reducing its volume of impaired loans and exposure to some emerging countries, which, along with higher interest rates, improved the bank's profitability. This has fed through to increased internal capital generation and higher capitalisation.

CEB's Viability Rating (VR) is one notch below the 'bb' implied VR, driven by the business profile score, which we assess at 'bb-'. The Positive Outlook reflects CEB's better asset quality and business profile strengthening, which support structural operating profitability improvement.

Geopolitical Tensions Affecting World Trade: Mounting geopolitical tensions, protectionist policies, and trade disputes signal likely disruptions ahead. Fitch Ratings expects these factors to contribute to a slowdown in world trade compared to the 3.7% growth achieved in 2024, thereby reducing the benefits associated with the easing monetary cycle.

Niche Trade Finance Bank: CEB has a niche trade finance and corporate lending franchise, with diversification into the retail segment in Romania. We expect the volatility of the bank's revenue to decrease over time, alongside its exposure to emerging countries. The bank's growth strategy, together with a controlled risk appetite and further cost optimisations, should support the strengthening of the business profile.

Accelerated De-Risking Strategy: The bank has adopted a more conservative risk approach over the past five years by reducing its exposure to cyclical sectors, countries affected by high volatility (e.g. Turkiye), or significant geopolitical developments (e.g. Russia). These measures led to a significant decline in CEB's non-performing assets (NPA) ratio and minimum capital requirements. We expect the bank to maintain an NPA ratio below 2% over the coming years.

Reduced NPAs; Improved Coverage: CEB has recently demonstrated satisfactory balance sheet management, although exposure to emerging markets add potential volatility to asset quality. The NPA ratio has remained below 2% for the past two years (from 7.2% at end-2020), helped by tightened underwriting policies, balance sheet de-risking and lending geared towards developed markets. The bank also materially improved its coverage of NPAs.

Improved Profitability: Since 2023, CEB's core profitability has materially improved, thanks to the increase in net interest income and lower loan impairment charges. We expect the bank to maintain an operating profit/risk-weighted assets (RWAs) ratio of above 2% in 2025 despite decreasing interest rates and potentially lower-than-expected trade volumes.

Capital Buffers Improving: CEB's common equity Tier 1 (CET1) ratio has consistently exceeded 15% over the past few years and capital encumbrance has materially reduced. Although the bank's capital size remains modest in nominal terms, its capital buffers recently improved, following the local regulator's decision to reduce its minimum capital requirements.

Moderately Stable Deposit Franchise: CEB is mainly funded through granular retail deposits, which are collected online mostly in Germany and the Netherlands. Corporate and interbank deposits are originated from CEB's trade-finance and corporate-banking operations. The bank has a large liquidity buffer, made of central banks' deposits and sovereign bonds. The short-term nature of its balance sheet also supports its capacity to meet its commitments.

CEG's IDRs Equalised with CEB's: Credit Europe Group N.V. (CEG) is the parent holding company of CEB, the group's main operating company and core bank. The ratings of CEG and CEB are equalised, as Fitch believes that the risk of default of these entities is substantially the same.

Ratings

Foreign Currency	
Long-Term IDR	BB-
Short-Term IDR	B
Viability Rating	bb-
Government Support Rating	ns
Sovereign Risk (Netherlands)	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Global Economic Outlook (March 2025)

EMEA Trade Finance Banks Resilient Despite Geopolitical Tensions (July 2024)

Fitch Affirms Credit Europe Bank at 'BB-'; Assigns Credit Europe Group 'BB-'; Outlooks Positive (March 2024)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The ratings would be downgraded if the macroeconomic environment weakens more than we expect, leading to a material asset-quality deterioration (with an NPA ratio increasing over 6%), weaker operating profitability (operating profit falling below 1% of RWAs on a sustained basis) or capital position (CET1 ratio materially below 13%).

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The ratings could be upgraded on broader business and revenue diversification, with a record of operating profit above 1.5% of RWAs through the cycle, including lower interest rates and growth prospects. A tested access to wholesale funding would also be rating positive. In addition, an upgrade would require a stable risk profile and asset quality, while capital remains materially above 13%.

Other Debt and Issuer Ratings

Rating level	Rating
Subordinated Tier 2	B

Source: Fitch Ratings

CEB's Tier 2 subordinated debt is rated two notches below the bank's VR, reflecting its poor recovery prospects.

Significant Changes from Last Review

Sustained Performance Despite Decreasing Interest Rates

CEB's 2024 performance was robust. The bank's net interest income proved resilient (+4% yoy, on a restated basis), despite a gradual decrease in interest rates pressuring the deposit margin. Sustained trade finance and lending volumes have supported revenue. Sound cost discipline (-2% yoy) generated a marginal increase of CEB's operating profit/RWAs ratio to 2.7% (up 10bp yoy), together with provisions reversals on several impaired exposures.

