

Equity Research

Regional Bank

BANCA TRANSILVANIA

Quarterly results – Lower results compared with previous quarter

Price 19/10/12 12m target RON 1.1880 1.244 Sector Weighting Neutral Market share 7.3% Last Recommendation Buy (TP:RON 1.28) on 27 Oct'11

Key figures

BRD-GSG sentiment

(RONm)	Q3′12e	yoy % Cons. BRD- GSG12e			Visibility/Confidence	-
NII	221.09	7.5	nav	987.7	Publication vs. cons.	nav
Net fee income	129.38	29.3	nav	395.8	Market reaction	0/+
Risk provisions expenses	123.26	277.9	nav	364.2	Company new guidance	0
Net profit	29.04	-64.8	nav	337.6	Chg. in sector perception	0

Source: Banca Transilvania, BRD-GSG

- Calendar Banca Transilvania (BT) is expected to release Q3'12/9M'12 results according to IFRS standards on October 26, 2012.
- Watch out for We anticipate BT' loans to advance by 9.9% ytd to RON 15.43bn as of end-Sep'12 (overall banking system non-governmental loans increased slightly by 2.2% ytd, nominal terms, as of end-Aug'12), as BT should benefit from loans' growth already recorded mainly in Q1'12. Also, we expect BT to have reduced the growth pace of exposure on local Government in Q3'12 compared with previous quarters, because of: 1) BT's already significant exposure on Government papers achieved by end-Jun'12; 2) lower value of debt securities issued by local Government in Q3'12 (approx. RON 7.5bn) vs. Q2'12 (approx. RON 9.85bn). Thus, we anticipate that securities held for sale portfolio value to reach RON 7.77bn as of end-Sep'12 (+33.6% ytd), whilst total assets is seen higher by 15.8% ytd up to RON 29.89bn. Clients' deposits are expected to increase by 12.8% ytd up to RON 22.88bn as of end-Sep'12 to keep almost unchanged bank's loans/deposits ratio from previous quarter. NPLs ratio is seen at 11.2% for end-Sep'12 (vs. approx. 10.48% as of end-Jun'12), as we anticipate BT to have a better position in terms of loss exposure advance compared with banking system (+14.04% ytd as of end-Aug'12, NBR monthly bulletin).

Bank's financing model, significant depreciation of RON against EUR in Jul-Aug'12 with negative effects on EUR loans' quality and potential temporary liquidity shortage might have dragged on bank's overall performance in Q3'12. Nevertheless, we expect net interest income (NII) at RON 221.09m (-7.3% qoq, +7.5% yoy) and net fee income at RON 129.38m (+21.2% qoq, +29.3 yoy) in Q3'12. We see net financial profit worth RON 27.06m (+3% qoq, +42.1% yoy), as a result of slightly positive evolution of listed stocks in Q3'12 vs. Q2'12 that should balance off potential negative re-evaluation of FX assets&liabilities, together with likely loss from financial assets through P&L. On credit risk costs side, our assessment is for RON 123.26m (+29.4% qoq) during Q3'12. All in all, we see gross profit at RON 55.14m (-34.9% qoq, -46.8% yoy), and net profit amounting to RON 29m (-67% qoq, -64.8% yoy).

For 9M'12, we see NII at RON 695.58m (+7.5% yoy), net fee income of RON 334.67m (+16.9% yoy), provisions expenses worth RON 302.41m (+37.8% yoy), gross profit worth RON 248.31m (-2.2% yoy) and net profit of RON 208.58m (+2% yoy).

Potential market reaction We expect slightly positive impact on market price following the Q3'12/9M'12 IFRS results release, as it is likely bank's shares to continue to be amongst the favourites of investors (+45.5% ytd).

