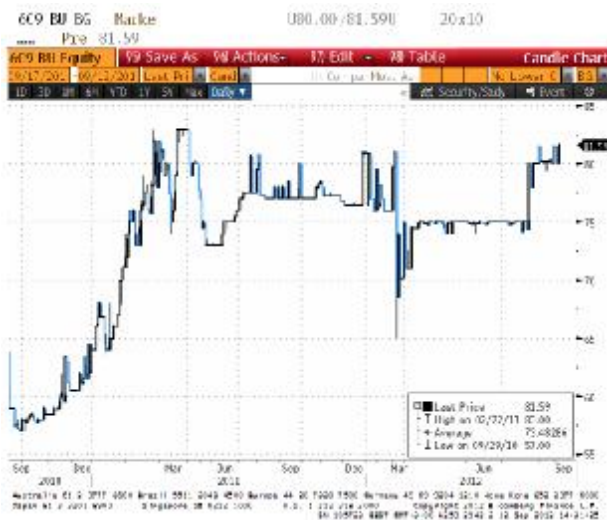
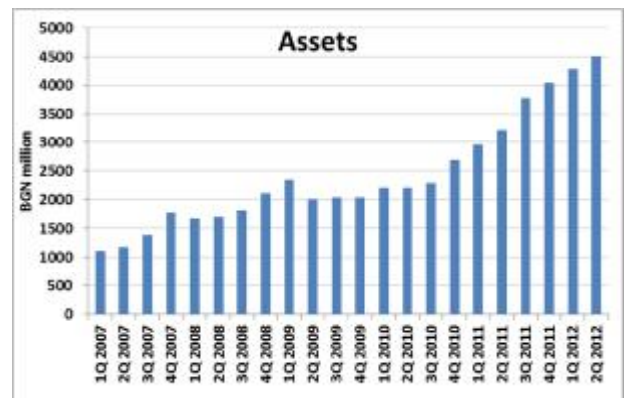


Corporate Commercial Bank (CORP) is established in 1994, and the public offering of its shares was made in 2007, when the bank offered 1 000 000 ordinary shares at a nominal value of 10.00 BGN. Its main business activity is provision of specific professional bank services with high degree of added value. CORP works primarily with corporate clients offering individual approach to each of them and following a policy of transparency in the relations, in the provision of banking services and complete pack of financial solutions.



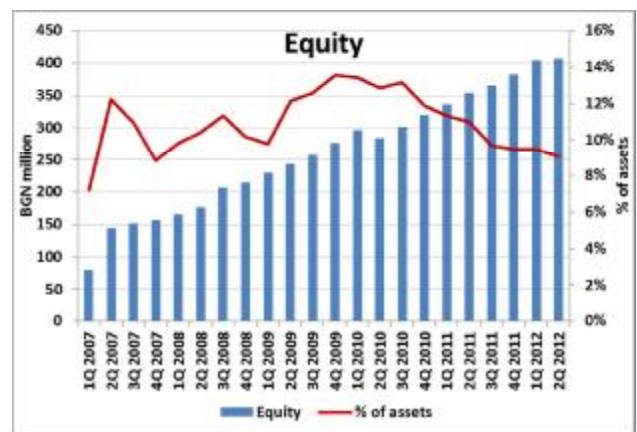
The share price behavior could be described as rather calm, after the high volatility over the first quarter. The price level remained relatively constant at 75 BGN per share from April to July. Since the beginning of the year the stock added roughly 4 % to its value, while the traded volume was relatively low. The issue was once again excluded from the basket of companies included in the index SOFIX, since it does not meet the criteria for average daily turnover and number of transactions. Institutional investors' long term perspectives are the main reason for the weak volumes of the stock on the floor of the BSE as individual participants prefer the other banks. The stock stays aside from the attention of speculators. As a whole the supply of shares on the market is quickly absorbed, thus preventing any sharp fluctuations in the price.

