

# CJSC Dexia Bank

## Full Rating Report

### Ratings

#### Foreign Currency

Long-Term IDR	BBB-
Short-Term IDR	F3

#### Local Currency

Long-Term IDR	BBB-
Short-Term IDR	F3

National Long-Term Rating	AA+(rus)
Support Rating	2

#### Sovereign Risk

Long-Term Foreign-Currency IDR	BBB
Long-Term Local-Currency IDR	BBB
Country Ceiling	BBB+

### Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Local-Currency IDR	Positive

### Financial Data

#### CJSC Dexia Bank

	30 Sep 11	31 Dec 10
Total assets (USDm)	264.2	233.8
Total equity (USDm)	50.0	47.3
Net income (USDm)	5.7	5.5
ROAA (%)	3.1	2.8
ROAE (%)	15.7	12.3
Capital adequacy (regulatory) (%)	31.6	35.3

### Key Rating Drivers

**Parental Support:** The ratings of CJSC Dexia Bank (DR) are driven by potential support from the bank's shareholder, Denizbank A.S. (Denizbank, 'BBB-/Stable', Viability Rating 'bbb-'). Denizbank directly owns 49% of DR, while its 100%-owned Austrian subsidiary holds the remaining 51%.

**Integrated with Parent:** DR is a small bank, ranked 257<sup>th</sup> in Russia by total assets at end-Q311. It is highly integrated with its parent, including for operational processes, risk management and business origination, with Denizbank setting DR's limits and procedures. The fact that DR helps support the servicing of Denizbank's domestic clients and their subsidiaries reduces the risk that a new owner of Denizbank would sell DR.

**Dexia not Factored In:** Denizbank is currently 100% owned by Belgium-based Dexia ('A+/Stable'). On 12 October 2011, Denizbank announced that Dexia has started exploring potential strategic steps regarding Denizbank. Fitch Ratings' base-case scenario is that Dexia will sell Denizbank. The agency considers DR as not strategically important to Dexia and does not factor any support from Dexia into DR's ratings.

**Lending to Turkish Subsidiaries:** DR's loan portfolio has a clear focus on the subsidiaries of Turkish companies and companies owned by Turkish nationals. Most borrowers are the group's clients on a global level or have long-term relationships with Denizbank. During 2010, the loan balance increased by 91%, mainly as a result of increases in existing borrowers' limits. In 9M11, the volume of loans was almost unchanged.

**Sound Loan Portfolio:** Denizbank guaranteed 69% of DR's loan book at end-Q311. Non-performing loans accounted for a marginal 0.8% of the gross loan book at end-Q311, fully covered by reserves.

**Highly Concentrated Balance Sheet:** Both the loan book and the funding base of the bank are substantially concentrated. At end-Q311, the top 20 borrowers accounted for 96% of the total portfolio. DR attracts deposits from the parent as they are currently the cheapest source of financing, while corporate deposits are volatile and the retail franchise is limited. The loan/deposit ratio increased to 254% at end-Q311 from 135% at end-2009. One of the bank's long-term goals is to diversify its funding base.

**Substantial Capitalisation:** Relatively modest growth in 2011, cheap funding and good asset quality allowed DR to maintain its local capital ratio at 31.6% at end-Q311. At the same date, 19% of the total regulatory capital consisted of subordinated loans from Denizbank.

### What Could Trigger a Rating Action

**Reduced Importance to Denizbank:** DR could be downgraded if a new Denizbank owner indicated reduced commitment to the Russian subsidiary's development. A sale of DR by Denizbank could result in a multi-notch downgrade.

**Limited Upgrade Potential:** Denizbank's Long-Term IDR is already at Turkey's Country Ceiling, and so would not be upgraded even in case of acquisition by a strong new shareholder. This in turn limits the potential for an upgrade of DR, even if the new owner were to reaffirm Denizbank's commitment to its Russian subsidiary.

