

## Equity Research

Regional Bank

# BANCA TRANSILVANIA

Quarterly results – Lower results compared with previous quarter

**Buy**

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

(RONm)	Q3'12e	yoy %	Cons.
NII	221.09	7.5	nav
Net fee income	129.38	29.3	nav
Risk provisions expenses	123.26	277.9	nav
Net profit	29.04	-64.8	nav

Source: Banca Transilvania, BRD-GSG

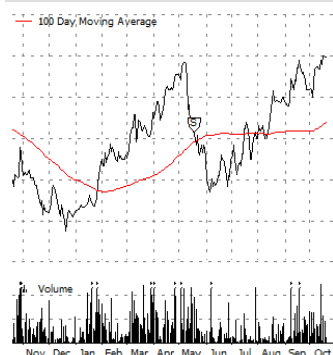
## BRD-GSG sentiment

Visibility/Confidence	
Publication vs. cons.	nav
Market reaction	0/+
Company new guidance	0
Chg. in sector perception	0

### Type of investment

Acquisition target	✓
Profitability target strategy	✓

### 1 year-Price, Volume, MA 100



Source: FactSet, BRD-GSG

Banca Transilvania on  
[www.bancatransilvania.ro](http://www.bancatransilvania.ro)

### Share data

RIC	BATR.BX, Bloomberg TLV RO		
52-week range	0.83–1.27		
Sh value'12 (RONm)	GGM	2,368	
Market cap. (RONm)	2,261		
Free float (%)	67		
<b>Performance (%)</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>
Ordinary shares	1.2	26.25	32.09
Rel. to BET	1.98	21.71	21.42

- **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).

**Carmen Lipară**  
carmen.lipara@brd.ro  
(40) 21 301 4370



**BRD-GSG - Research**
**+40 21 301 6850**
**research@brd.ro**
**Florian LIBOCOR**

 Chief Economist /  
 Head of Research

+40 21 301 6869

florian.libocor@brd.ro

**Carmen LIPARĂ**

Head of Financial Markets Research

+40 21 301 4370

carmen.lipara@brd.ro

**Monica CROITORU**

Economist

+40 21 301 6858

monica.croitoru@brd.ro

**Laura SIMION, CFA**

Equity Analyst

+40 21 301 4461

laura.simion@brd.ro

**Roxana HULEA**

Economist

+40 21 301 4472

roxana.hulea@brd.ro

**BRD-GSG rating system  
(October 2012)**
**Premium List**

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

**Buy**

Expected to outperform the market by at least 10%.

**Hold**

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.

**IMPORTANT DISCLAIMER**

Disclaimer. This publication is issued in Romania by or through BRD – Groupe Société Générale (BRD - GSG), which is regulated by the Romanian Securities and Exchange Commission and National Bank of Romania. The information herein is not intended to be an offer to buy or sell, or a solicitation of an offer to buy or sell any securities. Investments in emerging markets can involve significant risks, such as uncertainty of dividends, of benefits or of profits, market, foreign exchange, legal, credit, tax and other risks and are not suitable for all investors. The information contained herein, including any expression of opinion, has been obtained from or is based upon sources believed to be reliable, but is not guaranteed as to accuracy or completeness although BRD - GSG believes it to be accurate, clear, fair and not misleading at the time of publication. BRD - GSG, and its affiliated companies, may from time to time deal in, profit from the trading of, hold or act as market-makers or act as advisers, brokers or in relation to the securities, or derivatives thereof, of persons, firms or entities mentioned in this document or be represented on the board of such persons, firms or entities. Employees of BRD - GSG, and its affiliated companies, or individuals connected to them, may from time to time have a positioning or be to holding any of the investments or related investments mentioned in this document. BRD - GSG, and its affiliated companies, are under no obligation to disclose or take account of this document when advising or dealing with or for their customers and may have acted upon or made use of the information in this document prior to its publication. The views of BRD -GSG reflected in this document may change without notice. To the maximum extent possible at law, BRD - GSG does not accept any liability whatsoever arising from the use of the material or information contained herein. This research document is not intended for use by/or targeted to private customers. In case customers obtain a copy of this report, they should not base their investment decisions solely on this document, but must search for independent financial advice.

Important notice: The circumstances in which materials provided by BRD - GSG have been produced are in such manner (for example because of reporting or remuneration structures or the physical location of the author of the material) that it is not appropriate to characterise it the materials as independent investment research as referred to in European MIFID directive and that it should be treated as a marketing material even if it contains a research recommendation. However, it must be made clear that all publications issued by BRD – GSG will be accurate, clear, fair, and not misleading.

This publication is also not subject to any prohibition or dealing ahead of the dissemination of investment research.

Analyst Certification: Each author of this research report hereby certifies that (i) the views expressed in the research report accurately reflect his or her personal views about any and all of the subject securities or issuers and (ii) no part of his or her compensation was, is, or will be related, directly or indirectly, to the specific recommendations or views expressed in this report.

Copyright BRD-Groupe Societe Generale 2012. All rights reserved. Nobody can reproduce, redistribute or pass on to any other person or publish in whole or in part for any purpose this publication.