CORP is the seventh largest bank in Bulgaria



The constant growth of assets ensured the seventh place of CORP among Bulgarian banks, taking up 5.50% of the total assets in the banking system compared to 5.26% at the end of 2011. As an absolute value the sum exceeds BGN 4.5 billion by the end of June, which is about 40% increase compared to a year earlier. The growth in assets for the whole banking system comes up to 12%.

The profit contributes to the growth of the total equity



The total equity of the bank remained at the level from the first quarter of 2012. This as well as the continuous growth in the assets resulted in a decline in the equity to assets ratio to 9.04%. On the general meeting of the shareholders it was voted the whole profit for the 2011 to be accumulated as reserves.

The level of equity to assets ratio is lower compared to the average figure for the banking system, which was 13% during the second quarter. CORP should consider increas-

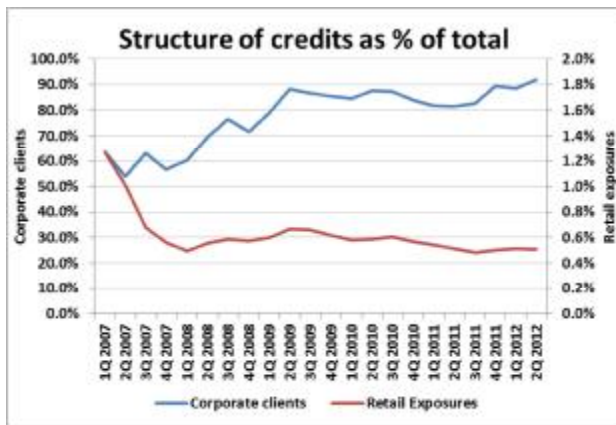
ing its total equity in order to be able to maintain and support the rate of growth of its assets

The bank is an active participant on the credit market



The credit portfolio of the bank has increased to BGN 2.96 billion for the first quarter of the year and declines to about 70% of its assets. Since the beginning of the year it has risen by BGN 286 million or about 9%.

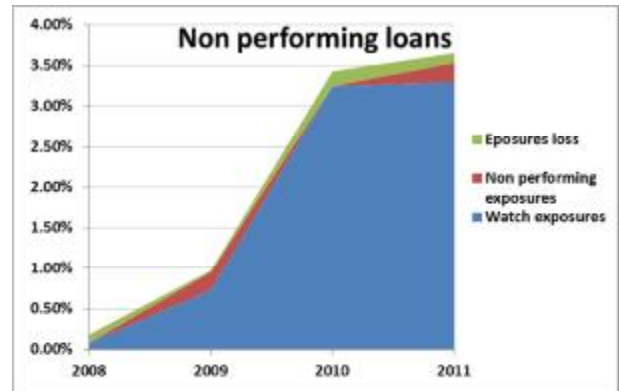
Credits to corporate clients



The business strategy of the bank is focused on providing credits to firms, and over the last three years they are about 90% of the total credits. Retail exposures are rather insignificant, and in addition the bank reduced its lending to other financial institutions. It focuses on investments in financial instruments due to the decline in the interest rates of the inter-banking market. The latter is explained by the high liquidity in the banking system. Over the last 18 months CORP maintains the level of assets invested in financial instruments at 12.5%. 57% are put in Bul-

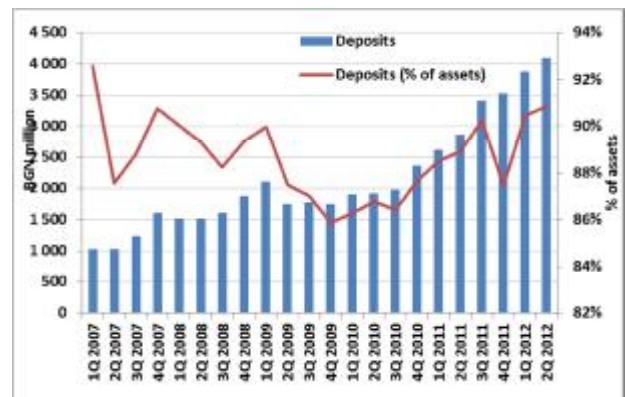
garian government bonds, and the share invested in foreign government bonds is maintained at a very low level over the last 12 months. 31% of the bank's investments are in corporate bonds and 9% in stocks.

