BULGARIAN BANKING SECTOR

ENVIRONMENT STILL CHALLENGING, BUT BANKS SUCCESSFULLY ADAPTING TO IT

BANK RUN PUT THE 4TH LARGEST BANK UNDER CONSERVATORSHIP. TO STOP FURTHER INSTABILITY, THE GOVERNMENT PROVIDED A LIQUIDITY SUPPORT TO THE SECOND AFFECTED BANK. THIS ENDED THE TEMPORARY DYNAMICS OF FUND WITHDRAWALS. THERE IS NO CONTAGION EFFECT ON OTHER BANKS. THE CAPITAL BUFFERS AND LIQUID ASSETS RATIO OF THE ENTIRE SYSTEM INCREASED FURTHER TO 21.2% AND 28.9%, RESPECTIVELY. PROFIT ACCELERATED BY 4.5% Y-O-Y.

TWO BANK RUNS, BASED ON NEGATIVE MEDIA NEWS AND RUMORS

Two of the largest banks on the market with mainly Bulgarian equity were put under pressure as a result of a significant withdrawal of attracted funds. The bank run was based on negative media news and rumors about their stability. The first bank - Corporate Commercial Bank (Corpbank, 6C9 BU), repaid BGN 0.9 bn for one week, but due to a lack of support from the Central bank and the government, the bank faced liquidity problem and was put under conservatorship. Two days later its subsidiary - Victoria CB, was also put under conservatorship and the Central bank decided to make a comprehensive evaluation of the group's assets. This increased concerns that the Central bank and the government will not intervene to stop the panic, so it spread to other banks with Bulgarian equity. The following week due to continued negative media news and rumors about its stability depositors withdrew BGN 0.8 bn from First Investment Bank (FIB, 5F4 BU) – the third largest bank on the market. In an attempt to put the situation under control, the government stepped in and provided liquidity support to FIB. This action ended the temporary dynamics of fund withdrawals. Within the next few days FIB managed to recover its liquidity position and to resume its normal business operations.

AFTER BANK RUN SCENARIOS

The most likely scenario is the Corpbank's license to be revoked. Based on the auditor's report, assets of about BGN 4.2 bn should be impaired, which is significantly above the amount of bank's equity. Smaller chances exist for private investors reviving the bank with state support.

NO CONTAGION EFFECT ON OTHER BANKS

Despite the negative impact of these two events, the Bulgarian banking system (excluding Corpbank's banking group) preserved and even further strengthened its high liquidity position. The amount of liquid assets reached BGN 19.9 bn as of end of June, increasing the liquid assets ratio to 28.92%. The data gives basis for a conclusion that the system overcame the liquidity shock it was exposed to and it is not very likely to have a contagion effect on other banks.

CAPITAL BUFFERS INCREASED FURTHER

The capital buffers of the entire system remain significantly above the required minimum in EU (8%). The total capital adequacy reached 21.17% (up by 4.2 p.p. compared to a year earlier) and Tier 1 capital adequacy increased to 19.32% or by 3.7 p.p. higher than Q2 2013.

PRE-PROVISION FINANCIAL RESULT SHOWS THE PROFIT POTENTIAL OF THE SYSTEM

Banks continue their efforts to boost profitability (+4.5% y-o-y in H1), increasing net interest income (+9.4% y-o-y) and net fees and commissions income (+3.3%). The relatively stable quarterly pre-provision financial result of around BGN 430 m shows the profit potential of the banking system. Future decline in impairments could increase the profit of the system twice. ROAE remains below the pre-crisis levels, but still above the CEE average and continues to improve.

EFFECTS ON THE BANKING SYSTEM

The two bank runs, instead of leading to deposit outflow from the system led to a transfer of deposits to other banks. As of end of August households returned in the banking system almost the entire amount, which was withdrawn during the crisis in June. This shows that confidence in the system remains high. Banks will increase their liquidity buffers, which is likely to stop the decline in interest on loans and to postpone lending acceleration in upcoming years. Export-oriented companies and those, which implement EU-funded investment projects, will remain among the main lending growth drivers.

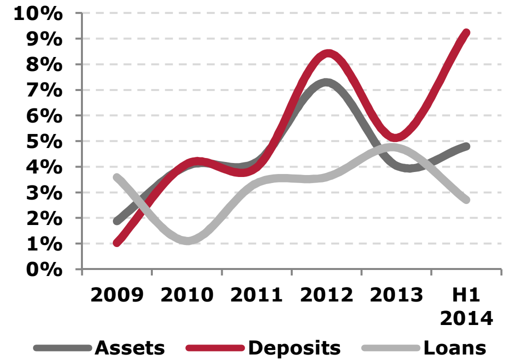
RISKS

Main risks - connected to still uncertain economic and political situation in the country, which could postpone corporate investments and consumer spending, new loans demand, NPLs improvement and profitability of the system.

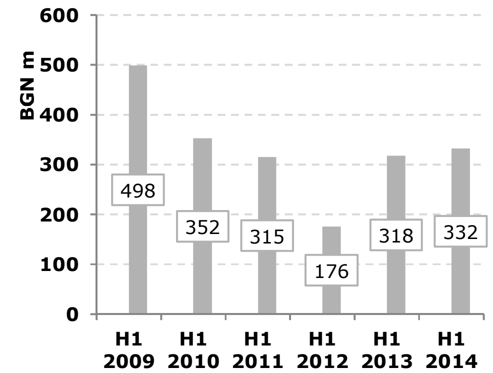
EXCHANGE RATES
EUR/BGN(FIXED): 1.95583
USD/BGN: 1.5450

Indicator	H1 2014	H1 2013	Change
Assets, in BGN bn	87.16	83.17	4.8%
Equity, in BGN bn.	11.04	10.99	0.4%
Net profit, in BGN bn	0.332	0.315	4.5%
Net interest income, in BGN bn	0.685	0.626	9.4%
LTD	90.4%	96.2%	-5.8 p.p.
ROAA	0.78%	0.70%	0.08 p.p.
ROAE	6.03%	5.32%	0.72 p.p.
CIR	51.1%	52.6%	-1.5 p.p.
NPLs	15.5%	15.0%	0.5 p.p.

ANNUAL GROWTH OF ASSETS, LOANS AND DEPOSITS



NET PROFIT



Source: BNB

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RECENT EVENTS

Negative news flow caused a significant withdrawal of attracted funds from two local banks in June. Corpbank group was put under conservatorship

Two bank runs: In June the two of the largest Bulgarian banks – Coprbank (the 4th largest in terms of assets) and FIB (3th largest in terms of assets), were put under pressure as a result of a significant withdrawal of attracted funds, based on a negative news flow and rumors about both banks' stability. For the period June 13th – June 20th the attracted funds outflow from Corpbank reached BGN 0.9 bn (nearly 13% of total attracted funds of the bank as of end-June 2014). The bank did not receive a liquidity support from the Central bank (Bulgarian National Bank, BNB), and on 20.06.2014 following a request from the CEOs of Corpbank, BNB placed the bank under conservatorship. Two days later Victoria CB (former Credit Agricole Bulgaria) - a subsidiary of Corpbank, was also under conservatorship. Since then the period of conservatorship of two banks has been extended twice, thus currently group's resolution is postponed for end of November. During this time three auditing companies - Ernst & Young, Deloitte and AFA prepared a comprehensive evaluation of the Bank's assets. According to the audit report, announced on October 23th, assets of about BGN 4.2 bn should be impaired. This hole represents 63% of the bank's total assets of BGN 6.7 bn and is 21x its total equity of BGN 198 m as of September 30th, 2014. The regulator now awaits final IFRS financial statements of the bank incorporating the auditors' findings which should be submitted by October 31st. Based on these statements the regulator will make a decision what to do with Corpbank according to the Bulgarian Law on Credit Institutions.

Another BGN 0.8 bn were withdrawn from First Investment Bank, which represents around 10% of the attracted funds of the bank. Nevertheless, during the following days First Investment Bank managed to recover its liquidity position, supported by the Bulgarian government, which provided extraordinary temporary liquidity support of BGN 1.2 bn to the bank. The support was part of the approved by the European Commission support of total BGN 3.3 bn for the entire banking system. This action ended the temporary dynamics of fund withdrawals and FIB resumed its normal business operations.

In response - Bulgarian banking system preserved and even further strengthened its high liquidity position, as liquid assets ratio reached almost 29%

There is no contagion effect on other banks: Despite the negative impact of these two events, the Bulgarian banking system (excluding the banking group Corpbank) preserved and even further strengthened its high liquidity position. The amount of liquid assets reached BGN 19.9 bn as of end of June. This led to an increase of the liquid assets ratio to 28.92%. A similar trend was registered in cash and cash balances with the BNB, which reached BGN 8.4 bn. The data gives basis to conclude that the system overcame the liquidity shock it was exposed to and it is unlikely to have a contagion effect on other banks.

Main scenario: BNB to revoke Corpbank's banking license

Possible post audit scenarios for Corpbank

- **Bankruptcy –** This is the most likely scenario. Based on the announced amount of impairments (BGN 4.2 bn), which is significantly higher than the bank's equity (BGN 198 m in Q3), the bank's license should be revoked. Revoking the license will immediately trigger the state to repay all guarantied deposits within the bank, which in this case amount to BGN 3.7 bn. With only BGN 2.1 bn available in the Bulgarian Deposit Insurance Fund (BDIF), the state and/or the BDIF will have to come up with additional BGN 1.6 bn. This should not be a problem on a general macro level with the low public debt to GDP ratio of Bulgaria (23% of GDP as of end of August). Even if the ratio goes up top 26% of GDP (+ BGN 2 bn additional debt), it will still remain significantly below the EU average of 88%. However, the issuance of new public debt requires special fiscal adjustments to the state budget which needs to go through a parliament vote. The new 43rd Bulgarian parliament started working on Monday 27th of October.

  We expect some uncertainty increase in the whole banking system leading to lower lending activity and higher interest rates as a negative side effect of the Corpbank's bankruptcy. Banks will also increase their liquidity buffers, which is likely to stop the decline in interests on loans and to postpone lending acceleration, observed during the last few quarters.

  However, we do not expect any contagion risk in the broader Bulgarian economy or financial system from the Corpbank liquidation as according to the audit report, the majority of its activity has been concentrated in bank related parties i.e. its majority owner. This expectation is also supported by the fact that four months after placing the bank under conservatorship there is no significant impact on the banking system in the country.

- **Recapitalization -** From existing or new shareholder. So far a consortium of the three investors, including the State General Reserve Fund of the Sultanate of Oman, which has 30% of the Bank's capital, financial advisory firm EPIC and investment company Gemcorp, has announced that it is interested to work together with the Bulgarian Government, BNB, and other relevant authorities, on a joint plan for Corpbank's recapitalization and restructuring. The consortium already announced that first it will analyze audit results, before entering into any talks.

- **Nationalization and sale after couple of years -** This will require the government to issue new debt up to BGN 6 bn (the amount of total deposits). Despite the fact that the current level of government debt is relatively low, we consider this scenario as less possible, as it will be received with public disapproval. Nevertheless, the acquisition of Corpbank's group by another bank on the market or a new foreign bank (because of the Corpbank's license) could be one of the options for the group. So far there is only a potential interest from one Russian bank – Rossiyskiy Kredit Bank, to buy Victoria CB. Thus it will obtain a license to operate in the EU market, and will meet the needs of Russian companies and individuals in Bulgaria. However, having in mind the current US and EU sanctions against Russia due to the Russian/Ukrainian conflict, including the financial sector, we seriously doubt the viability of this option.

  We do not see any potential interest from other non EU banks. Turkey already has three small-sized banks present in Bulgaria and they have probably successfully covered the business needs of the Turkish companies in the country. EU banks are in a period of consolidation of its activities.