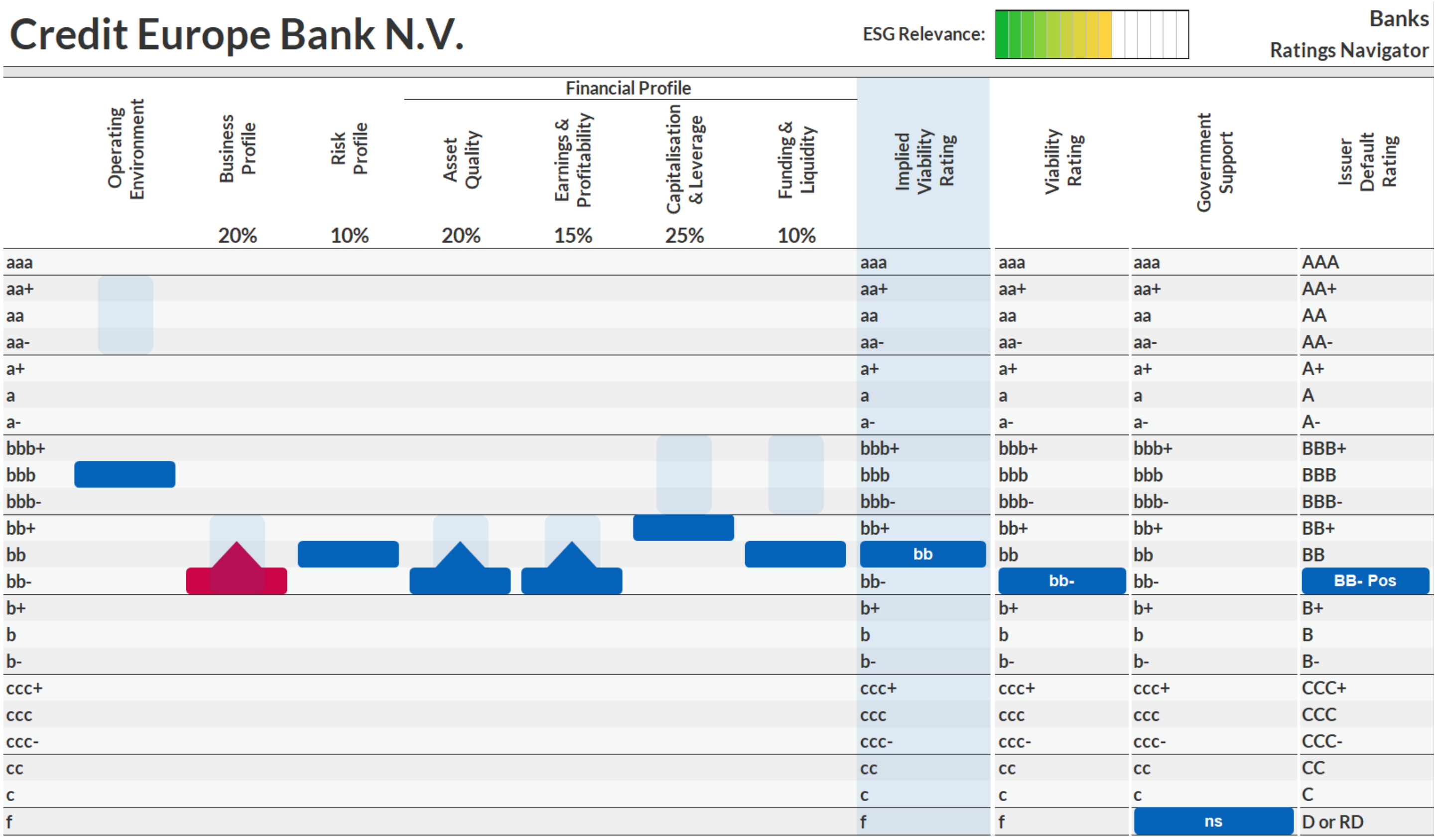
In December 2024, CEB completed the sale of a long-held repossessed asset in Turkiye, materially reducing the bank's repossessed asset portfolio to about EUR25 million. We expect this will in turn reduce the cost associated with running foreclosed assets and support the bank's efforts to decrease its cost/income ratio to below 60% (2024: 63%). The bank also maintained its NPA ratio at 1.4% in 2024 (end-2021: 4.7%) and has a satisfactory coverage ratio.

CEB finalised the branchification of its Romanian entity in January 2025. Romania's operations are now part of CEB, which we view positively in terms of risk management and cost efficiency.

In 2025, we anticipate continued business growth while effectively managing operating expenses and credit risks. However, the bank's performance could be impacted by a potential economic slowdown stemming from the implementation of tariffs, which may lead to a significant decline in global trade flows and deteriorating asset quality across different markets.

CEB's CET1 capital ratio slightly decreased to 15.8% at end-2024, down 70bp from end-2023, notably from RWA growth (+10% yoy). The bank's capital buffers remain comfortable, supported by lower regulatory requirements. We expect CEB to keep its CET1 ratio above 15% over 2025 and 2026.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of ‘bbb’ is below the category implied score of ‘aa’ due to the following adjustment reason: international operations (negative).

