

## FITCH AFFIRMS THREE ROMANIAN BANKS' RATINGS

Fitch Ratings-London/Istanbul-19 July 2012: Fitch Ratings has affirmed the Long-term Issuer Default Ratings (IDR) of three Romanian banks: UniCredit Tiriac Bank S.A. (UCTB) at 'BBB+', Negative Outlook; Banca Transilvania S.A. (BT) at 'BB-', Stable Outlook and ProCredit Bank Romania (PCBR) at 'BB+', Stable Outlook. A full list of rating actions is listed at the end of this document.

### RATING DRIVERS AND SENSITIVITIES: UCTB'S IDR AND SUPPORT RATING

The affirmation of UCTB's IDRs and Support Rating reflects Fitch's continued view that the bank's ultimate parent, UniCredit S.p.A. (UC; 'A-/Negative), would be likely to have a strong propensity to support UCTB through UC's fully owned subsidiary, UniCredit Bank Austria AG ('A'/Stable). This view takes into account the continued high strategic importance of the Central and Eastern Europe region for UC. The Negative Outlook on UCTB's Long-term IDR reflects that on the parent.

The IDRs could be downgraded if UC was downgraded, or if Romania ('BBB-/Stable) was downgraded and hence the Romanian Country Ceiling ('BBB+'). However, the latter is not currently expected, as reflected by the Stable Outlook on the rating.

### RATING DRIVERS AND SENSITIVITIES: UCTB'S VIABILITY RATING

UCTB's 'bb-' Viability Rating (VR) reflects the pressure on its profitability from rising loan impairment charges (LICs), rising NPL ratios, lending concentrations in fragile sectors including real estate and construction, and reliance on its parent for funding and its moderate capital levels. The rating also takes into account UCTB's good efficiency, limited market risk and comfortable liquidity.

An upgrade of the VR is unlikely in the short term. A downgrade could result from continued deterioration in asset quality, leading to further weakness in profitability and capitalisation.

### RATING DRIVERS AND SENSITIVITIES: BT'S IDR, VIABILITY RATING AND SUPPORT RATING FLOOR

BT's Long-Term IDR is driven by its individual strength, reflected in its VR of 'bb-'. The VR reflects the bank's strong deposit funding base, improving profitability and lower share of foreign-currency lending. Capitalisation is adequate and internal capital generation is sound.

BT's Support Rating of '3' and Support Rating Floor of 'BB-' reflect the bank's systemic importance as the largest domestically-owned private bank with a nationwide franchise in Romania, as a result of which Fitch believes there to be a moderate likelihood that the Romanian authorities would provide support if necessary.

BT's VR and Long-term IDR could be upgraded if there were sustained improvements in asset quality supported by a recovery in the macroeconomic environment, and continued sound performance. Downside risk to the VR could come primarily from a major deterioration in asset quality, leading to a substantial worsening of capitalisation, which is not likely, in Fitch's view.

The Long-term IDR would come under downward pressure only if there was both a downgrade of the VR and a downward revision of Fitch's expectation of sovereign support for the bank, for example should timely support not be made available if required.

### RATING DRIVERS AND SENSITIVITIES: PCBR'S LONG-TERM IDRS AND SUPPORT RATING

PCBR's Long-Term IDRs and Support Rating reflect Fitch's opinion of potential support from its main shareholder, ProCredit Holding AG & Co KGaA (PCH, 'BBB-/Stable), given PCH's history of support for its bank subsidiaries and PCBR's advanced integration into the group. The ratings

could be upgraded or downgraded if PCH's ratings changed.

#### RATING DRIVERS AND SENSITIVITIES: PCBR's VR

PCBR's 'b' VR considers the bank's small market size in Romania and increasing market competition, improving but weak profitability mainly due to its low operating efficiency and only acceptable capitalisation given the low internal capital generation. The bank's VR also reflects good asset quality (with 90 day overdue loans equalling 4.2% of gross loans at end-Q112, 3% at end-2010) and conservative provisioning of impaired loans which reflects the risk management culture of the group. Fitch still expects some asset quality deterioration due to the modest growth prospects for the Romanian economy and migration of restructured loans (14.2% of gross loans at end-Q112, of which 69% were not included in the doubtful and loss regulatory categories).

The VR could be downgraded if any negative performance was not balanced by a material increase in capitalisation. A significant and sustainable improvement in core profitability and asset quality in addition to improved franchise could lead to an upgrade of the VR.

The Romanian banking system continues to suffer from weak economic activity at home and in the region. Following two consecutive years of sharp contraction, GDP grew by 2.5% in 2011 (2012 forecast for GDP growth: 1.3%). However loan demand, especially from individuals, is still weak. Exposure to turmoil in Greece and structural weaknesses remain potential risks. Despite the loose monetary policy of the Central Bank, funding costs are increasing because of still significant external borrowings, although the sector loan to deposit ratio has fallen to 118% at end-Q112 from 131% at end-2008, and increasing competition for local customer deposits.

GDP contraction negatively affected asset quality and resulted in a steep increase in NPLs (loans overdue by 90 days or more) which are yet to peak. The NPL ratio was 15.9% at end-Q112 compared to 11.9% at end-2010, and the banking system reported net losses in 2011, mainly due to loan impairment. The high level of foreign currency lending, often to un-hedged borrowers, coupled with long maturities of retail loans, are sources of potential asset-quality risk. However, the capitalisation of the Romanian banking sector is adequate and the liquidity position remained sound even at the bottom of the economic cycle. In Fitch's view, a stabilisation of the banking system performance is likely in 2012-2013 as NPLs should start to plateau in a slightly more benign operating environment, but a marked recovery is not expected.

The rating actions are as follows:

#### UniCredit Tiriac Bank S.A.:

Long-term foreign currency IDR: affirmed at 'BBB+'; Outlook Negative

Short-term foreign currency IDR: affirmed at 'F2'

Support Rating: affirmed at '2'

Viability Rating: affirmed at 'bb-'

#### Banca Transilvania S.A.:

Long-term foreign currency IDR: affirmed at 'BB-'; Outlook Stable

Short-term foreign currency IDR: affirmed at 'B'

Support Rating: affirmed at '3'

Viability Rating: affirmed at 'bb-'

Support Rating Floor: affirmed at 'BB-'

#### ProCredit Bank (Romania):

Long-term foreign currency IDR: affirmed at 'BB+'; Outlook Stable

Short-term foreign currency IDR: affirmed at 'B'

Long-term local currency IDR: affirmed at 'BB+'; Outlook Stable

Short-term local currency IDR: affirmed at 'B'

Support Rating: affirmed at '3'

Viability Rating: affirmed at 'b'

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Additional information is available at [www.fitchratings.com](http://www.fitchratings.com). The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, 'Global Financial Institutions Rating Criteria' dated 16 August 2011 and 'Country Ceilings' dated 15 August 2011 available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:  
Global Financial Institutions Rating Criteria  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=649171](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649171)  
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