

## **FITCH AFFIRMS BANCA TRANSILVANIA AT 'BB-'; OUTLOOK STABLE**

Fitch Ratings-London/Istanbul-26 July 2010: Fitch Ratings has affirmed Romania-based Banca Transilvania S.A. (BT)'s ratings at Long-term foreign currency Issuer Default (IDR) 'BB-', Short-term foreign currency IDR 'B', Individual 'D', Support '3' and Support Rating Floor 'BB-'. The Outlook is Stable.

The ratings reflect sharply deteriorated asset quality and its negative impact on profitability. This is balanced by BT's good franchise, well-diversified funding structure and comfortable liquidity.

Profitability was negatively affected in 2009 and Q110, after a spike in loan impairment charges mainly due to the deteriorating operating environment and was partly offset by improvements in efficiency and the contribution from fee and commission income. Fitch expects profitability to be under pressure in 2010 due to economic recession while BT's large discretionary loan loss reserves in 2009 would provide only some buffer for future credit losses.

BT has a fairly well-diversified loan portfolio and relatively low share of foreign-currency loans for the Romanian banking sector. Fitch expects asset quality to further deteriorate in 2010, albeit at a slower pace due to BT's planned increase in focus on lower-risk large SMEs and a slower contraction of the economy. BT is mainly funded by well-diversified customer deposits and the loans/deposits ratio (at 75%) is lower than the sector average of 119%. It also has access to long-term funding from international financial institutions (IFIs). Liquidity is comfortable due to stringent regulatory requirements. At end-Q110, the regulatory capital ratio equalled 13.09%, which is considered by Fitch to be just adequate. Higher levels of capitalisation would provide a more comfortable buffer against potential risks in a difficult operating environment.

BT is the largest domestically owned private bank in Romania and was the eighth-largest by total banking assets with a 5.9% market share at end-2009. BT is listed on the Bucharest stock exchange and ownership is widespread with the EBRD being the largest shareholder with a 14.61% stake at end-2009.

In Fitch's rating criteria, a bank's standalone risk is reflected in Fitch's Individual ratings and the prospect of external support is reflected in Fitch's Support ratings. Collectively these ratings drive Fitch's Long- and Short-term IDRs.

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 29 December 2009 are available at [www.fitchratings.com](http://www.fitchratings.com).

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

Related Research:

Global Financial Institutions Rating Criteria

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