### Related Research

[Denizbank A.S \(June 2011\)](#)

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**CJSC Dexia Bank  
Income Statement**

	30 Sep 2011			31 Dec 2010		31 Dec 2009	
	9 Months - 3rd Quarter	9 Months - 3rd Quarter	As % of	Year End	As % of	Year End	As % of
	USDm	USDm	Earning	USDm	Earning	USDm	Earning
	Unqualified	Unqualified	Assets	Unqualified	Assets	Unqualified	Assets
1. Interest Income on Loans	8.7	8.7	4.64	8.7	4.07	7.5	5.17
2. Other Interest Income	2.7	2.7	1.44	1.4	0.65	4.0	2.76
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-
<b>4. Gross Interest and Dividend Income</b>	<b>11.4</b>	<b>11.4</b>	<b>6.08</b>	<b>10.1</b>	<b>4.72</b>	<b>11.5</b>	<b>7.93</b>
5. Interest Expense on Customer Deposits	0.5	0.5	0.27	0.6	0.28	0.4	0.28
6. Other Interest Expense	2.1	2.1	1.12	1.1	0.51	2.3	1.59
<b>7. Total Interest Expense</b>	<b>2.6</b>	<b>2.6</b>	<b>1.39</b>	<b>1.7</b>	<b>0.79</b>	<b>2.7</b>	<b>1.86</b>
<b>8. Net Interest Income</b>	<b>8.8</b>	<b>8.8</b>	<b>4.70</b>	<b>8.4</b>	<b>3.93</b>	<b>8.8</b>	<b>6.06</b>
9. Net Gains (Losses) on Trading and Derivatives	1.6	1.6	0.85	1.6	0.75	5.3	3.65
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-
11. Net Gains (Losses) on Assets at FV through Income Statement	-0.1	-0.1	-0.05	-0.1	-0.05	-0.1	-0.07
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	1.1	1.1	0.59	1.6	0.75	1.0	0.69
14. Other Operating Income	0.0	0.0	0.00	0.1	0.05	-0.6	-0.41
<b>15. Total Non-Interest Operating Income</b>	<b>2.6</b>	<b>2.6</b>	<b>1.39</b>	<b>3.2</b>	<b>1.50</b>	<b>5.6</b>	<b>3.86</b>
16. Personnel Expenses	2.4	2.4	1.28	2.3	1.08	5.1	3.51
17. Other Operating Expenses	1.5	1.5	0.80	2.5	1.17	7.6	5.24
<b>18. Total Non-Interest Expenses</b>	<b>3.9</b>	<b>3.9</b>	<b>2.08</b>	<b>4.8</b>	<b>2.24</b>	<b>12.7</b>	<b>8.75</b>
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-
<b>20. Pre-Impairment Operating Profit</b>	<b>7.5</b>	<b>7.5</b>	<b>4.00</b>	<b>6.8</b>	<b>3.18</b>	<b>1.7</b>	<b>1.17</b>
21. Loan Impairment Charge	-0.2	-0.2	-0.11	-0.1	-0.05	1.2	0.83
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-
<b>23. Operating Profit</b>	<b>7.7</b>	<b>7.7</b>	<b>4.11</b>	<b>6.9</b>	<b>3.23</b>	<b>0.5</b>	<b>0.34</b>
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	2.1	1.45
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-
<b>29. Pre-tax Profit</b>	<b>7.7</b>	<b>7.7</b>	<b>4.11</b>	<b>6.9</b>	<b>3.23</b>	<b>2.6</b>	<b>1.79</b>
30. Tax expense	2.0	2.0	1.07	1.4	0.65	1.0	0.69
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-
<b>32. Net Income</b>	<b>5.7</b>	<b>5.7</b>	<b>3.04</b>	<b>5.5</b>	<b>2.57</b>	<b>1.6</b>	<b>1.10</b>
33. Change in Value of AFS Investments	n.a.	n.a.	-	0.2	0.09	4.6	3.17
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	0.3	0.14	-1.1	-0.76
36. Remaining OCI Gains/ (losses)	n.a.	n.a.	-	n.a.	-	n.a.	-
<b>37. Fitch Comprehensive Income</b>	<b>5.7</b>	<b>5.7</b>	<b>3.04</b>	<b>6.0</b>	<b>2.81</b>	<b>5.1</b>	<b>3.51</b>
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	5.7	5.7	3.04	5.5	2.57	1.6	1.10
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = USD1.00000

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**CJSC Dexia Bank  
Balance Sheet**