Future mergers or acquisitions still possible, but will be difficult and time consuming activity

Nevertheless, after the acquisition of Unionbank by FIB in Q1 and Credit Agricole Bulgaria (renamed as Victoria CB) by Corpbank in Q2, future mergers or acquisitions are still possible. Currently, there are 27 banks on the market (without Corpbank's group). The largest two banks generate almost 62% of the total profit of the banking system, and the first ten – 96% of the total profit, which remains relatively little room for a profitable business for the other 17 banks. Giving the slow economic recovery of the country, leading to disappointing demand of new loans, some small banks may decide to leave the market e.i. Credit Agricole sale of its Bulgarian subsidiary to Corpbank. Currently is evidence of exit intentions, but there are little if no investment interest for an acquisition. For the larger banks, such as Greek subsidiaries, whose parent companies faced some pressure on the Greece market, will be difficult and time consuming activity to find a buyer.

SECTOR OVERVIEW

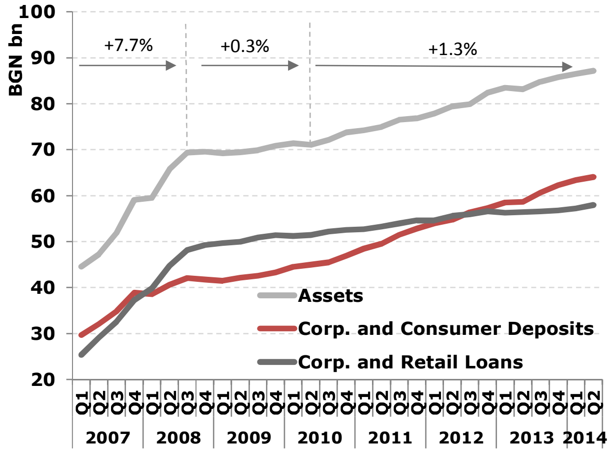
ASSETS AND ASSETS TO GDP RATIO

A slack economy, limited consumer spending and political instability in the country continued depressing the credit portfolio…

Relatively slow economic growth, both in the country and the EU, continued to affect financial institutions' activity. The weak GDP growth in Q2 2014 (1.6% y-o-y in Bulgaria and 1.2% in EU) is a sign for low business investments, as well as low individual consumption. As a result, the demand of corporate and consumer loans remains significantly below its 2007-2008 levels. In addition, the political instability in Bulgaria continues to be among the reasons for economic uncertainty, and it will remain a significant factor at least until a new government is formed. As a result the saving intention of households and businesses remains high.

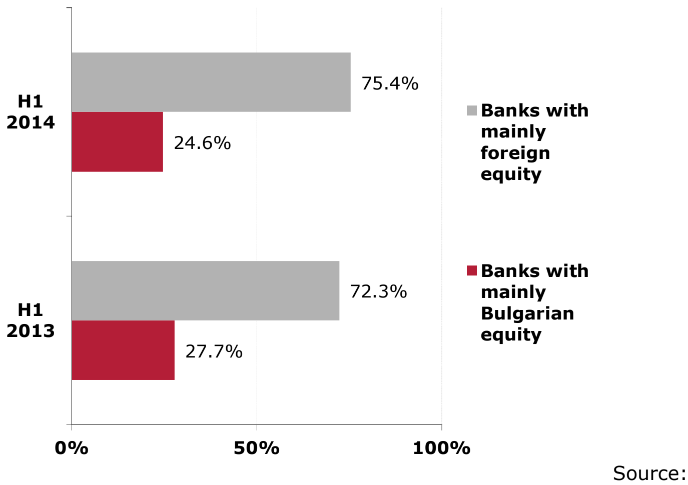
As of end of June 2014 the total amount of assets in the banking system (including Corpbank group) reached BGN 87.2 bn. Compared to the same quarter in 2013 there is an increase of 4.8%. When disregarding Corpbank group's assets as if it was not part of the system, the total assets in the system amount to BGN 79.9 bn, increasing by 4.6% y-o-y.

Exhibit 1: The average q-o-q growth of the banking system assets – lower than the pre-crisis, but more sustainable



Source: BNB, ELANA Trading

Exhibit 2: The system continued to be dominated by foreign banks, mainly from EU



Source: BNB, ELANA Trading

…but the current moderate growth is more sustainable in long-term

Over the past few quarters the assets growth remains relatively constant. Since mid-2010 the banking system entered into more sustainable phase, compared to years before 2009, with 1.3% average assets growth on a quarterly basis for the last four years.

The growth rate of deposits (corporate deposits and deposits of individuals) is still higher than the growth rate of loans (corporate and retail loans). But we expect the decline of deposits' interest rates, as well as further economic improvement, gradually to stimulate lending activity in upcoming years.

Foreign banks, manly from EU, continue to hold more than 2/3 of local market in terms of assets

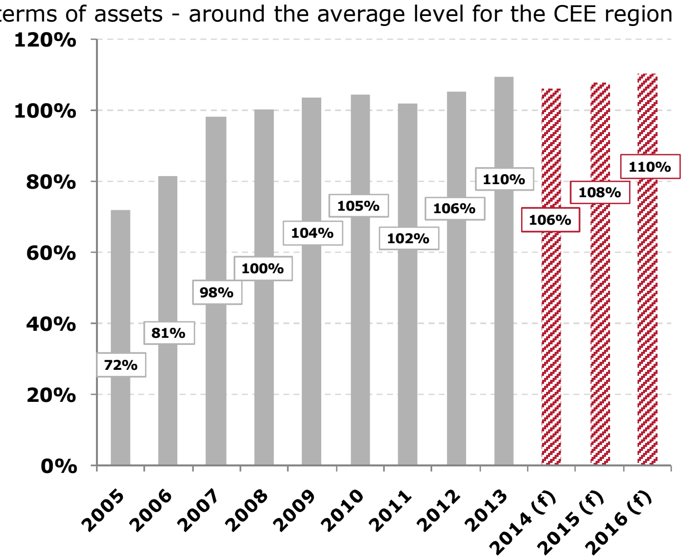
During the last few years asset growth was driven mainly by Bulgarian owned banks. Domestic banks with local ownership started to increase their market share since 2010, in line with funding outflow and restrictive credit policy of the foreign owned banks. While foreign owned banks remained focused on replacing their foreign funding with domestic deposits, domestic banks, which in general receive their funding from the local market, started gaining market share. Currently, the list of Top 5 banks on the market with almost 55% of the total assets in the system, includes four EU subsidiaries and only one bank with Bulgarian equity. Domestic banks with local ownership (without Corpbank group, whose assets amount BGN 7.2 bn in Q2 2014) decrease their market shares to 25% of the total assets, or 3 p.p. lower compared to a year earlier.

Assets to GDP ratio remains around the average CEE level. The whole region still have room for further organic growth

The penetration of the banking system in Bulgaria (measured by assets to GDP ratio) remains around the average level for the CEE region. Due to the current situation around Corpbank'c group, in the worst case scenario the assets of the entire banking system will decline to BGN 84 bn in 2014 or 106% of GDP. Compared to the EU average (over 300% of GDP) and developed markets, Bulgaria and the whole region still have room for further organic growth. The catch-up potential will be driven by decreasing unemployment rates, rising GDP per capita as well as growing investments and demand for consumer goods and housing. The banks therefore have to concentrate on adding new services and improving the quality of the existing ones in order to secure the loyalty of customers.

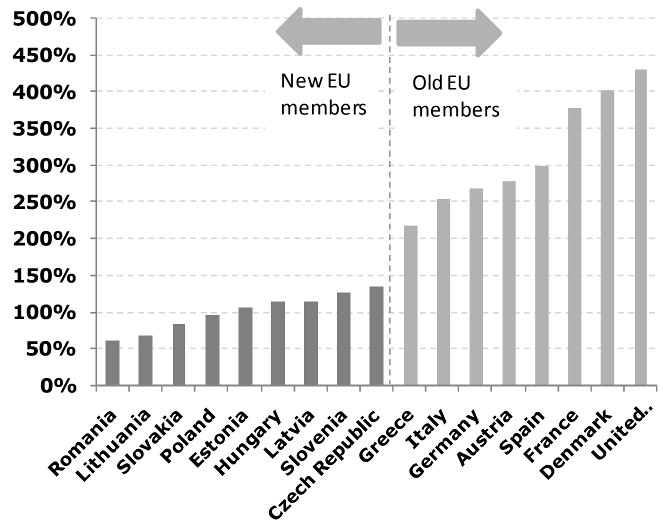
There is an obvious divergence between the assets growth and lending activity in CEE and Western European banks. While financial institutions in the CEE region continue to post a moderate increase both in terms of assets and corporate loans, the Western European banks show a decrease due to the ongoing process of deleveraging in these countries. Bulgaria remains among the countries with above average increase both in assets and corporate loans for the period 2012 – H1 2014. The growth is partly driven by EU funds absorption and involvement of banks in the process. In the new program period 2014-2020 Bulgaria will have a chance to absorb EUR 15.8 bn, which shows that the market still has growth potential.

Exhibit 3: The penetration of the Bulgarian banking system in terms of assets - around the average level for the CEE region



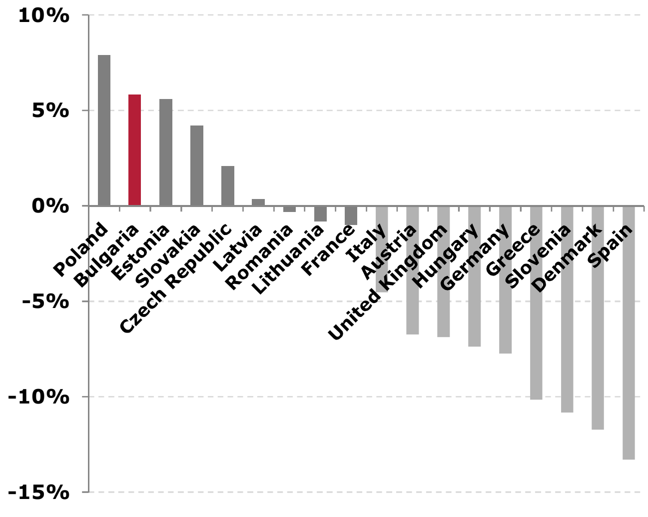
Source: BNB, ELANA Trading

Exhibit 4: Compared to the EU average (Assets to GDP) – the whole region still have catch-up potential



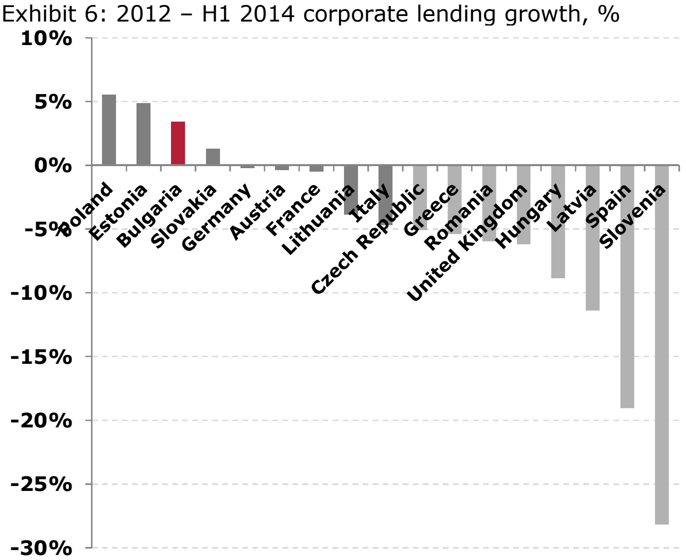
Source: Eurostat

Exhibit 5: 2012 – H1 2014 assets growth, %



Source: Eurostat

Exhibit 6: 2012 – H1 2014 corporate lending growth, %



Source: Eurostat

EQUITY AND CAPITAL ADEQUACY

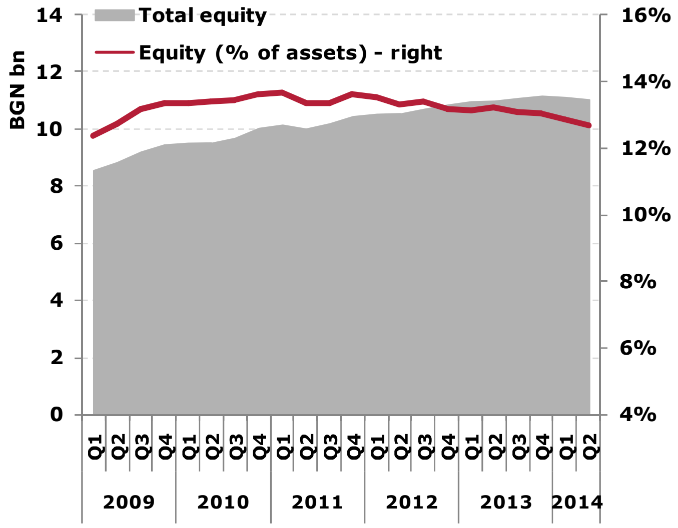
Retained earnings – the main driver of equity increase

Equity increases slightly by 0.4% y-o-y in Q2, driven mainly by the reserves (including retained earnings). Compared to Q2 2013, reserves record strong positive development, rising by BGN 235 m. The equity-to-assets ratio decreases slightly to 12.66% and the moderate downward trend is likely to continue during the rest of the year.

