

# Fitch Ratings

Fitch Downgrades T Bank's Long-term IDR to 'B-'; Maintains Watch Evolving  
29 Oct 2010

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Fitch Ratings-London/Barcelona/Milan-29 October 2010: Fitch Ratings has downgraded T Bank S.A.'s (T Bank, formerly Aspis Bank) Long-term Issuer Default Rating (IDR) to 'B-' from 'B'. The Long-term IDR remains on Rating Watch Evolving (RWE). At the same time, the agency has placed T Bank's Short-term IDR of 'B' on Rating Watch Negative (RWN). A full list of rating actions is included at the end of this comment.

The downgrade reflects the bank's difficulties in containing ongoing operating losses as well as its deteriorating capitalisation and strained liquidity profile. This is despite the EUR48.4m capital increase in April 2010 from TT Hellenic Postbank S.A. (Postbank; 34.04% owned by the Greek state, rated 'BBB-/Negative) when it acquired a 32.9% stake in the bank following the capital increase (see 'Fitch Revises Watch on Aspis Bank to Evolving on Capital Increase', 23 April 2010).

The RWE reflects the agency's opinion that T Bank is likely to be downgraded further if capital is not significantly strengthened. Conversely, should Postbank - or other third-parties - provide further support for T Bank, notably by providing additional capital support and/or acquiring a majority stake in the bank, then this could lead to upside potential for T Bank's ratings.

The future involvement of the Greek state, which is currently the largest shareholder in Postbank is, in Fitch's view, uncertain, reflected in the recently withdrawn bid by one of Greece's largest banks for the government stake in Postbank and the government's stated intention to reassess its stake in Postbank (and other Greek institutions). As a result, Postbank has not yet formulated a clear strategic plan for its stake in T Bank and Fitch expects this uncertainty to continue in the short-term.

T Bank continued to be loss-making in H110, largely as a result of subdued revenue generation due to negative loan growth and still high loan impairment charges (190bp of gross loans in H110) due to still weakening asset quality. As a result, T Bank's capital ratios have been eroded to 5.5% (tier 1) and 9.2% (total capital ratio) at end-H110, only marginally above the regulatory requirement. Assuming an unchanged loss rate for H210, T Bank would be in breach of the regulatory capital ratio at end-Q310, indicating an urgent need for additional capital.

T Bank's stand-alone funding and liquidity position is in Fitch's opinion severely strained, evidenced by a sizeable reduction in customer deposits in Q110, considerable utilisation of ECB funding and the lack of further ECB-eligible unencumbered assets. However, Postbank provides significant funding facilities to T Bank and the involvement of Postbank has also led to a sizeable increase in customer deposits in Q310, easing funding and liquidity pressures to some extent.

T Bank, the 11th-largest Greek bank by end-2009 assets, is a domestically orientated former mortgage bank. Postbank, established in 1900 as part of the Hellenic Post office, is the seventh largest Greek bank by assets at end-2009 and is focused on retail banking. It has a nationwide network of 146 branches, supported by around 840 post offices distributing Postbank products. As of end-2009, the Greek state held 34% of Postbank's shares, with the Greek Post Office owning 10%, domestic institutional investors 20.5%, foreign institutional investors 7.7% and the balance being held by private investors.

T Bank S.A.:

Long-term IDR: downgraded to 'B-' from 'B'; Rating Watch Evolving maintained

Short-term IDR: 'B'; placed on Rating Watch Negative

Individual Rating: affirmed at 'E'

Support Rating: affirmed at '5'

Support Rating Floor: affirmed at 'No Floor'

Lower tier 2 notes: affirmed at 'CCC'/RR6'

Tier 1 hybrid notes: affirmed at 'CC'/RR6'

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Further information is available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria, 'Global Financial Institution Criteria', dated 16 August 2010, and 'Rating Hybrid Securities', dated 29 December 2009, and 'Equity Credit for Hybrids & Other Capital Securities', dated 29 December 2009, are available at [www.fitchratings.com](http://www.fitchratings.com).

**Applicable Criteria and Related Research:**

[Global Financial Institutions Rating Criteria](#)

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