UniCredit Tiriac Bank S.A.

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB+
Short-Term IDR	F2
Viability Rating	bb−
Support Rating	2
Individual Rating	D

Sovereign Risk

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

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Financial Data

UniCredit Tiriac Bank S.A.

	31 Dec 10	31 Dec 09
Total assets (USDm)	6,492.2	6,959.9
Total assets (RONm)	20,804.4	20,435.0
Total equity (RONm)	2,378.2	2,178.0
Operating profit (RONm)	204.5	388.0
Published net income (RONm)	171.2	329.0
Operating ROAA (%)	1.0	2.1
Operating ROAE (%)	8.9	19.4
Fitch core capital/ weighted risks (%)	14.1	12.9
Total regulatory capital ratio (%)	12.5	11.7

Related Research

Fitch Upgrades Romania to 'BBB-'; Outlook Stable (July 2011)

Analysts

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Key Rating Drivers

Support-Driven Ratings: The IDRs and Support Rating of UniCredit Tiriac Bank S.A. (UCTB) reflect the support that Fitch Ratings believes it can expect to receive from its ultimate parent, UniCredit S.p.A. (UC; 'A'/Stable), through its fully owned subsidiary, UniCredit Bank Austria AG (UCBA; 'A'/Stable).

Limited Standalone Strength: The Viability Rating reflects rising loan impairment charges (LICs), loan concentrations in the construction and real estate sectors, and UCTB's reliance on its parent for funding. The rating also takes into account UCTB's sound core profitability, good efficiency compared with peers and comfortable liquidity.

Sustained Core Profitability: The bank has managed to protect its margins and pre-impairment profit despite the volatile economic environment. Cost management is effective, and efficiency ratios compare well with those of peers. LICs continue to be the main constraint on performance. Fitch considers that UCTB's main challenge is to achieve good asset quality.

Loan Book Concentrations: UCTB primarily focuses on corporate banking; its retail product range entirely comprises mortgages. Fitch notes that there are concentrations in the loan book, especially to the real estate and construction sectors as well as to large borrowers, which expose the bank to sectoral volatility and large-scale credit events. Its non-performing loan (NPL) ratio was 11.5% at end-Q111, slightly lower than the sector average of 12.4%. Reserve coverage is moderate. Deteriorating asset quality reflects the difficult operating environment.

Wide Use of Parent Funds: UCTB's funding base is primarily composed of customer deposits and funds acquired from the parent. The deposit base is stronger for corporate deposits, but these are more volatile. Exposure to market risk is low. Liquidity is strong given high reserve requirements and a government securities portfolio eligible for pledging at the central bank. Capitalisation is adequate, and the UC group's commitment to Romania provides some comfort in the context of funding and capital support.

Support: Fitch believes there is a high probability that support would be provided by the ultimate parent, UC, should it be needed.

What Could Trigger a Rating Action

Country Ceiling Constrains Ratings: A change in UC's ability and/or willingness to support UCTB could affect the latter's IDRs and Support Rating; the IDRs are also constrained by Romania's Country Ceiling. A higher/lower Country Ceiling, in the event of a sovereign upgrade/downgrade, would result in an upgrade/downgrade of UCTB's IDRs.

Viability Rating Stable: Potential for an upgrade of the Individual Rating is limited. A downgrade could result from a major deterioration in asset quality, leading to a significant deterioration in profitability and capitalisation.