The capital buffers remains above the minimum requirements in EU

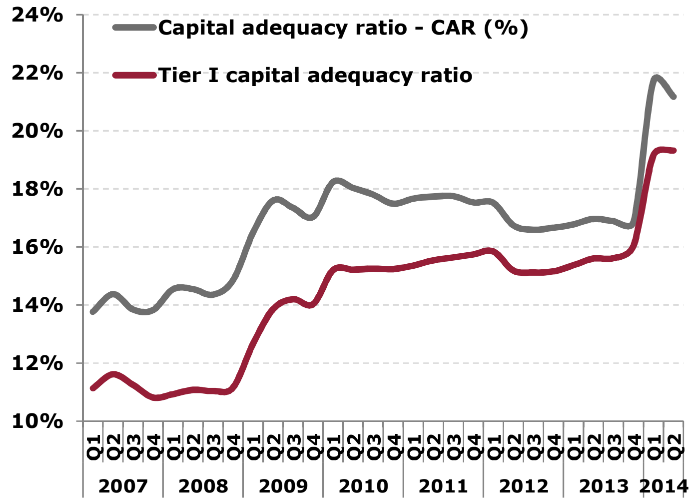
The capital buffers of the banks are significantly above the minimum requirements of 8% in EU. As of the end-June, the overall capital adequacy of the banking system reached 21.17%, and the Tier 1 capital adequacy – 19.32%. The values of the capital adequacy ratios are significantly higher than the end of 2013, which reflects implementation of the new European regulatory framework, effective 1 January 2014.The new EU framework actually represents a loosening of the local regulatory framework with respect to the capital requirements for banks. That is the reason why BNB has decided to implement the highest possible levels of additional capital buffers as of 2014 - a capital conservation buffer of 2.5% and a systemic risk buffer of 3%.

Exhibit 7: The equity growth continues to lag behind the growth of assets



Source: BNB

Exhibit 8: The capital buffers of the entire system were retained. Q1 increase was due to implementation of the new European regulatory framework



Source: BNB

LOANS AND LENDING ACTIVITY

The current period of relatively high unemployment rate and slow economic growth decreases bank's appetite of new loans, but landing activity will accelerate moderately in upcoming years

The lack of significant signs of acceleration of the country's economy continues to restrict lending activity. Before 2009, the market was very active and banks were lending money with great confidence, as a result of several years of sustainable GDP growth (6% average growth y-o-y for the period 2003 - 2008), declining unemployment and high level of FDI (around EUR 5 bn per year for the same period). But the current period of relatively high unemployment rate and slow economic growth decreased bank's appetite of new loans and both corporate and retail loans increase only by 2.7% y-o-y in Q2, compared to double-digit growth before 2009.

Nevertheless, there is a slight acceleration of the bank activity compared to end-2013, when the lending was almost frozen. This contributes to a rise of loans-to-assets ratio to 66.5%, which currently is around its 2008 average level and well below the average level for the period 2009 – H1 2014.

Corporate loans register the highest growth for the last five quarters, rising by 3.7% compared to Q2 2013. The main growth drivers remain export-oriented companies and EU-funded investment projects.

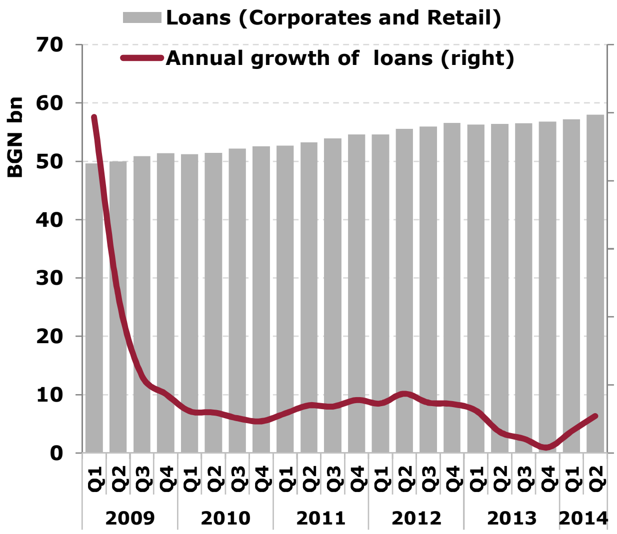
There is no significant change in the retail segment for another consecutive quarter, as the dynamics of consumer and mortgage loans are still insignificant. This is in line with slow economic growth and relatively high unemployment rate. Although Bulgaria has one of the lowest mortgage loans-to-assets ratio in EU (around 10%, compared to nearly 15% for the EU), we do not expect significant increase of the segment in the next few quarters, due to the lack of long term consumer confidence. Demand for mortgage loans will be mainly driven by the housing market with people buying property as a first home rather than as an investment.

We expect banks to increase their liquidity buffers, which is likely to stop the decline in interest on loans and to postpone lending acceleration in upcoming years. To maintain higher liquidity buffers banks will lend smaller share of deposits, which will reduce the loan supply.

Business climate and consumer confidence improvement - the basis of the higher lending activity

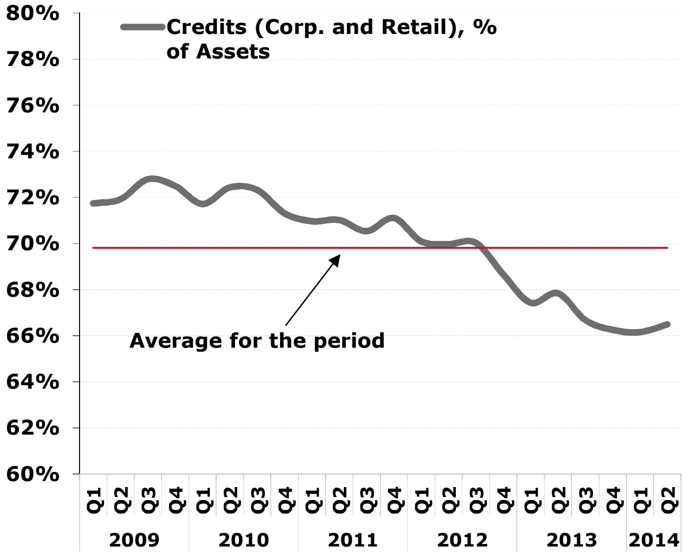
To see significant upward trend in lending, we should first see a stable improvement in the business climate and consumer confidence, as a result of some stable employment increase. Reduction of the current high debt levels in some sectors (such as construction), could also be a potential growth driver.

Exhibit 9: The growth of lending is expected to continue, but at a moderate pace



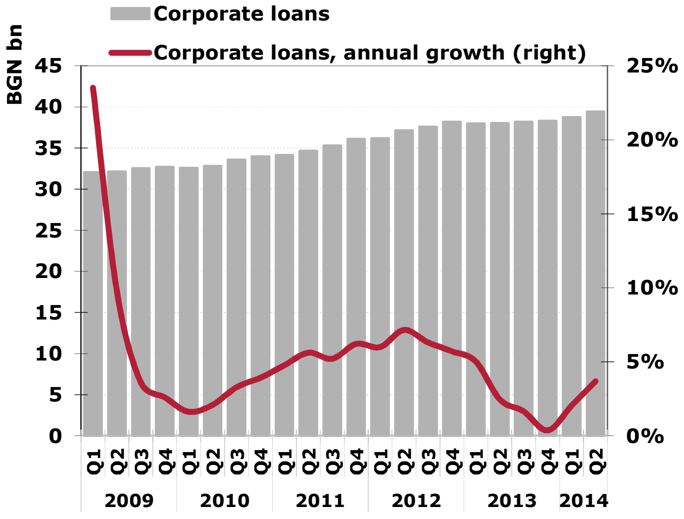
Source: BNB

Exhibit 10: Reduction of loans-to-assets ratio – potential for new wave of landing



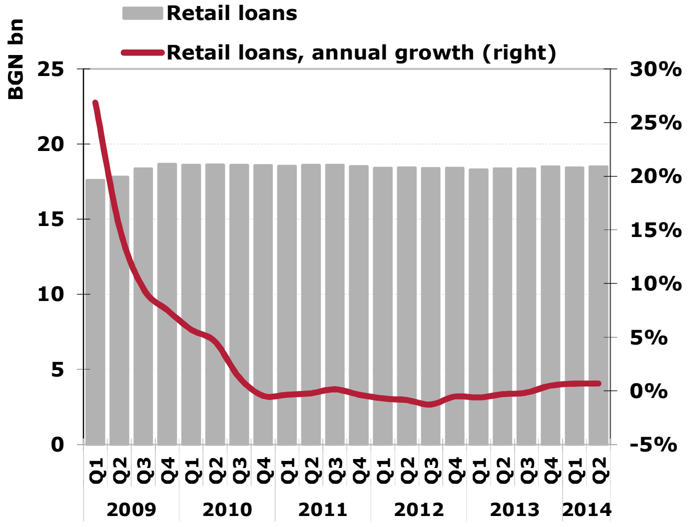
Source: BNB

Exhibit 11: After a sharp decline in end-2013, corporate loans start to pick up speed again



Source: BNB

Exhibit 12:Retail lending is expected to remain depressed



Source: BNB

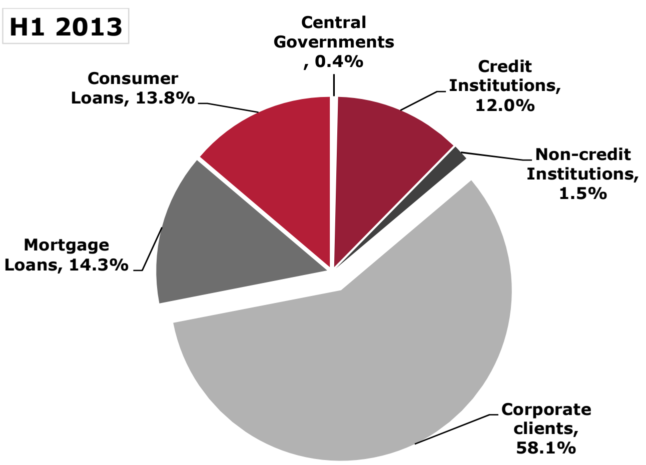
Loan Structure

Slight decrease of corporate loans share, but they remain with the highest share of total loans

The structure of loans remains almost unchanged in H1 2014 with limited changes compared to a year earlier. Loans to credit institutions and central government continue to increase their share, reaching 12.9% and 0.8% of the total loans. The share of corporate loans decreases slightly by 0.4 p.p., but they remain the largest segment with 57.7% of the total loans. We expect the current level to decrease additionally during the end of the year, as Corpbank, whose business is restricted by the BNB, was among the active banks in terms of corporate lending.