	30 Sep 2011		As % of Assets	31 Dec 2010		31 Dec 2009		
	9 Months - 3rd Quarter USDm	9 Months - 3rd Quarter USDm		Year End USDm	As % of Assets	Year End USDm	As % of Assets	
<b>Assets</b>								
<b>A. Loans</b>								
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	
5. Other Loans	156.7	156.7	59.31	155.4	66.47	83.0	52.23	
6. Less: Reserves for Impaired Loans/ NPLs	1.3	1.3	0.49	1.5	0.64	1.6	1.01	
<b>7. Net Loans</b>	<b>155.4</b>	<b>155.4</b>	<b>58.82</b>	<b>153.9</b>	<b>65.83</b>	<b>81.4</b>	<b>51.23</b>	
<b>8. Gross Loans</b>	<b>156.7</b>	<b>156.7</b>	<b>59.31</b>	<b>155.4</b>	<b>66.47</b>	<b>83.0</b>	<b>52.23</b>	
9. Memo: Impaired Loans included above	n.a.	n.a.	-	n.a.	-	n.a.	-	
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	
<b>B. Other Earning Assets</b>								
1. Loans and Advances to Banks	47.6	47.6	18.02	50.1	21.43	38.1	23.98	
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	
3. Trading Securities and at FV through Income	n.a.	n.a.	-	n.a.	-	n.a.	-	
4. Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	
5. Available for Sale Securities	47.5	47.5	17.98	9.9	4.23	25.6	16.11	
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	
7. At-equity Investments in Associates	n.a.	n.a.	-	n.a.	-	n.a.	-	
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	
<b>9. Total Securities</b>	<b>47.5</b>	<b>47.5</b>	<b>17.98</b>	<b>9.9</b>	<b>4.23</b>	<b>25.6</b>	<b>16.11</b>	
10. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-	
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	
<b>15. Total Earning Assets</b>	<b>250.5</b>	<b>250.5</b>	<b>94.81</b>	<b>213.9</b>	<b>91.49</b>	<b>145.1</b>	<b>91.32</b>	
<b>C. Non-Earning Assets</b>								
1. Cash and Due From Banks	11.4	11.4	4.31	17.4	7.44	9.6	6.04	
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	
4. Fixed Assets	0.3	0.3	0.11	0.4	0.17	0.5	0.31	
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	
6. Other Intangibles	1.6	1.6	0.61	1.8	0.77	2.5	1.57	
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	0.4	0.25	
8. Deferred Tax Assets	n.a.	n.a.	-	n.a.	-	0.5	0.31	
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	
10. Other Assets	0.4	0.4	0.15	0.3	0.13	0.3	0.19	
<b>11. Total Assets</b>	<b>264.2</b>	<b>264.2</b>	<b>100.00</b>	<b>233.8</b>	<b>100.00</b>	<b>158.9</b>	<b>100.00</b>	
<b>Liabilities and Equity</b>								
<b>D. Interest-Bearing Liabilities</b>								
1. Customer Deposits - Current	51.9	51.9	19.64	35.3	15.10	38.7	24.35	
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	
3. Customer Deposits - Term	9.2	9.2	3.48	16.0	6.84	21.6	13.59	
<b>4. Total Customer Deposits</b>	<b>61.1</b>	<b>61.1</b>	<b>23.13</b>	<b>51.3</b>	<b>21.94</b>	<b>60.3</b>	<b>37.95</b>	
5. Deposits from Banks	142.4	142.4	53.90	124.8	53.38	45.2	28.45	
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	
7. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	n.a.	-	
<b>8. Total Deposits, Money Market and Short-term Funding</b>	<b>203.5</b>	<b>203.5</b>	<b>77.02</b>	<b>176.1</b>	<b>75.32</b>	<b>105.5</b>	<b>66.39</b>	
9. Senior Debt Maturing after 1 Year	0.0	0.0	0.00	0.0	0.00	0.0	0.00	
10. Subordinated Borrowing	10.4	10.4	3.94	10.0	4.28	10.5	6.61	
11. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	
<b>12. Total Long Term Funding</b>	<b>10.4</b>	<b>10.4</b>	<b>3.94</b>	<b>10.0</b>	<b>4.28</b>	<b>10.5</b>	<b>6.61</b>	
13. Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	
14. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	
<b>15. Total Funding</b>	<b>213.9</b>	<b>213.9</b>	<b>80.96</b>	<b>186.1</b>	<b>79.60</b>	<b>116.0</b>	<b>73.00</b>	
<b>E. Non-Interest Bearing Liabilities</b>								
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	
3. Reserves for Pensions and Other	n.a.	n.a.	-	n.a.	-	n.a.	-	
4. Current Tax Liabilities	0.2	0.2	0.08	0.2	0.09	n.a.	-	
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	
9. Other Liabilities	0.1	0.1	0.04	0.2	0.09	0.9	0.57	
<b>10. Total Liabilities</b>	<b>214.2</b>	<b>214.2</b>	<b>81.07</b>	<b>186.5</b>	<b>79.77</b>	<b>116.9</b>	<b>73.57</b>	
<b>F. Hybrid Capital</b>								
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	
<b>G. Equity</b>								
1. Common Equity	58.6	58.6	22.18	52.9	22.63	48.3	30.40	
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	
3. Securities Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	
5. Fixed Asset Revaluations and Other Accumulated OCI	-8.6	-8.6	-3.26	-5.6	-2.40	-6.3	-3.96	
<b>6. Total Equity</b>	<b>50.0</b>	<b>50.0</b>	<b>18.93</b>	<b>47.3</b>	<b>20.23</b>	<b>42.0</b>	<b>26.43</b>	
<b>7. Total Liabilities and Equity</b>	<b>264.2</b>	<b>264.2</b>	<b>100.00</b>	<b>233.8</b>	<b>100.00</b>	<b>158.9</b>	<b>100.00</b>	
8. Memo: Fitch Core Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	