The capitalisation & leverage score of ‘bb+’ is below the category implied score of ‘bbb’ due to the following adjustment reason: size of the capital base (negative).

The funding & liquidity score of ‘bb’ is below the category implied score of ‘bbb’ due to the following adjustment reason: non-deposit funding (negative).

Financials

Financial Statements

	31 Dec 24		31 Dec 23	31 Dec 22	31 Dec 21
	Year end (USDm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified
Summary income statement					
Net interest and dividend income	166	160.2	201.1	127.9	90.9
Net fees and commissions	48	46.4	45.4	34.9	31.3
Other operating income	40	38.5	-2.9	34.1	51.2
Total operating income	255	245.1	243.6	196.9	173.4
Operating costs	160	154.1	157.9	148.8	150.0
Pre-impairment operating profit	95	91.0	85.7	48.1	23.4
Loan and other impairment charges	-13	-12.7	-3.9	3.4	-4.6
Operating profit	108	103.7	89.6	44.7	28.0
Tax	30	29.3	27.0	5.3	-9.4
Net income	77	74.4	62.6	39.4	37.4
Other comprehensive income	-2	-1.6	7.5	-43.2	2.5
Fitch comprehensive income	76	72.8	70.1	-3.8	39.9
Summary balance sheet					
Assets					
Gross loans	2,878	2,769.3	2,960.0	2,579.6	2,827.7
- Of which impaired	62	59.6	75.9	170.7	212.9
Loan loss allowances	36	35.1	49.0	73.1	58.6
Net loans	2,842	2,734.2	2,911.0	2,506.5	2,769.1
Interbank	880	846.7	321.4	460.5	283.4
Derivatives	171	165.0	110.2	113.0	69.6
Other securities and earning assets	506	487.0	380.8	453.1	767.1
Total earning assets	4,399	4,232.9	3,723.4	3,533.1	3,889.2
Cash and due from banks	1,317	1,267.1	1,639.4	1,103.7	934.6
Other assets	123	118.0	225.8	259.0	281.7
Total assets	5,839	5,618.0	5,588.6	4,895.8	5,105.5
Liabilities					
Customer deposits	4,369	4,203.9	4,031.2	3,417.0	3,326.0
Interbank and other short-term funding	296	284.8	505.5	441.2	799.1
Other long-term funding	106	101.7	124.3	141.8	132.7
Trading liabilities and derivatives	238	229.3	136.6	150.6	87.9
Total funding and derivatives	5,009	4,819.7	4,797.6	4,150.6	4,345.7
Other liabilities	77	74.1	87.8	78.7	63.1
Preference shares and hybrid capital	50	47.7	45.3	46.9	44.2
Total equity	703	676.5	657.9	619.6	652.5
Total liabilities and equity	5,839	5,618.0	5,588.6	4,895.8	5,105.5
Exchange rate		USD1 = EUR0.962186	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, CEB

Key Ratios

	31 Dec 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%)				
Profitability				
Operating profit/risk-weighted assets	2.7	2.6	1.3	0.7
Net interest income/average earning assets	4.1	5.7	3.4	2.4
Non-interest expense/gross revenue	62.9	64.8	74.7	83.8
Net income/average equity	11.0	9.8	6.3	5.9
Asset quality				
Impaired loans ratio	2.2	2.6	6.6	7.5
Growth in gross loans	-6.4	14.8	-8.8	6.0
Loan loss allowances/impaired loans	58.9	64.6	42.8	27.5
Loan impairment charges/average gross loans	-0.5	-0.1	0.1	-0.2
Capitalisation				
Common equity Tier 1 ratio	15.8	16.5	15.2	15.1
Tangible common equity/tangible assets	11.5	10.8	11.2	11.4
Basel leverage ratio	11.9	10.9	11.5	12.0
Net impaired loans/common equity Tier 1 capital	4.0	4.6	18.6	27.1
Funding and liquidity				
Gross loans/customer deposits	65.9	73.4	75.5	85.0
Liquidity coverage ratio	444.0	578.0	524.0	397.0
Customer deposits/total non-equity funding	90.6	85.7	84.4	77.3
Net stable funding ratio	205.0	192.0	177.0	159.0

Source: Fitch Ratings, Fitch Solutions, CEB

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Neutral
Ownership	Negative

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

No Government Support

CEB's Government Support Rating (GSR) of 'no support' reflects Fitch's view that, although external extraordinary sovereign support is possible, it cannot be relied on. Senior creditors can no longer expect to receive full extraordinary support from the sovereign in the event the bank becomes non-viable. This is because the EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that requires senior creditors participating in losses, if necessary, instead of or ahead of a bank receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings **Credit Europe Bank N.V.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Credit Europe Bank N.V. has 5 ESG potential rating drivers
- Credit Europe Bank N.V. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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