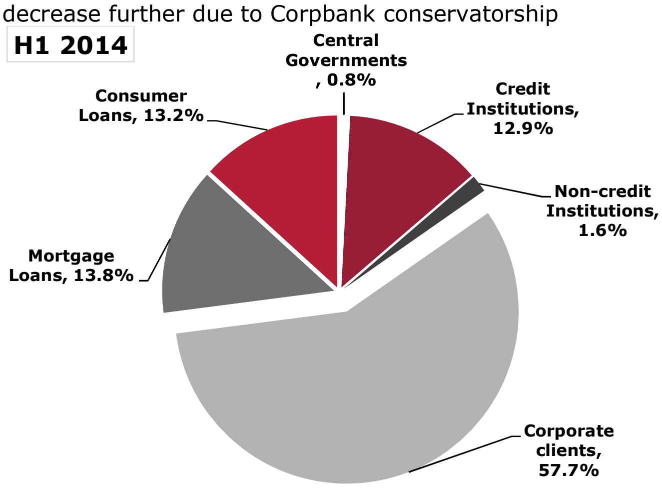
A slack economy and limited consumer spending continue to depress the retail credit portfolio, as both mortgage and consumer loans lose a share compared to a year earlier. The total amount of both types of loans remains almost equal, but there is a change in the currency structure of these credits. BGN denominated mortgage loans rose from 42% in H1 2013 to 45% in H1 2014, remaining below 50% of total mortgage loans. BGN denominated consumer loans represents the majority of consumer loans - 79.3%.

Exhibit 13: Structure of loans remains relatively unchanged…



Source: BNB

Exhibit 14: …but we expect the share of corporate loans to decrease further due to Corpbank conservatorship



Source: BNB

Loans to Deposits Ratio and Lending by Industries

The gradual decline of LTD ratio continued also in Q2

After reaching its peak in 2009 (119.7%), the loans-to-deposits (LTD) ratio gradually declined to around 90%, mainly due to the limited lending activity of the banks, as well as the significant increase of both corporate and individual deposits. The deposits growth during the last few years was mainly driven by the relatively high deposits interest rates and the lack of alternative financial instruments. Most people continue to view bank deposits as their main investment alternative. The current LTD level underlines the positive growth prospects for a future increase in lending, but in the short-term we do not expect any major changes in loan-to-deposit ratio.

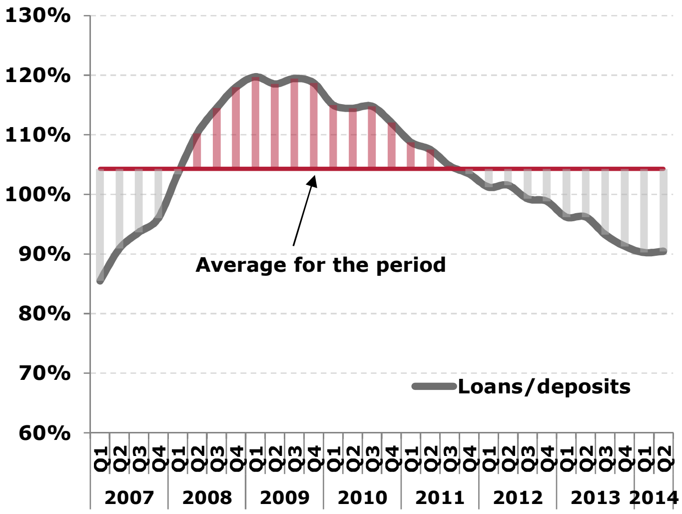
Trade remains the sector, which concentrate the most banking loans

Trade remains the sector with the most attracted loans, concentrating 31.7% of total loans. This is in line with the sector structure of the Bulgarian economy, as around 1/3 of the total number of enterprises in the country operate in this sector. Compared to the same period last year, the loans to this sector are up by 2% y-o-y. Moderate increase, compared to a year earlier also registers the Manufacturing sector (+BGN 410 m). Ongoing improvement on the economy is expected to retain the upward trend relatively stable. Real estate is another sector benefiting from the better economic conditions (+BGN 616 m y-o-y) together with the business connected to Transport and storage (+BGN 34 m).

The significant amount of EU funding continues to make the Agricultural sector attractive to lending institutions (+BGN 94 m), while the increase in lending to the Energy sector (+BGN 206 m) is connected to some projects with geopolitical and strategic importance. We expect the loans to this sector to continue to increase during the next few years also driven by some modernization protects, which were postponed due to the economic crisis.

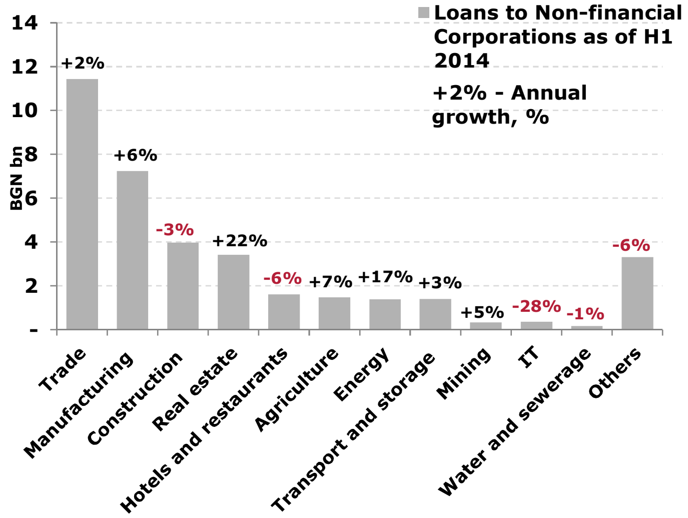
After reaching its peak in 2009, the loans to the Construction sector, as well as to the Hotels and Restaurants segment continue to decline, with bank financing to both lowering by BGN 215 m compared to H1 2013. The downward trend is likely to continue, as the construction peak before 2009 was connected to strong investments in real estate, both from domestic and foreign investors, and increasing real estate prices.

Exhibit 15: Increase of both corporate deposits and deposits of individuals lowered further LTD ratio



Source: BNB

Exhibit 16: Lending activity by industries



Source: BNB

Impairments and Credit Quality

Consumer loans – the riskiest segment of bank's loans due to its high dependence on unemployment rate

After the gradual improvement of the consumer loans quality in 2012 and 2013, impairments started to increase again. This segment remains the riskiest one in the banks' loan portfolio because 10% of the new granted loans could become "bad". This segment is highly dependent on the current economic situation and unemployment level. The growth of mortgage loans and corporate loans impairments remains relatively constant, but the current rate of increase is significantly lower than the one before 2012. The expected gradual GDP increase in upcoming years is expected to affect positively the quality of mortgage and corporate loans, but in a short term the risk of accumulation of further losses remains high. Especially from Corpbank whose audit report showed a significant deterioration of the banks' loan portfolio.

Moderate decline of loans past due over 180 days, but we expect situation around Corpbank group to stop this trend

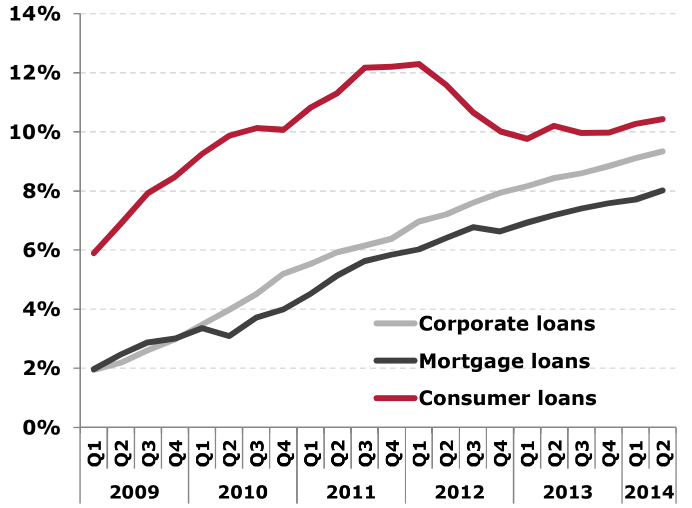
The amount of watch exposures (loans past due 30 and 90 days) and non-performing loans (between 90 and 180 days) continues to decrease, shrinking by BGN 252 m compared to end-2013. During the last year the reduction was due mainly to movement of these loans to the next category - loss (loans past due over 180 days). But for the first six months of the year there is also a decline in this segment (loans past due over 180 days) by BGN 224 m compared to end-2013. Although the current slack economy and limited consumer spending will continue to depress the credit portfolio until the end of the year, we expect the positive trend in the economy to accelerate in 2015 and to see some positive impact on the NPLs. This will additionally reduce the pressure on the financial results of banks.

Compared to total loans, loans past due over 90 days increased slightly to 15.5%, but the growth is due to the removal of the loan portfolio of Corpbank's group, which reduces the basis for calculation of bad loans. The current situation around Corpbank's group is expected to erase the positive impact of the improving economy, as the longer the group remains closed, the higher NPLs will go.

Nevertheless, the ability of the banking system to bear a loss remains high

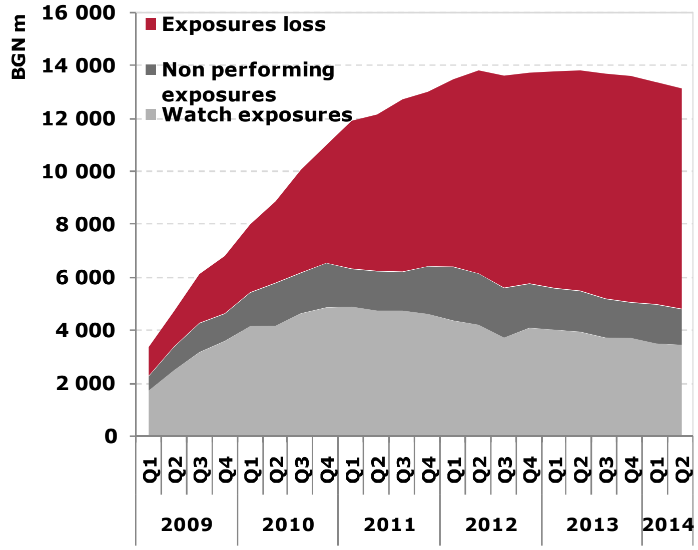
The ability of the banking system to bear losses continues to increase gradually as provision coverage ratio of corporate and retail loans (provisions for corporate and retail loans losses) reached 9.3%, while provisions-to-NPL ratio (also of corporate and retail loans) increased to 55.8%. This means that "real" bad loans amount in Bulgaria (which is not provisioned) is around two times smaller as over 55% of NPLs are already provisioned.