The level of non-performing loans records a slight increase



The bank is maintaining good quality of its credit portfolio – much better as compared to the average for the banking system. 4.8% of the loans are overdue at least 30 days compared to 3.65% at the beginning of 2012. The recorded increase was mainly in the first quarter. The biggest part of the credits classifies as non-performing comes from the increase in the low-risk credit segment or those overdue less than 180 days. The provisions for impairment losses are BGN 46 million and cover 1.53% of the total portfolio.

Stable growth in deposits



The growth in deposits for the last two years is significant – their level doubled, and came up to 90% of the assets. Deposits of individuals and households have fast growth rate and are running ahead of the other groups.

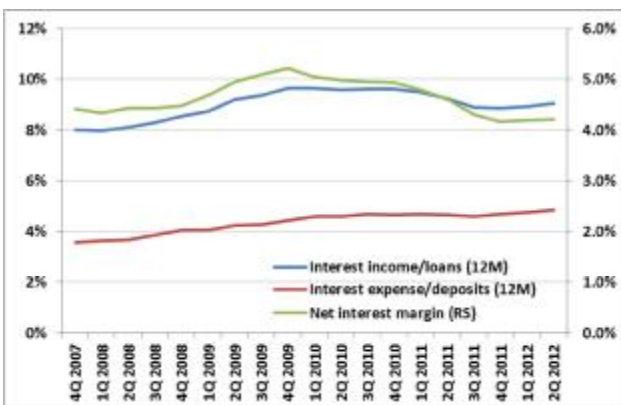
This resulted in equalizing the proportion of the two groups coming up to 46% of total deposits and the loans from credit institutions remain at around 5%.

CORP has subordinated debt which for the last three quarters reached BGN 58 million or 1.44% of the bank's attracted funds.



The loans to deposits ratio is decreasing due to the stable growth in the attracted funds. This explains the stable and fast growth in the expenses on interests.

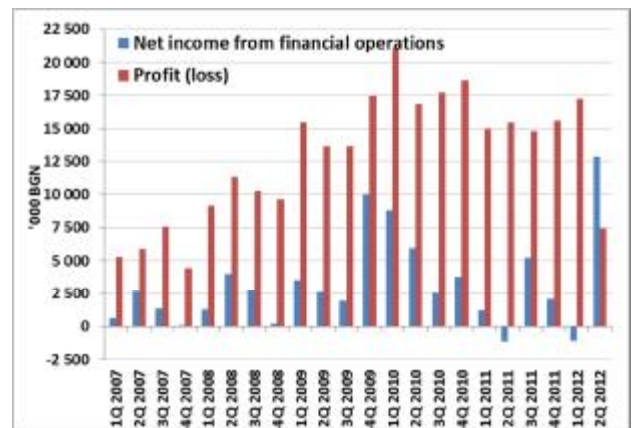
The interest margin stabilized



The high level of attracted funds from households led to faster growth in the expenses on interests than the income from

interests on credits. The net interest margin of Corporate Commercial Bank settled on above 4%, but compared to the levels from the last five years it is still lower. This affected the profit margin of the bank considerably but the process of deterioration took two years and there were no sharp changes in its level.

Profit generated from financial instruments offset the losses from impairment



Over the last two years the financial results of the bank worsened gradually due to the decline of the interest margin. Furthermore, CORP reports reduction in the percentage of the fees and commissions as percentage of assets. There is a sharp increase in the expenses on impairments for the last quarter which led to further deterioration of the financial result. The profits from transactions with securities offset the losses and keep the net result on a positive territory thanks to the appreciation of Bulgarian government bonds. Similar but rather limited is the expected result in terms of financial profits for the third quarter.

Valuation

We are comparing the multiples of the four major public Bulgarian banks to the median results for Eastern Europe. The consolidated financial results are used instead of the unconsolidated since they reflect more accurately the real value of shares.