Type of investment

Acquisition target Profitability target strategy



Source: FactSet, BRD-GSG

Banca Transilvania on www.bancatransilvania.ro

Share data

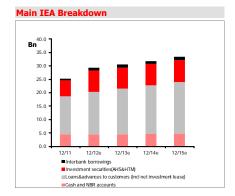
RIC BATR.BX, Bloomberg TLV RO				
52-week range		0.8	3–1.27	
Sh value'12 (RONn	n) GGN	Л	2,368	
Market cap. (RONm)			2,261	
Free float (%)			67	
Performance (%)	1m	3m	12m	
Ordinary shares	1.2	26.25	32.09	
Rel. to BET	1.98	21.71	21.42	

Carmen Lipară

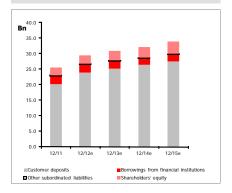
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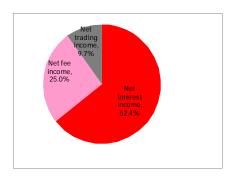
GROUPE SOCIETE GENERALE



Main Sh Equity and Liabilities Breakdown



2012e Gross Banking Income



Major shareholders (%) as of June 2012

EBRD	14.61
Bank of Cyprus	9.71
IFC	3.54
Romanian individuals	24.9
Romanian legal entities	26.58
Foreign individuals	2.0
Foreign legal entities	18.69