Exhibit 17: Impairments, % of loans



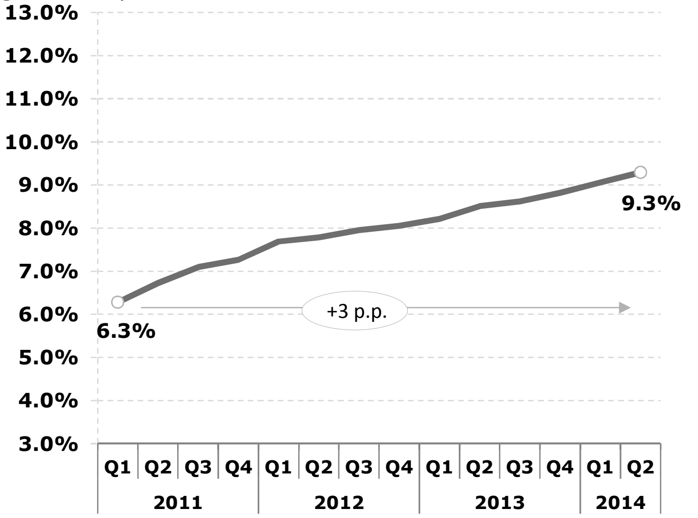
Source: BNB

Exhibit 18:Loans with impaired performance



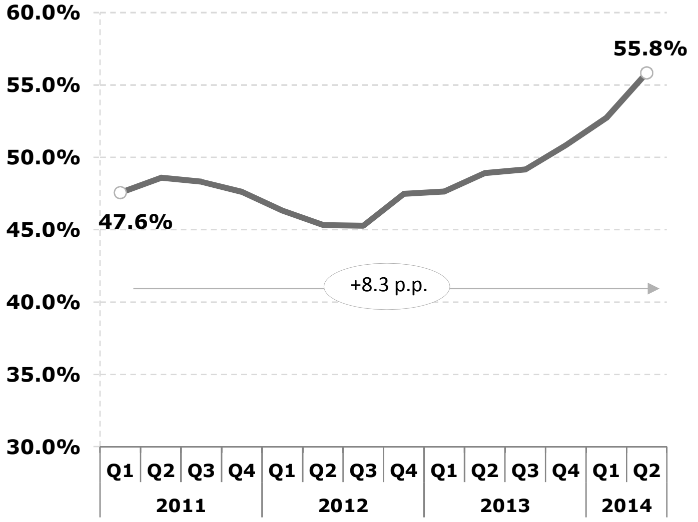
Source: BNB

Exhibit 19: Provision coverage ratio (percentage of the loan amount that the banks has set aside as provisions) shows gradual improvement



Source: BNB

Exhibit 20:Provisions-to-NPL ratio increased additionally, as over 1/2 of NPLs are already provisioned



Source: BNB

DEPOSITS

The stable growth of consumer and corporate deposit remains almost unchanged, which shows that banks can rely on internal

The stable growth of corporate deposits and deposits of individuals remains almost unchanged during the first six months of the year, increasing by 9.2% y-o-y in June to BGN 64.1 bn. This trend shows that the country still has internal resources and banks could successfully fund their business through deposits. The deposit growth is driven mainly by the still low consumer confidence and sluggish investment activity, as well as the lack of enough secure and profitable investment alternatives.

resources to fund their business

Despite the deposits outflow from the two Bulgarian banks in June, the total attracted deposits (corporate deposits and deposits of individuals) of the banking system continue to increase even on a monthly basis (+247 m in June compared to May), which shows, that the confidence in the banking system remains high. In August (the latest available data) total deposits amount BGN 65.3 bn or by BGN 1.2 bn higher than June. In July and August households have returned to the banks BGN 403 m out of the BGN 409 m withdrawn during the banking crisis in June.

Deposit to assets ratio increases to 73.5% (compared to 70.5% in H1 2013 and 72.6% in end-2013). The solid deposit base could support future lending activity increase. We expect banks to continue to cut interest rates on deposits until the end of the year, in order to improve the net interest income and in line with the current low level of inflation.

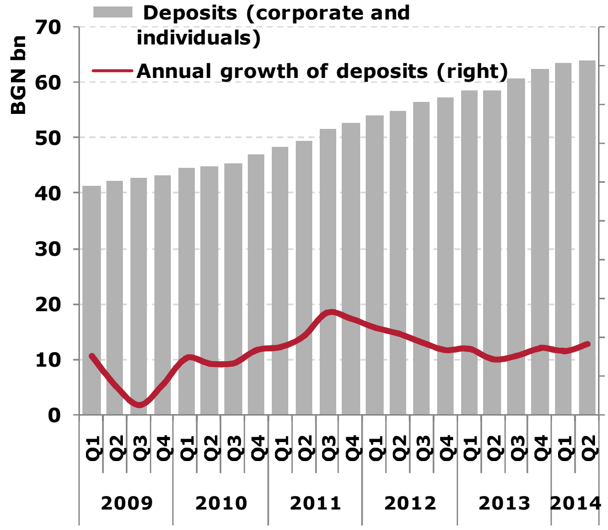
Deposits of individuals continue to increase their share of total attracted funds, reaching the level of 54% (compared to 53% as of end of 2013 and 51% a year earlier). The annual growth for the last five quarters remains relatively stable – slightly above 9%, which reflects the high confidence in the banking system. The two bank runs, that hit the banking system in the middle of the year, instead of leading to deposit outflow from the system led to a transfer of deposits to other banks.

Corporate deposits also maintain their upward trend, increasing by 9% compared to a year earlier. The share of deposits from credit institutions, part of which are deposits from foreign banks, declined further to 11% of total deposits (compared to around 12% in end-2013 and 14% a year earlier), making this type of deposits no longer an essential source of funding.

Despite the ongoing downward trend in interest rates on deposits, we expect the growth of deposits during the next 12 months to remain higher than that of loans, in line with the current political instability. Credit institutions will continue to repay the most expensive sources of funding, in order to improve their financial results.

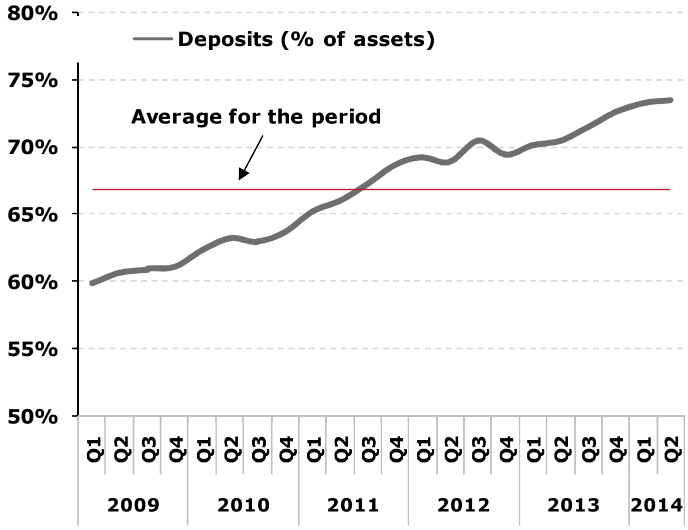
We expect deposits growth to remains higher, despite the ongoing downward trend in interest rates

Exhibit 21: We expect the growth of deposits to continue …



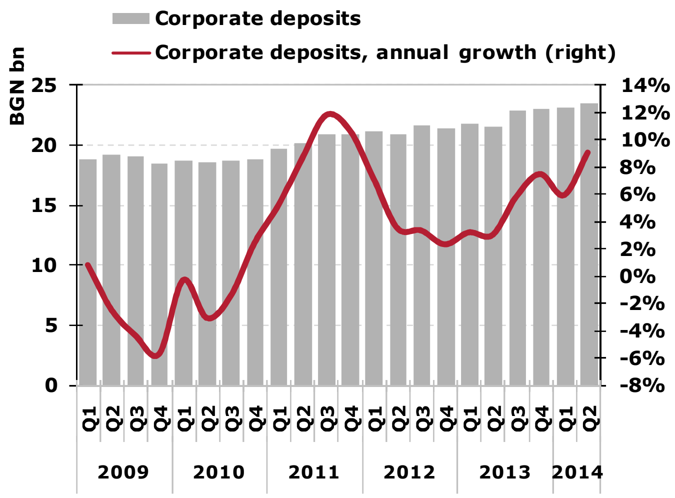
Source: BNB

Exhibit 22: …increasing further the deposits-to-assets ratio



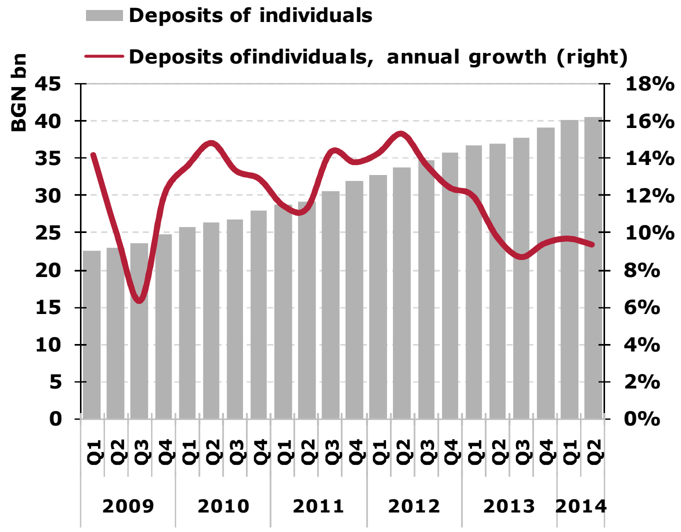
Source: BNB

Exhibit 23: Corporate deposits



Source: BNB

Exhibit 24: Deposits of individuals



Source: BNB

Financial Assets and Foreign Funds

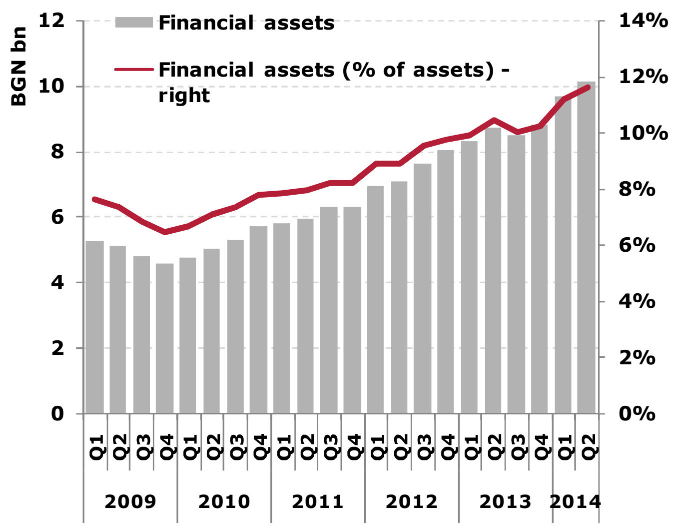
The share of financial assets (those held for trading, designed at fair value through profit or loss, the assets available for sale and investments held to maturity) continues to increase gradually, reaching 11.6% of total assets or BGN 10.1 bn. Compared to 2013 there is 15.2% (BGN 1.3 bn) increase, mostly in assets available for sale (+BGN 1.29 bn for the same period), whose share rose to 58.7% of total financial assets. The growth is mainly due to an increase in investments in domestic issuers' debt instruments (mostly government securities).

The share of financial assets continues to increase, mainly due to the growth in domestic issuers' debt instruments

The gradual outflow of foreign funds continued also in H1 2014.As compared to end-2013 they contracted by BGN 278 m or 2.3%. Compared to the peak level in 2008, the current amount of foreign funds is already by 36% or BGN 6.7bn lower, shrinking to its 2007 level. The relatively small decline for the first six months indicates that the ongoing process of external indebtedness reduction is largely over. Replacement of foreign funding by domestic one is not necessary a good trend, as foreign funding is usually more stable and longer-term funding than deposit funding.

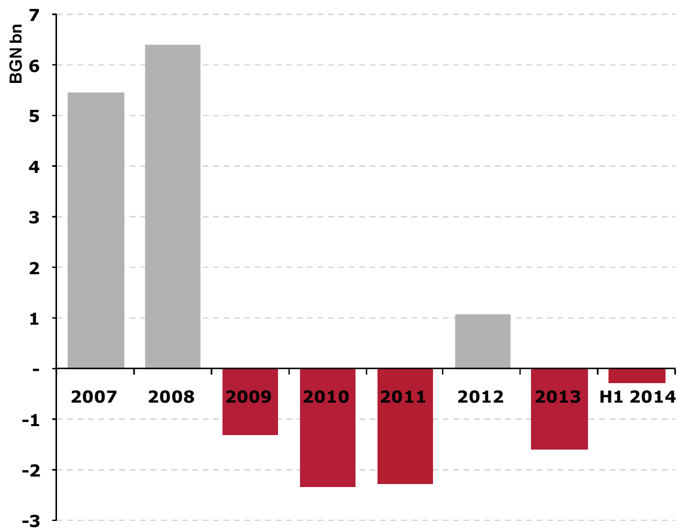
Ongoing process of external indebtedness reduction seems to be largely over

Exhibit 25: The gradual increase of financial assets remains stable



Source: BNB

Exhibit 26:Annual growth rate of the foreign funding



Source: BNB

Dynamics of Interest Rates and Financial Results

Both corporate and retail interest rates of loans are below their pre-crisis level

The level of interest rates on loans in euro for corporate clients remains relatively stable, as there is almost no change for the last year and a half. The banks' efforts to attract well performing companies as clients already led to a decline in the interest rates below their pre-crisis level. Renegotiation of the terms of existing loans is also leading to interest decline.

