

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

Fitch Ratings-London/Istanbul-24 July 2009: Fitch Ratings has today affirmed Romania-based Banca Transilvania S.A.'s ratings at Long-term foreign currency Issuer Default (IDR) 'BB-', Short-term foreign currency IDR 'B' and Individual 'D', Support '3' and Support Rating Floor 'BB-'. The Outlook for the Long-term foreign currency IDR is Stable.

BT's Long-term IDR is driven by its intrinsic financial strength. The Individual Rating reflects increasing asset quality problems and weak efficiency, which negatively affect profitability. This is balanced by the bank's significantly improved nationwide franchise, its well-diversified loan book and funding sources, and comfortable liquidity.

Profitability is negatively impacted by higher funding costs and rising credit impairment charges and under pressure due to the rising cost of risk in a worsening operating environment, while cost control and strong fee and commission income partly compensate for declining operating profit. Asset quality deteriorates as a result of the worsening operating environment and is also affected by seasoning of the loan book. A low share of foreign currency loans to unhedged borrowers and a well-diversified loan book by borrower and industrial sector mitigate potential asset quality problems to some degree. On the other hand, BT's increasing focus on SMEs, which are more vulnerable to the worsening operating environment poses potential asset quality problems.

BT is mainly funded by well-diversified customer deposits and not reliant on wholesale funding as reflected in a relatively low loans/deposit (84%) ratio compared with the average Romanian banking system (150%) at end-Q109. As with other Romanian banks, liquidity is comfortable owing to stringent regulatory measures. BT has been able to raise equity consistently to support growth since 2002, despite the absence of a major foreign shareholder. At end-2008, BT's capital ratio improved to 15.05% as a result of retained earnings and capital increase from 12.18% at end-2007 and equalled 14.04% at end-Q109 (including net income for the period and adjusted for the planned payment of dividend). Fitch considers BT's capitalisation to be just adequate, given increasing risks in the operating environment.

Since 2002, after EBRD's acquisition of a 15% stake in the bank, BT has transformed itself from a regional bank into a bank with a nationwide presence. It remains the largest domestically owned bank in Romania and was the seventh-largest in total banking assets with a 5.4% market share at end-2008. BT is listed on the Bucharest stock exchange and ownership is widespread with the EBRD being the largest shareholder.

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

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