

**„International Asset  
bank” AD**  
**May 2013**

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<b>FINANCIAL STRENGTH RATING</b>	<b>Initial rating</b> 13.05.2013
<b>Long-term Rating:</b>	<b>B</b>
<b>Outlook:</b>	<b>stable</b>
<b>Short-term Rating:</b>	<b>C</b>

BCRA – CREDIT RATING AGENCY (BCRA) is the third qualified rating agency in EU, registered under Regulation 1060/2009 of the European Parliament and of the European Council. The credit ratings, assigned by BCRA, are recognized in the whole EU and are entirely equal with the other ratings, recognized by European Securities and Markets Authority (ESMA), without any territorial or other restrictions. The rating scale of BCRA coincides with the scale of Standard & Poor's.

**BCRA – CREDIT RATING AGENCY AD assigns the long-term financial strength rating B to „International Asset Bank” AD (outlook: stable) and short-term rating C.**

**The officially adopted by BCRA methodology for assigning of financial strength rating of banks is used ([http://www.bcra-bg.com/files/file\\_66.pdf](http://www.bcra-bg.com/files/file_66.pdf)).**

To elaborate the report and assign the rating, the information, provided by the rated bank, BNB, NSI, BCRA's database, consultants and other sources of public information is used.

The main factors determining the operating environment in which the Bulgarian banks operate as of the time of elaboration of the credit report are:

- a decrease of DFI in the country, with a low investment activity;
- provision of funds to finance the activity of the banks mainly through operations at the domestic market;
- a growth in the size of borrowings, despite the banks decrease the interest rate on deposits;
- retention of low rates of growth of crediting for corporate clients;
- slow down of the growth rate of the non-performing loans as of the end of 2012.

International Asset Bank is universal in type and a holder of full license of the Bulgarian National Bank. At the time of preparing of the report the share

capital of "International Asset Bank" is divided into 30 306 444 ordinary dematerialized shares with the right to vote, with a nominal value of 1 lev each. There are 666 owners of shares of the bank. "Dinatrade International" Ltd. has the largest share - 33%.

For the Initial analyzed five-year period average 90.3% of the capital requirements of International Asset Bank are related to the credit risk. At the end of 2012 this share came up to 91.9%. The share of requirements for operational risk varies within 8-11%. The bank reports a low share of the capital requirements for a positional risk - 0.5% for 2012.

For the period from the end of 2008 until 2010 the capital base registered an upward trend as the cumulative increase is in the amount of 18.67%. The increase is in line of the yearly distribution of all the profit to the Reserve Fund. In 2011 the capital base decreased by 20% yoy due to the allocated specific provisions for credit risk. In 2012 its value increased by 17.2% which is due to the increase of shareholding capital by 10 256 thousand leva, the increase of the subordinated term debt and the assigned bank's profit to the Reserve Fund.

During the whole analyzed period the rated bank reported good levels of capital adequacy, which are significantly higher than the regulatory required, albeit lower than the average for the banking system (excl. 2008). Capital adequacy of Tier II capital of the rated bank is also below the average for the banks of second group, and below the average for the banking system for the period from 2008 to 2012 but significantly higher than the minimum regulatory requirements.

The bank reported return on equity in 2012 close to the average for the reference group of banks. The ratio of Net classified exposures / Capital base reported an increase during the analyzed period. As of

the end of 2012 it slightly exceeded the average for the banking system.

For the whole analyzed period the resource base of the bank increases cumulatively by 50.72 %, as the upward trend started from 2010 up to now. The deposits from individuals and households, as well as from non-credit institutions have the biggest share, as due to their higher growth rates compared to the increase in the total resource base, their share increased during the analyzed period and as of the end of 2012 it amounted to 91.5% (compared to 75.2% in 2008.). In a comparative aspect as of December 2012, the share of deposits from individuals and non-credit institutions is higher than the average for the banking system (81.0%) and the second group of banks (82.9%).

The Bank uses borrowings in the form of subordinated term debt during each of the past five years. For the period 2008 – 2011 its size does not undergo significant changes, and its share is between 3.0% (in 2011) and 4.2% (in 2009). In 2012 a new contract was concluded for subordinated term debt, as a result its size registered a growth of 51.66% compared to 2011, and its share reached to 3.8%. During the whole period under review International Asset Bank has a well diversified client's portfolio.

In the period 31.12.2008 - 31.12.2012 the value of the total assets of "International Asset Bank" AD reported a clear trend of increase as the cumulative growth for the whole analyzed period was 49.3%. During the period under review the asset structure was dominated by loans given to enterprises and individuals. The size of the investment portfolio follows an upward trend from 2008 to the end of 2011 (the cumulative increase was by 107.8 %).

Since 2008 by now the percentage of the exposures to corporate companies in the credit portfolio does not fall below 90.4%, as in 2012 it was 91.6%. The sectors for trade and repairs, construction, manufacturing and production are leading, respectively with a share of 27.6%, 26.0% and 11.5% as of 2012. The share of the performing loans is close to the average for the banking system, and the overall coverage of the classified loans from depreciation and specific provisions increased in 2011 and 2012.

The return on interest bearing assets register a decline during the whole analyzed period, by decreasing from 9.00% in 2008 to 6.02% in 2012. Gross interest spread and Net Interest Margin also

report a negative trend (exclude 2012, when it registered a growth), as their values are lower than the average for the banking system. International Asset Bank registered a positive net financial result during the whole analyzed period. As of December 2012 the reported return on assets of the rated bank is 0.42%, compared to the average for the banking system - 0.71% and average for the banks from second group - 0.48%.

Liquidity Ratio is a volatile item; more significant growth was reported in 2010 (11.1 pp compared to the past year). Its highest value was reported at the end of 2011. In 2012 Liquidity Ratio registered a decline of 3.8 pp, but remained higher compared to the average for the bank system (26.0%) and banks from second group (27.7%). The indicators total loans / Total deposits are characterized with high volatility up to 2010. For the period 2011-2012 significantly low levels were reported between 54.8% and 59.0%, compared to their levels for 2008-2009 (respectively 88.6% and 92.4%). In a comparative aspect in reference with the analyzed indicator, the rated bank positions comparatively favourable from rating point of view compared to the other banks from the reference group, as the value of the indicator for the whole analyzed period is lower than the average for the reference group.

In comparative aspect for the period 2008 – 2012 by the indicators Current assets to Total liabilities regardless Equity, the rated bank occupies a very good liquid position. For the whole analyzed period except 2009 it registered values over the average for the reference group of banks.

In 2008 International Asset Bank occupies the eighteenth position in the banking system by size of the assets, then yielded with one position (19th position), which held until 2011. In 2012 the rated bank moved up to the eighteenth position by size of the assets in the banking system.

The bank works active on development and update of the information technologies used.

**Main Financial Indicators:**

	(thousand leva)	2012	2011	2010	2009	2008
Balance Sum		849 103	716 712	622 564	525 797	568 782
Gross Loans		413 037	319 647	312 742	331 933	338 431
Equity		80 888	67 447	65 575	67 773	54 250
Net Financial Result		3 185	1 872	4 418	13 523	5 696

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