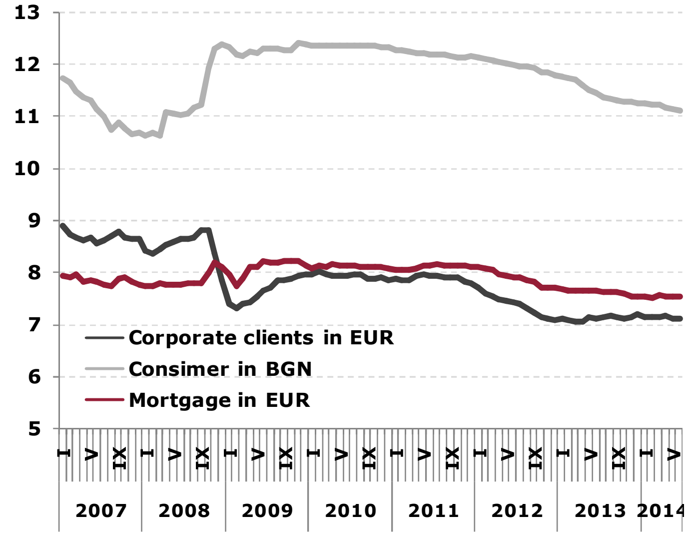
Interest rates on loans to individuals registered more significant changes, as for the first six months of the year mortgage loans rates decreased to 7.5%, while the interest rates on consumer loans went down to 11%. Both interest rates are below their 2007 levels.

Lower interest on new deposits did not affect consumer propensity to save

The same downward trend is observed in interest rates on deposits. Improved loan-to-deposit ratio made banks lower the price of attracted resource, trying also to optimize net interest income.

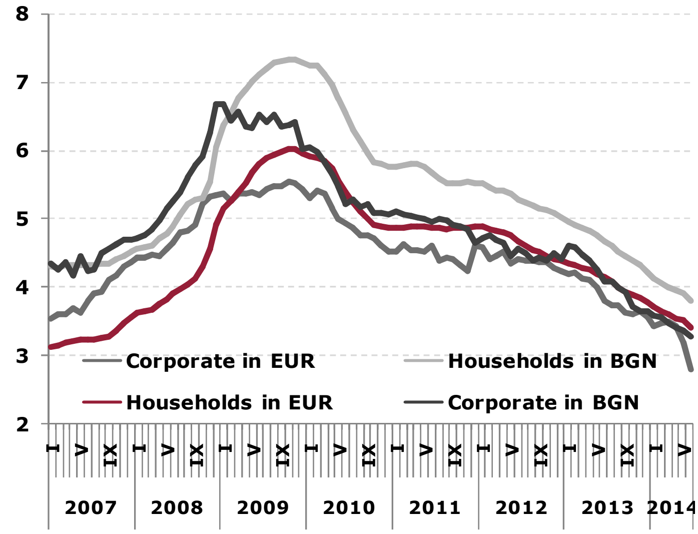
Nevertheless, lower interest on new deposits did not affect consumer propensity to save. The process of replacement of external financing with local one is largely over and banks will not be so aggressive in attracting deposits in upcoming years. Deflation in the country also presses the nominal interests down.

Exhibit 27: Interest rates on loans – below 2007 levels



Source: BNB

Exhibit 28: Interest rates on deposits – the current low levels do not affect consumer propensity to save



Source: BNB

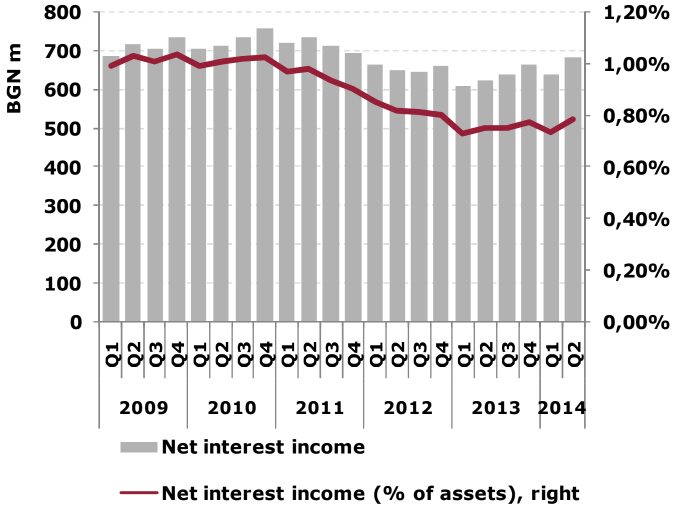
Lower interest expenses improved net interest income

Steadily falling deposit interest rates continued to cut the banks' interest expenses, and for the first half of the year they are by 11.9% lower compared to a year earlier. At the same time interest income declined by less than 2%, which helped banks optimize net interest income. Compared to H1 2013 it is 7% higher and after reaching the bottom in Q1 2013 net interest income is in clear upward trend. Similar trend is observed also in net fees and commissions income, which is increasing by 0.6% y-o-y in H1 2014. The growth is mainly due to the higher by 4.2% fees and commissions net income compared to H1 2013.

The banks' income structure has not changed significantly during the last seven years. Interest income remains with a major share (between 78% and 82%), while the share of fees and commissions income is around 13% – 16%.

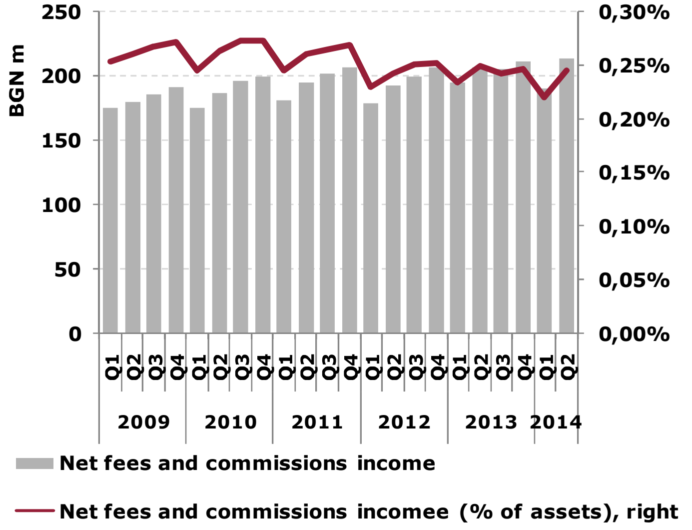
In contrast to income structure, expenses structure has changed significantly since 2007. The share of impairments increased to 21.3% in H1 2014, while administrative costs decreased their share to below 35%. This is in line with banks' efforts to reduce expenses by optimizing staff and branch network.

Exhibit 29: Net interest income started to improve



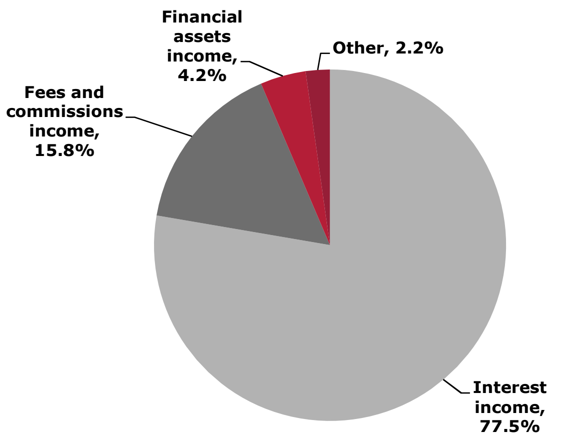
Source: BNB

Exhibit 30: Net fees and commissions income in Q2 2014 – the highest since 2007



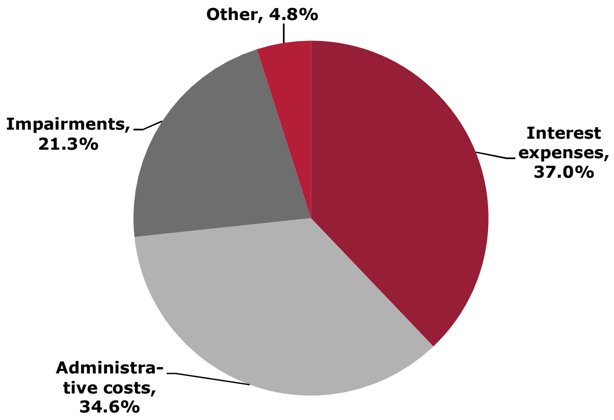
Source: BNB

Exhibit 31: Income structure of the banking system



Source: BNB

Exhibit 32: Expenses structure of the banking system



Source: BNB

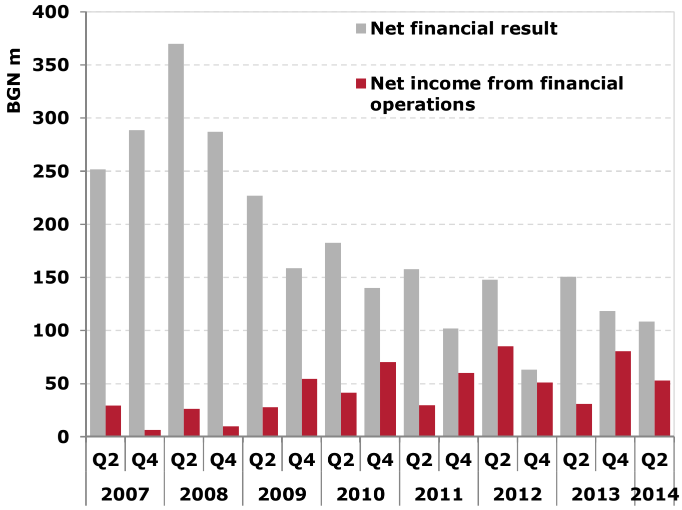
Economic environment remains challenging, but banks continues adapting to it

Banks continue adapting to still challenging domestic and foreign environment, and mid-year financial results show continuing efforts to boost profitability. Compared to the first six months of 2013 the positive financial result is up by 4.5% to BGN 332 m. The contribution of transactions with securities to the profit continues to increase slightly, driven by the significant banks' exposure to Bulgarian government securities.

The still high share of loans past due over 90 days continues depressing profitability through extra impairment costs. At the same time pre-provision quarterly financial result remains relatively constant around BGN 430 m, which is a sign that without impairments the potential profit of the banking system could be twice as high.

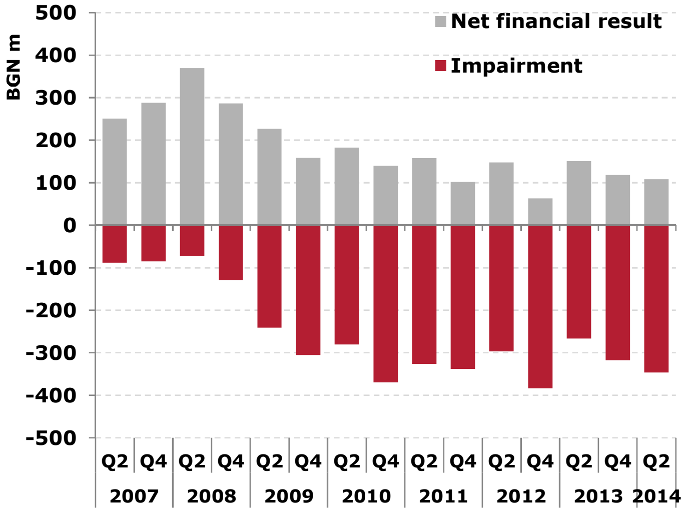
We do not expect significant improvement in impairment costs and the level will remain at the current level during the next 12 months. Significant improvement could be seen only if the economic growth accelerates to 3%-4% y-o-y from the current relatively low level of around 1%.