Table 1
Multiples
Valuation
Method

	Bulgarian American Credit Bank	Central Cooperative Bank	Corporate Commercial Bank	First Investment Bank
Number of Shares	12 624 725	113 155 092	6 000 000	110 000 000
Price-to-earnings of peers	11.30	11.30	11.30	11.30
Net Profit (ttm)	-32 287 000	9 257 000	55 158 000	33 055 000
Target price	-28.90	0.92	103.89	3.40
Price-to-book of peers	0.78	0.78	0.78	0.78
Equity	190 484 000	354 671 000	407 814 000	486 029 000
Target price	11.84	2.46	53.35	3.47
Price-to-assets of peers	0.09	0.09	0.09	0.09
Assets	832 596 000	3 312 420 000	4 501 450 000	6 659 262 000
Target price	6.21	2.76	70.66	5.70
Fair Price	-	1.91	77.03	3.89
Current Price	5.08	0.59	81.47	1.57
Premium (Discount)	-	220.75%	-5.45%	147.04%

Source: consolidated reports, Bloomberg
Calculations: ELANA Trading

The comparison to the multiples of Eastern European banks is placing the current price of the stock close to the fair value. The difference of 5% is insignificant, but greater is the discrepancy with the current price when the value is derived through the net profit and equity. CORP has high profit margins due to its specific business model and mostly because of the low level of bad credits up to second quarter of the current year.

The trading with the stock over the past year shows that investors are not influenced by the low value of the price/earnings ratio which currently is 8.9, as there was no reaction reflecting the decrease in the financial result, explained by the sharp increase in the impairment costs.

Table 2, Forecasts

	2009	2010	2011	2012E	2013E	2014E	2015E	2016E
Total Assets	2 105 879	2 035 862	2 699 427	5 053 825	5 811 899	6 683 684	7 485 726	8 234 298
Loans and Receivables	1 597 270	1 612 080	1 961 897	3 561 274	4 202 303	4 832 649	5 412 567	5 953 823
As Percentage of Assets	75.8%	79.2%	72.7%	70.5%	72.3%	72.3%	72.3%	72.3%
Total Liabilities	1 891 266	1 759 966	2 379 024	4 645 610	5 358 831	6 166 685	6 884 112	7 514 784
As Percentage of Assets	89.8%	86.4%	88.1%	91.9%	92.2%	92.3%	92.0%	91.3%
Total Equity	214 613	275 896	320 403	408 215	453 067	516 998	601 614	719 514
Net Profit	40 298	60 382	74 367	55 592	72 649	100 255	134 743	185 272
Return on Equity	18.78%	21.89%	23.21%	13.62%	16.03%	19.39%	22.40%	25.75%
Return on Assets	1.91%	2.97%	2.75%	1.10%	1.25%	1.50%	1.80%	2.25%

Calculations and estimations: ELANA Trading

The growth rate of assets does not tend to slow down, but our expectations are for lower growth rate as the total equity comes up to 9% of the assets which limits the bank's credits. The deterioration of the profit margin was due to the likelihood for further rise in the non-performing loans which should not be ignored considering the recent slowdown of the Bulgarian economy and increased impairment expenses of the bank. The ROE will recover, but we expect that it will remain lower relative to the assets compared to previous years.

Discounted cash to equity value:	
NPV five year free cash flow	179 386
NPV terminal value	800 597
Value of shareholders' funds	979 983
Shares issued (thousand)	6 000
Value per share	163.33
Share price	81.47
<i>Premium/(discount)</i>	<i>100.48%</i>

Residual income valuation:	
Opening shareholders' funds	408 215
PV five year residual income	141 589
PV terminal value (ex incremental investment)	430 179
PV terminal value (incremental investment)	0
Value of shareholders' funds	979 983
Shares issued (thousand)	6 000
Value per share	163.33
Share price	81.47
<i>Premium/(discount)</i>	<i>100.48%</i>