BANCA TRANSILVANIA		BUY	1	Regional Bank 19/10/2012 RON 1.1880		PON	12M TP
DANCA IKANSILVAN	IIA	BUT				KUN	1.2444
Valuation*	12/09	12/10	12/11	12/12e	12/13e	12/14e	12/15e
Average no of shares (m)	1086.34	1398.69	1903.04	1903.04	1903.04	1903.04	1903.04
Share price	1.188	1.188	1.188	1.188	1.188	1.188	1.188
P/E (x)	9.44	12.40	7.61	6.70	5.86	5.53	4.69
P/E adj (x)	13.15	12.40	7.61	6.70	5.86	5.53	4.69
P/BV (x)	0.71	0.80	0.95	0.84	0.74	0.66	0.58
Price/tangible book value (x)	0.71	0.82	0.97	0.86	0.76	0.67	0.59
Dividend yield (%) Per share data (RON)	na	na	na	na	na	na	na
EPS	0.09	0.10	0.16	0.18	0.20	0.21	0.25
EPS adj**	0.09	0.10 0.10	0.16	0.18	0.20	0.21	0.25
BV	1.68	1.49	1.26	1.42	1.61	1.81	2.05
Tangible Book value per share	1.67	1.45	1.22	1.38	1.57	1.77	2.02
Gross dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income statement (IFRS,RONm)							
Net interest income	754.3	996.3	934.4	987.7	1,027.8	1,028.7	1,024.7
Net fee income	370.8	374.9	382.2	395.8	433.9	448.1	468.3
Net trading income	143.2	119.0	111.6	153.2	116.6	120.9	125.9
Total banking income	1316.8	1541.9	1,489.7	1,582.2	1,625.3	1,644.7	1,665.9
Total operating expenses	-717.1	-741.2	-818.4	-839.0	-866.2	-892.3	-919.3
Gross operating income before provisions	599.7	800.7	671.3	743.2	759.2	752.4	746.6
Impairment & provisions expenses(incl write offs) Other items	-490.8 93.6	-647.0 4.7	-315.8 0.0	-364.2 25.0	-322.5 25.0	-287.4 25.0	-194.3 25.0
Operating gross income after provisions	202.5	158.5	355.4	404.0	461.7	490.0	577.2
Income tax expenses from continuing operation	-21.0	-24.5	-58.2	-66.7	-76.2	-80.9	-95.2
Reported net profit	136.7	134.2	297.2	337.6	385.7	409.4	482.2
Adjusted net profit	98.1	134.0	297.2	337.4	385.5	409.2	482.0
Balance sheet (IFRS,RONm) Total assets	19,613.0	21,730.3	26,008.8	30,126.7	31,423.6	32,592.2	34,307.8
Cash and NBR accounts	3,187.0	3,701.1	4,550.3	4,476.7	4,536.5	4,625.1	4,781.8
Loans&advances to customers (incl net	11,753.1	12,439.4	14,185.0	15,899.3	16,922.1	18,092.9	19,244.9
investment lease) Non-performing loans (NPLs)	1,911.3	4,573.9	2,799.3	1,991.6	2,263.7	1,881.2	2,231.1
Investment securities(AHS&HTM)	2,585.1	3,781.8	5,817.6	7,852.7	7,970.4	8,090.0	8,211.3
Interbank borrowings	1,535.9	1,237.2	779.0	1,114.7	1,115.5	928.9	1,097.8
Property&equipment	305.0	287.6	297.5	364.5	375.4	386.7	398.3
Intangible assets	12.4	48.9	70.6	70.2	71.2	72.3	73.4
Customer deposits	14,989.2	17,279.1	20,257.3	23,908.8	25,256.9	26,413.0	27,492.7
Bank deposits	259.1	333.2	251.2	301.3	314.2	325.9	343.1
Borrowings from financial institutions	2,160.4	1,593.3	2,593.0	2,569.4	2,273.7	2,004.7	2,212.8
Other subordinated liabilities Shareholders' equity	253.7 1,830.2	257.6 2,087.9	260.1 2,389.8	261.0 2,703.3	258.0 3,065.0	258.0 3,450.3	252.0 3,908.4
Minorities	7.8	2,007.9	2,307.0	2,703.3	2.0	2.0	2.0
Ratios	7.0	2.1	2.0	2.0	2.0	2.0	2.0
Net interest income/Avg total assets (%)	4.10%	4.82%	3.91%	3.52%	3.34%	3.21%	3.06%
Net interest income/Avg IEA (%) (NIM)	4.53%	5.32%	4.20%	3.74%	3.57%	3.42%	3.25%
Net fee income/Avg total assets (%)	2.02%	1.81%	1.60%	1.41%	1.41%	1.40%	1.40%
ROaA(%)	0.74%	0.65%	1.25%	1.20%	1.25%	1.28%	1.44%
ROaE (%)	7.87%	6.85%	13.28%	13.26%	13.37%	12.57%	13.11%
Cost to income ratio (%)	56.54%	49.74%	57.31%	54.60%	54.88%	55.85%	56.79%
NPLs/customer loans (gross) (%)	15.60%	33.70%	17.83%	11.21%	11.86%	9.16%	10.20%
Provisions expenses/NPLs (%)	43.27%	30.89%	63.48%	106.25%	106.84%	143.57%	127.29%
Provisions/Avg gross loans (bps)	4.04%	4.88%	2.12%	2.14%	1.73%	1.43%	0.905%
Total assets growth (yoy)	14.37%	10.79%	19.69%	15.83%	4.30%	3.72%	5.26%
Total customer deposits growth (yoy)	23.91%	15.28%	17.24%	18.03%	5.64%	4.58%	4.09%
Total customer loans growth (yoy)	5.48%	6.39%	14.42%	12.36%	6.50%	6.97%	6.41%
Net interest income growth (yoy)	27.27%	32.08%	-6.21%	5.71%	4.06%	0.08%	-0.39%
Net fee income growth (yoy)	-2.72%	1.11%	1.93%	3.56%	9.65%	3.27%	4.51%
Reported net profit growth (yoy) Total customer loans(incl net lease	-62.02% 78.41%	-1.86% 71.99%	121.54% 69.00%	13.57% 66.50%	14.26% 67.00%	6.14% 68.50%	17.79% 70.00%
investments)/Total customer deposits Customer deposits/Total assets (%)	76.42%	79.52%	77.89%	79.36%	80.38%	81.04%	80.14%
Total equity/Total assets (%)	9.37%	9.62%	9.20%	8.98%	9.76%	10.59%	11.40%
*Valuation ratios for past years are based	on current n	rico: ** adius	etad for ano	off gain			

*Valuation ratios for past years are based on current price; ** adjusted for one-off gain



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BRD-GSG rating system (October 2012)

Premium List

Selected from stocks expected to outperform the market by over 25%.

Expected to outperform the market by at least 10%

Expected to perform in line with the market +/-10%.

Sell

Expected to underperform the market by at least 10%.

Assumptions

12 month time horizon and flat market over forecast period.

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