Exchange rate

USD1 = USD1.00000

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**CJSC Dexia Bank  
Summary Analytics**

	30 Sep 2011	31 Dec 2010	31 Dec 2009
	9 Months - 3rd Quarter	Year End	Year End
<b>A. Interest Ratios</b>			
1. Interest Income on Loans/ Average Gross Loans	7.43	7.30	10.29
2. Interest Expense on Customer Deposits/ Average Customer Deposits	1.19	1.08	0.69
3. Interest Income/ Average Earning Assets	6.56	5.63	7.43
4. Interest Expense/ Average Interest-bearing Liabilities	1.74	1.13	2.02
5. Net Interest Income/ Average Earning Assets	5.07	4.68	5.69
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	5.18	4.74	4.91
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	5.07	4.68	5.69
<b>B. Other Operating Profitability Ratios</b>			
1. Non-Interest Income/ Gross Revenues	22.81	27.59	38.89
2. Non-Interest Expense/ Gross Revenues	34.21	41.38	88.19
3. Non-Interest Expense/ Average Assets	2.09	2.44	7.30
4. Pre-impairment Op. Profit/ Average Equity	20.59	15.21	4.30
5. Pre-impairment Op. Profit/ Average Total Assets	4.03	3.46	0.98
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	-2.67	-1.47	70.59
7. Operating Profit/ Average Equity	21.14	15.44	1.27
8. Operating Profit/ Average Total Assets	4.13	3.51	0.29
9. Taxes/ Pre-tax Profit	25.97	20.29	38.46
10. Pre-impairment Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.
11. Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.
<b>C. Other Profitability Ratios</b>			
1. Net Income/ Average Total Equity	15.65	12.30	4.05
2. Net Income/ Average Total Assets	3.06	2.80	0.92
3. Fitch Comprehensive Income/ Average Total Equity	15.65	13.42	12.91
4. Fitch Comprehensive Income/ Average Total Assets	3.06	3.05	2.93
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	n.a.	n.a.	n.a.
7. Fitch Comprehensive Income/ Risk Weighted Assets	n.a.	n.a.	n.a.
<b>D. Capitalization</b>			
1. Fitch Core Capital/Weighted Risks	n.a.	n.a.	n.a.
2. Fitch Eligible Capital/ Weighted Risks	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	18.43	19.61	25.26
4. Tier 1 Regulatory Capital Ratio	24.70	26.80	n.a.
5. Total Regulatory Capital Ratio	30.60	35.30	n.a.
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.
7. Equity/ Total Assets	18.93	20.23	26.43
8. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	n.a.	n.a.	n.a.
10. Cash Dividends & Share Repurchase/ Net Income	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	15.24	11.63	3.81
<b>E. Loan Quality</b>			
1. Growth of Total Assets	13.00	47.14	-15.88
2. Growth of Gross Loans	0.84	87.23	32.17
3. Impaired Loans(NPLs)/ Gross Loans	n.a.	n.a.	n.a.
4. Reserves for Impaired Loans/ Gross loans	0.83	0.97	1.93
5. Reserves for Impaired Loans/ Impaired Loans	n.a.	n.a.	n.a.
6. Impaired Loans less Reserves for Imp Loans/ Equity	n.a.	n.a.	n.a.
7. Loan Impairment Charges/ Average Gross Loans	-0.17	-0.08	1.65
8. Net Charge-offs/ Average Gross Loans	n.a.	n.a.	n.a.
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	n.a.	n.a.	n.a.
<b>F. Funding</b>			
1. Loans/ Customer Deposits	256.46	302.92	137.65
2. Interbank Assets/ Interbank Liabilities	33.43	40.14	84.29
3. Customer Deposits/ Total Funding excl Derivatives	28.56	27.57	51.98

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