Exhibit 33: Net interest from financial operations



Source: BNB

Exhibit 34: The relatively constant pre-provision financial result shows the profit potential of the banking system



Source: BNB

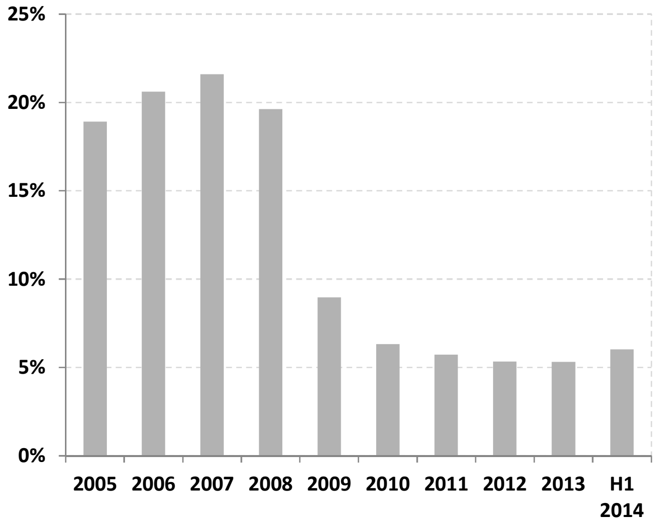
Financial indicators continue to be relatively low compared to pre-crisis years - ROAA at 0.8% and ROAE at 6%. Nevertheless, ROAE ratio remains above that in CEE, which during the past few years was around 3%. Cost-to-income ratio deteriorated slightly to 51.1%.

ROAE remains below the pre-crisis levels, but still above the CEE average

The banking system (excluding the banking group of Corpbank,) preserved and even further strengthened its high liquidity. The amount of liquid assets of the 27 banks increased to BGN 19.9 bn. A similar tendency was registered in cash and cash balances within the BNB, which increased to BGN 8.4 bn. At the end of June 2014 the liquid assets ratio reached 28.92% for the 27 credit institutions, which is 1.85 p.p. higher compared to end of 2013. Given the high liquidity within the system and the fact that First Investment Bank managed to overcome to recover its liquidity position after end of June withdrawals we do not expect further significant liquidity shocks in the banking system, regardless of the decision of BNB about Corpbank's future. We also do not expect any significant contagion risk. This expectation is supported by the fact that four months after placing Corpbank under conservatorship there is no significant impact on the banking system in the country.

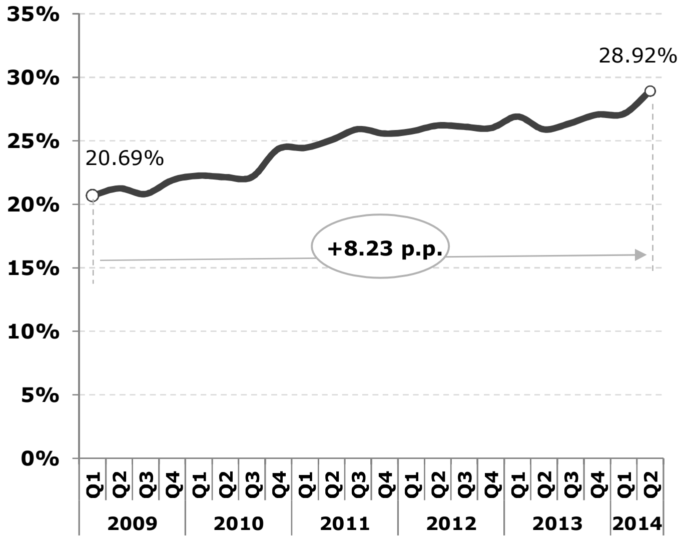
The system further strengthened its liquidity position

Exhibit 35: ROAE shows gradual improvement



Source: BNB

Exhibit 36: Liquidity position of the banking sector remains sound



Source: BNB

BALANCE SHEET DATA

DATA IN BGN THOUS.	2010	2011	2012	2013	H1 2013	H1 2014
Total assets	**73,725,696**	**76,811,182**	**82,415,660**	**85,746,670**	**83,169,853**	**87,159,438**
Change y-o-y, %	4.0%	4.2%	7.3%	4.0%	-	4.8%
% of GDP	105%	102%	106%	110%	-	110%
Total equity	**10,032,261**	**10,448,465**	**10,850,070**	**11,164,368**	**10,993,564**	**11,038,601**
Change y-o-y, %	6.1%	4.1%	3.8%	2.9%	-	0.4%
% of GDP	14%	14%	14%	14%	-	14%
Total loans (corporate and retail)	**52,572,066**	**54,616,780**	**56,581,479**	**56,809,692**	**56,424,307**	**57,952,232**
Change y-o-y, %	2.3%	3.9%	3.6%	0.4%	-	2.7%
% of GDP	75%	73%	72%	73%	-	73%
Corporate loans	**33,993,371**	**36,103,561**	**38,166,278**	**38,305,779**	**38,045,852**	**39,447,128**
Change y-o-y, %	3.9%	6.2%	5.7%	0.4%	-	3.7%
% of GDP	48%	48%	49%	49%	-	50%
Retail loans	**18,578,695**	**18,513,219**	**18,415,201**	**18,503,913**	**18,378,455**	**18,505,104**
Change y-o-y, %	-0.5%	-0.4%	-0.5%	0.5%	-	0.7%
% of GDP	26%	25%	24%	24%	-	23%
Mortgage loans	**9,268,826**	**9,368,120**	**9,441,757**	**9,388,647**	**9,367,070**	**9,455,816**
Change y-o-y, %	3.5%	1.1%	0.8%	-0.6%	-	0.9%
% of GDP	13%	12%	12%	12%	-	12%
Loans in foreign currency (% of mortgage loans)	54.9%	58.1%	58.9%	56.4%	57.8%	55.1%
Consumer loans	**9,309,869**	**9,145,099**	**8,973,444**	**9,115,266**	**9,011,385**	**9,049,288**
Change y-o-y, %	-4.1%	-1.8%	-1.9%	1.6%	-	0.4%
% of GDP	13%	12%	11%	12%	-	11%
Total deposits (corporate and deposits of individuals)	**46,928,040**	**52,808,264**	**57,256,009**	**62,230,442**	**58,655,533**	**64,074,514**
Change y-o-y, %	8.4%	12.5%	8.4%	8.7%	-	9.2%
% of GDP	67%	70%	73%	80%	-	81%
Corporate deposits	**18,890,675**	**20,906,719**	**21,386,563**	**22,982,006**	**21,571,717**	**23,519,350**
Change y-o-y, %	2.4%	10.7%	2.3%	7.5%	-	9.0%
% of GDP	27%	28%	27%	29%	-	30%
Deposits of individuals	**28,037,365**	**31,901,545**	**35,869,446**	**39,248,436**	**37,083,816**	**40,555,164**
Change y-o-y, %	12.9%	13.8%	12.4%	9.4%	-	9.4%
% of GDP	40%	42%	46%	50%	-	51%
Net profit	**616,663**	**586,141**	**566,842**	**584,867**	**317,743**	**332,085**
Change y-o-y, %	-21.0%	-4.9%	-3.3%	3.2%	-	4.5%
ROAA	**0.85%**	**0.78%**	**0.71%**	**0.70%**	**-**	**0.78%**
ROAE	**6.33%**	**5.72%**	**5.32%**	**5.31%**	**-**	**6.03%**
CIR	**48.7%**	**49.9%**	**51.8%**	**53.4%**	**52.6%**	**51.1%**
Total loans (% of total deposits)	**112%**	**103%**	**99%**	**91%**	**96%**	**90%**
Net interest income, % of total assets	**1.03%**	**0.91%**	**0.80%**	**0.78%**	**0.75%**	**0.79%**
Net fee and commission income, % of total assets	**0.27%**	**0.27%**	**0.25%**	**0.25%**	**0.25%**	**0.25%**
Loans past due 90 days, % of total loans	**10.5%**	**13.0%**	**14.9%**	**14.5%**	**15.0%**	**15.5%**
Capital adequacy ratio - CAR (%)	**17.5%**	**17.5%**	**16.7%**	**16.9%**	**17.0%**	**21.2%**
Liquid assets ratio (%)	**24.4%**	**25.6%**	**26.0%**	**27.1%**	**25.9%**	**28.9%**
Number of banks on the market	**30**	**31**	**31**	**30**	**30**	**27**

RANKING OF BANKS IN BULGARIA

Data as of Q2 2014	Assets, BGN m	Rank	Change y-o-y, %	Net profit, BGN m	Rank	Change y-o-y, %	Total Loans, BGN m	Rank	Change y-o-y, %	Total Deposits, BGN m	Rank	Change y-o-y, %
UniCreditBulbank	**13,260.1**	1	4.5%	**129.4**	1	39.5%	**9,064.0**	1	0.6%	**9,380.1**	1	13.0%
DSK	**8,865.9**	2	-0.2%	**123.7**	2	-2.7%	**7,049.3**	2	-0.6%	**7,116.6**	3	5.5%
FIB	**8,838.3**	3	26.8%	**22.3**	4	-0.1%	**6,134.1**	3	28.0%	**7,507.2**	2	23.8%
UBB	**6,786.6**	4	1.9%	**34.4**	3	-370.9%	**4,866.8**	4	-3.8%	**4,869.0**	5	-4.0%
Eurobank EFG	**6,039.3**	5	11.2%	**14.5**	7	129.5%	**4,371.5**	5	2.2%	**4,922.2**	4	15.7%
Raiffeisenbank	**5,989.3**	6	0.0%	**18.3**	6	115.1%	**4,313.9**	6	-7.1%	**4,126.6**	6	-2.2%
SG Expressbank	**3,880.5**	7	10.9%	**14.3**	8	308.9%	**2,979.4**	7	7.2%	**2,869.3**	8	20.2%
Central Cooperative Bank	**3,804.1**	8	12.4%	**4.6**	14	-20.6%	**1,734.8**	9	6.1%	**3,318.0**	7	15.0%
Alpha Bank	**3,581.0**	9	-5.5%	**2.3**	16	16.6%	**1,333.4**	11	-3.5%	**892.8**	14	22.5%
Piraeus Bank	**3,377.8**	10	5.9%	**-18.5**	27	-	**2,503.7**	8	-2.2%	**1,947.8**	9	18.4%
Allianz Bank	**2,179.7**	11	16.2%	**11.3**	10	17.9%	**1,152.1**	12	6.5%	**1,856.6**	10	21.4%
CIBank	**2,018.0**	12	-4.1%	**9.7**	11	145.3%	**1,364.8**	10	6.9%	**1,146.8**	13	1.4%
Investbank	**1,826.3**	13	21.9%	**0.9**	18	-37.2%	**815.7**	14	25.6%	**1,514.6**	11	25.9%
Bulgarian Development Bank	**1,718.7**	14	5.3%	**21.0**	5	64.3%	**685.2**	15	31.1%	**584.7**	17	31.4%
ProCredit bank	**1,308.5**	15	0.4%	**11.4**	9	-2.8%	**1,042.7**	13	2.0%	**863.4**	15	1.7%
Municipal Bank	**1,273.3**	16	10.2%	**2.9**	15	-3.0%	**318.8**	18	-9.5%	**1,164.7**	12	9.9%
International Asset Bank	**991.6**	17	15.2%	**1.4**	17	356.7%	**488.4**	17	14.5%	**844.8**	16	18.5%
BACB	**742.9**	18	-6.6%	**-7.9**	26	-	**568.7**	16	2.0%	**575.8**	18	-8.1%
Commercial Bank D	**679.1**	19	-3.0%	**0.4**	20	-41.4%	**287.7**	20	-10.1%	**565.0**	20	-7.8%
CitiBank	**666.7**	20	19.0%	**8.0**	12	10.1%	**200.1**	23	-0.7%	**574.4**	19	19.4%
BNP Paribas	**558.5**	21	27.1%	**-1.1**	24	-	**125.7**	24	22.4%	**469.9**	21	35.9%
ING Bank	**539.6**	22	3.8%	**0.5**	19	-1.9%	**292.6**	19	11.5%	**339.5**	23	-9.3%
Tokuda Bank	**425.3**	23	2.0%	**-2.4**	25	-	**212.4**	22	6.9%	**367.3**	22	4.5%
TBI Bank	**370.0**	24	-1.2%	**7.4**	13	110.7%	**281.1**	21	30.6%	**294.6**	24	3.4%
Texim Bank	**132.5**	25	9.1%	**0.0**	22	-103.2%	**34.6**	25	27.7%	**43.6**	25	50.0%
TC ZiraatBankasi	**56.1**	26	13.0%	**0.2**	21	-188.4%	**20.1**	26	21.0%	**26.9**	26	27.7%
Isbank	**10.8**	27	-7.5%	**-0.4**	23	-	**6.1**	27	14.3%	**2.6**	27	19.4%

