

## Romania Full Rating Report

# UniCredit Tiriac Bank S.A.

### Ratings

<b>Foreign Currency</b>	
Long-Term IDR	BBB
Short-Term IDR	F3
Individual Rating	D
Support Rating	2
<b>Sovereign Risk</b>	
Foreign-Currency Long-Term IDR	BB+
Local-Currency Long-Term IDR	BBB-
Country Ceiling	BBB

### Outlooks

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

### Financial Data

#### UniCredit Tiriac Bank S.A.

	30 Jun 10	31 Dec 09
Total assets (USDm)	5,842.9	6,959.9
Total assets (RONm)	20,450.0	20,435.0
Total equity (RONm)	2,350.0	2,178.0
Operating profit (RONm)	175.0	388.0
Published net income (RONm)	145.0	329.0
Operating ROAA (%)	1.7	2.1
Operating ROAE (%)	15.6	19.4
Eligible capital/weighted risks (%)	n.a.	12.9
Total regulatory capital ratio (%)	n.a.	11.7

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### Related Research

#### Applicable Criteria

- *Global Financial Institutions Rating Criteria (August 2010)*
- *Short-Term Ratings Criteria for Corporate Finance (November 2010)*
- *Country Ceilings (September 2008)*

#### Other Research

- *Romania (August 2010)*

### Rating Rationale

- The IDRs and Support Rating of UniCredit Tiriac Bank S.A. (UCTB) reflect the support it can expect to receive from its ultimate parent Unicredit S.p.A. (UC; 'A'/Negative Outlook), through its fully owned subsidiary UniCredit Bank Austria AG (UCBA, 'A'/Outlook Stable). The Individual Rating reflects growing concerns over the bank's asset quality, concentrated lending in the construction and real estate sectors and its reliance on its parent for funding. It also takes into account its sound profitability, good efficiency compared with peers', limited market risk and comfortable liquidity.
- Fitch Ratings considers UCTB's core profitability to be good and sustainable, except for its sensitivity to sudden changes in deposit costs, but this applies for all banks in Romania. The bank operates efficiently and its cost/income ratio is better than peers', and continued to improve in H110. Operating profitability is also better than peers', although sharply rising loan impairment costs limit the results. UCTB's share of fee income in gross revenues is only moderate and would be considered better if it increased.
- The NPL ratio increased sharply to 9.2% in H110, with only moderate reserve coverage of 67%. Deteriorating asset quality reflects the difficult operating environment and continues to be a major challenge. It may also be attributed to the high share of foreign-currency loans and concentrations in the loan book.
- Customer deposits make up more than 50% of total funding; however, reliance on parental funds is still considerable, given foreign-currency lending. Exposure to market risk is low. The bank has a growing government securities portfolio, eligible for pledging at the central bank, which is kept for liquidity management purposes. Liquidity is comfortable owing also to stringent regulatory measures. The UC group's commitment to funding and capital in the context of an IMF agreement provide some comfort.

### Support

- In Fitch's opinion, there is a high probability that support would be provided by the ultimate parent, UC, should it be needed.

### Key Rating Drivers

- A change in UC's ability and/or willingness to support UCTB could affect the latter's IDRs and Support Rating; however, the IDRs are 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.
- Potential for an upgrade of the Individual Rating is limited. A downgrade could result from a major deterioration in asset quality, leading to significant deterioration of profitability and capitalisation.

### Profile

UCTB is the fifth-largest bank in Romania by total assets, with a market share of 6.1% at end-9M10. It provides a wide range of banking services, with a focus on corporate lending. It is 50.61%-owned by UCBA, which is 99.99%-owned by UC, one of Europe's largest banks.