

Fitch Affirms Piraeus Bank Egypt at 'AA(egy)'; Outlook Stable

Fitch Ratings-London-9 November 2007: Fitch Ratings has today affirmed Egypt-based Piraeus Bank Egypt's (PBE) ratings at National Long-term 'AA(egy)' and National Short-term 'F1+(egy)'. Its Support rating is affirmed at '3'. The Outlook on the Long-term National Rating remains Stable.

PBE's ratings are based on the moderate probability of support that would be available from its parent, Greece-based Piraeus Bank (PB, rated 'BBB+' / Outlook Positive). Since acquisition in July 2005, the level of integration between PBE and its parent has increased, evidenced by support in terms of capital for expansion and the use of PB's expertise in systems, policies and controls.

Like many other banks in Egypt, PBE has historically had asset quality problems dating from the difficult operating conditions that prevailed in the country in the early 2000s. In 2006 and the first half of 2007, the bank's non-performing loan ratio improved, partly due to a combination of recoveries and write-offs and also due to expansion of its loan portfolio, which almost doubled between December 2005 and June 2007.

The Egyptian economic environment has shown steady improvement since 2004, and PBE is expanding rapidly. The bank has shown improvement in revenue generation, although high expansion costs and ongoing provisioning expenses are likely to constrain bottom-line profitability in the medium-term.

PBE's parent injected capital of EGP296.2m during 2007 to fund the bank's expansion, and further capital injections are likely in 2008.

PBE is a small Egyptian bank, accounting for 0.9% of system assets and with a franchise mainly in the corporate sector, although it is planning rapid expansion into the retail sector.

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