BULGARIAN PUBLICLY TRADED BANKS

	Ticker	Market Cap., BGN	P/E	P/B	Free float	Last price, BGN	One year change, %	One year min	One year max	One year average daily turno-ver, BGN	YTD change, %
Corporate Commercial Bank [1]	6C9	511,362,605	-	0.82	-	78.05	-7.11%	78.05	93.10	25,130	-7.08%
First Investment Bank	5F4	275,000,000	6.08	0.38	15%	2.50	11.60%	2.24	4.60	90,488	2.88%
Central Cooperative Bank	4CF	118,698,851	9.74	0.33	33.6%	1.05	7.26%	0.93	1.64	45,975	2.84%
Bulgarian American Credit Bank	5BN	104,938,080	-	0.67	3%	4.25	6.92%	3.70	5.00	1,671	6.25%
Texim Bank	5CP	36,953,448	435.08	1.13	25.9%	1.32	32.00%	1.05	1.90	152	-8.97%

[1] The share trading of Corporate Commercial Bank (6C9) is suspended until 25th of November, 2014.

FIRST INVESTMENT BANK Overview

Ticker	5F4	**Outstanding Shares**	110 m	**Free Float**	15%
Bloomberg ticker	5F4 BU	**Current Price, BGN**	2.50	**Rating (Fitch)**	BB-

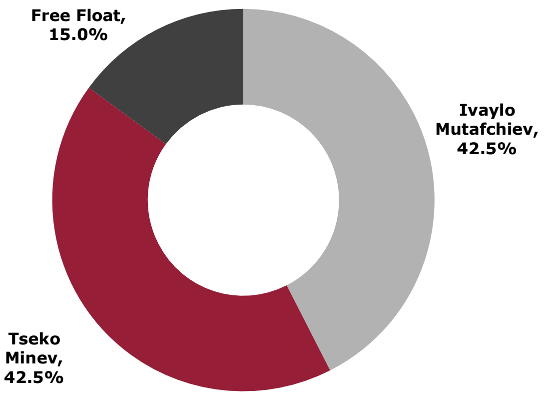
COMPANY PROFILE

First Investment Bank (FIB) was established in 1993. It is among Top 3 banks in Bulgaria and is the biggest bank with Bulgarian capital with over 1 m customers.

FIB is a universal bank, developing all key business lines: corporate banking, micro-companies and SMEs, retail banking, bank cards, trade finance, payments, money markets, foreign exchange and investment gold. The bank is well-known with the high-quality services and the wide branch network.

It has 167 offices, which covers the entire country. Bank's main business is in Bulgaria, but it has also regional presence through foreign operations in Cyprus and Albania.

SHAREHOLDERS' STRUCTURE



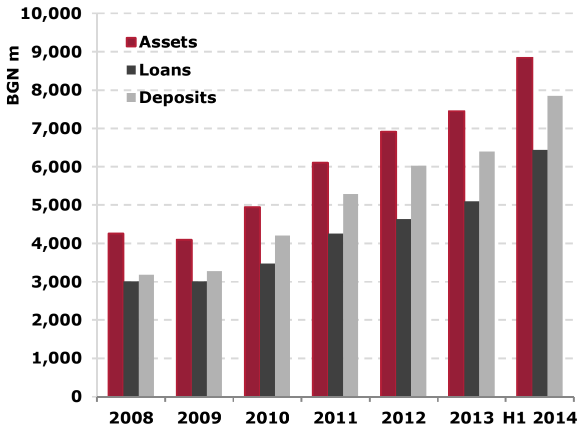
FUNDAMENTAL STORY

First Investment Bank is focused on the lending to small and medium enterprises, but it develops retail segment as well. Corporate loan portfolio is well-diversified, with a main focus on industry and trade. FIB relies mainly on deposits of individuals and it has the second market share of such type of deposits in the banking system.

Most of the offices are in the biggest towns of the country, which enables it to serve a large amount of individuals and companies. FIB is an innovative and customer-oriented credit institution that offers a diverse range of products and services for individual and corporate clients. FIB is among the leading institutions in the country in card business and international payments. It offers a high quality of customer service, which makes it a preferred bank for savings of the population.

FIB is among the pioneers in the business with investment gold and other precious metals with unique for the Bulgarian market products and services. Successful acquisition of Unionbank (mid-sized Bulgarian bank) in Q1 2014 is expected to increase the Bank's efficiency.

BALANCE-SHEET INDICATORS



STRENGTHS & OPPORTUNITIES

- Among Top 3 banks in Bulgaria
- Well established market position
- Second in deposits of individuals and households
- Second in corporate lending
- An efficient distribution network
- Established long-term relationships with corporate clients
- Innovative approach to product development
- Strong balance sheet

WEAKNESSES &THREATS

- Reduced confidence, due to recent rumors about bank's stability
- Among active banks in terms of lending during the past few years, which could affect it loan quality
- High competition on the market
- Slower economic growth in the country

Financial Overview

	2011	2012	2013	H1 2014
Net interest income, BGN thous.	156,429	147,479	162,334	119,024
Net fees and commissions income, BGN thous.	70,780	72,202	85,437	41,577
Net financial result, BGN thous.	36,503	28,915	25,865	22,306
ROAA	0.7%	0.4%	0.4%	0.5%
ROAE	8.0%	5.9%	4.9%	7.1%
Cost to income ratio	69.3%	72.0%	65.8%	60.4%
NPLs	5.8%	12.8%	10.8%	-

	2011	2012	2013	H1 2014
Equity, BGN thous.	477,044	511,231	538,610	717,770
Loans/Deposits	80.5%	76.8%	79.7%	81.7%
Loans/Assets	69.8%	67.0%	68.4%	69.4%
Deposits/Assets	86.6%	87.2%	85.9%	84.9%
Tier 1 capital ratio	-	11.6%	12.5%	14.3%
Capital adequacy ratio	12.3%	13.0%	13.6%	15.6%
Liquidity ratio	27.3%	28.5%	21.5%	24.4%

CENTRAL COOPERATIVE BANK Overview

Ticker	4CF	**Outstanding Shares**	113 m	**Free Float**	34%
Bloomberg ticker	4CF BU	**Current Price, BGN**	1.06	**Rating (Bulgarian Credit Rating Agency)**	BBB-

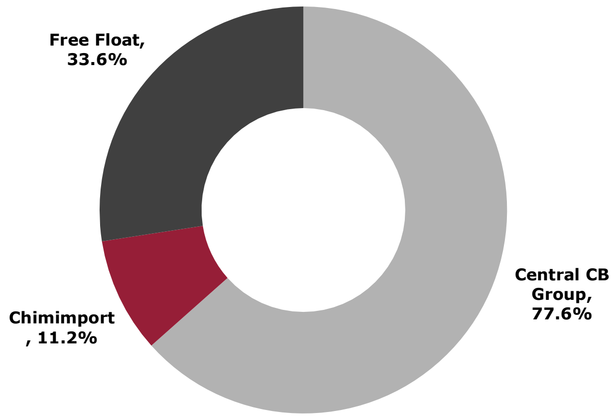
COMPANY PROFILE

Central Cooperative Bank (CCB) was established in 1991 and became public listed in March 1999. It belongs to the financial structure of CCB Group EAD, part of Chimimport - one of the largest conglomerates in the country.

CCB is a universal commercial bank and offers a full array of financial products and services. The bank operates also as an investment intermediary and has been approved by the Bulgarian National Bank to be primary dealer of government securities.

The bank has 270 branches and offices all over the country and abroad. Together with its subsidiaries in Macedonia and Tatarstan, Russia it is servicing 1.4 m clients.

SHAREHOLDERS' STRUCTURE



FUNDAMENTAL STORY

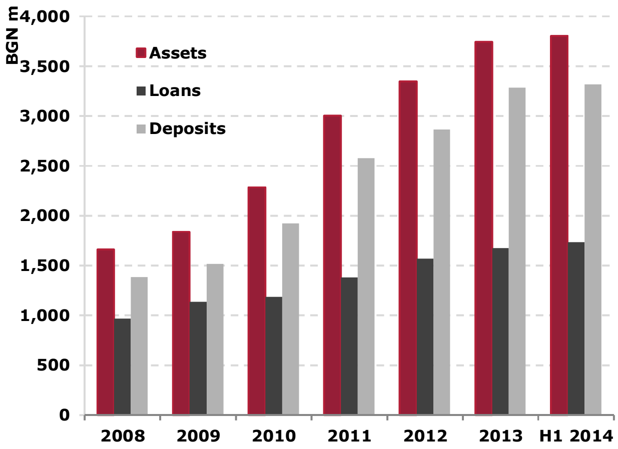
Central Cooperative Bank is the main subsidiary of Chimimport in the financial sector. Chimimport is one of the largest holdings in Bulgaria and among the most liquid Bulgarian stocks.

After 2008 CCB is growing faster than the banking sector. The bank's focus is on small and medium-sized enterprises. The growth of loans is relatively moderate compared to some other active banks, in order not to risk an increase of NPLs.

As a part of Chimimport, the bank has strong opportunities for cross-selling and synergies with other holdings' businesses. The Bank provides an easy access to all range of its products via a well-developed branch network. It has also strong market positions in card business, payment systems and lending to agricultural producers.

Bank's low loan-to-deposit ratio is an opportunity for higher lending activity in upcoming years.

BALANCE-SHEET INDICATORS



STRENGTHS & OPPORTUNITIES

- Among largest Bulgarian banks
- Well-developed branch network
- Strong opportunity for cross selling and synergies
- Low loan-to-deposit ratio, which is an opportunity for higher lending activity in upcoming years
- Low NPLs level

WEAKNESSES &THREATS

- Relatively low profit compared to the bank's size
- High cost-to-income ratio
- Banking business exposed to current banking system pressures in the country
- Slower economic growth in the country

Financial Overview

	2011	2012	2013	H1 2014
Net interest income, BGN thous.	53,076	51,951	54,616	20,171
Net fees and commissions income, BGN thous.	24,854	30,805	33,019	16,740
Net financial result, BGN thous.	13,409	10,724	10,797	4,617
ROAA	0.5%	0.3%	0.3%	0.2%
ROAE	4.4%	3.1%	3.1%	2.6%
Cost to income ratio	78.7%	83.2%	85.2%	91.6%
NPLs	4.9%	4.0%	3.4%	-

	2011	2012	2013	H1 2014
Equity, BGN thous.	333,566	347,872	356,971	361,716
Loans/Deposits	53.6%	54.8%	51.0%	52.3%
Loans/Assets	46.0%	46.9%	44.7%	45.6%
Deposits/Assets	85.8%	85.6%	87.7%	87.2%
Tier 1 capital ratio	14.0%	14.4%	13.3%	-
Capital adequacy ratio	14.0%	15.1%	15.0%	-
Liquidity ratio	34.0%	35.7%	37.3%	-

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BUY	More than 5% higher as compared to SOFIX and BG40 performance
HOLD	Market performance, +/-5% as compared to SOFIX and BG40
SELL	More than 5% lower as compared to SOFIX and BG40 performance

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