Recommendation and Target Price

Recommendation: The high profit margin boosts the fair value per share according to the cash flow to shareholders, when compared to the result from the multiples valuation method. Investors, however, does not target this price level considering the average yearly growth of the position which comes up to 16% for the last three years. The financial result of the bank is not expected to affect the share price significantly, since the risks entailing the credit portfolio have already been taken into account to a great extent. Every drop in the price will be a buying opportunity in middle term prospects, since our conservative expectations for the next five years for the fair value per share are for 163 BGN. Our recommendation is to hold the stock, since currently neither individual investors nor Bulgarian funds show interest in buying the position and in the near future it is not expected to appear any special attention towards the stock. The growth of the price will be limited by the risks and the high price/equity ratio for the sector.

Hold

Target price: 103.89 BGN

Growth: 27%

Financial Reports

Assets	2008	2009	2010	2011	6M 2012
Cash and cash balances with central banks	303 183	310 524	339 764	507 710	624 026
Financial assets held for trading	21 719	26 971	61 773	321 565	372 637
Financial assets designated at fair value through profit or loss	0	0	0	0	0
Available-for-sale financial assets	40 943	55 380	176 290	148 704	115 385
Loans and receivables	1 047 549	1 216 543	1 961 897	2 919 077	3 205 749
Held-to-maturity investments	101 598	91 720	76 425	76 844	77 023
Derivatives – hedge accounting	0	0	0	0	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0	0
Tangible assets	52 340	56 844	64 257	62 446	85 912
Intangible assets	9 999	371	365	370	334
Investments in subsidiaries	34 881	34 881	8 984	165	3 156
Tax assets	181	355	7 948	2 213	2 442
Other assets	50 586	45 500	1 724	3 966	13 721
Non-current assets and disposal groups classified as held for sale	335	335	0	0	0
Total Assets	1 663 314	1 839 424	2 699 427	4 043 060	4 500 385
Deposits from central banks	0	0	0	0	0
Financial liabilities held for trading	9 252	12 106	324	214	0
Financial liabilities designated at fair value through profit or loss	0	0	0	0	0
Financial liabilities measured at amortised cost	1 421 383	1 567 824	2 366 331	3 535 993	4 089 932
Financial liabilities associated with transferred financial assets	0	0	0	120 299	0
Derivatives – hedge accounting	0	0	0	0	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0	0
Provisions	0	0	384	276	463
Tax liabilities	12	1 013	11 482	2 845	2 827
Other liabilities	4 362	6 831	503	335	205
Share capital repayable on demand	0	0	0	0	0
Liabilities included in disposal groups classified as held for sale	0	0	0	0	0
Total Liabilities	1 435 009	1 587 774	2 379 024	3 659 962	4 093 427
Issued capital	83 155	83 155	60 000	60 000	60 000
Share premium	64 445	64 445	48 500	48 500	48 500
Other equity	0	0	0	0	0
Revaluation reserves and other valuation differences	-5 257	-4 445	24 358	25 932	25 123
Reserves (including retained earnings)	64 509	86 153	113 178	187 715	248 666
Treasury shares	0	0	0	0	0
Income from current year	21 453	22 342	74 367	60 951	24 669
Interim dividends	0	0	0	0	0
Minority interest	0	0	0	0	0
Total equity	228 305	251 650	320 403	383 098	406 958

Continuing operations	2008	2009	2010	2011	6M 2012
Financial & operating income and expenses	112 465	123 577	121 356	116 864	74 639
Interest income	107 922	136 738	172 146	227 188	145 240
Interest expenses	42 707	68 826	95 332	146 425	97 420
Expenses on share capital repayable on demand	0	0	0	0	0
Dividend income	227	45	2 972	3 503	2 037
Fee and commission income	26 163	28 088	15 338	13 188	6 878
Fee and commission expenses	3 337	3 785	927	1 048	1 143
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	24 823	9 889	1 300	4 332	12 546
Gains (losses) on financial assets and liabilities held for trading, net	-1 720	7 447	19 715	2 948	-815
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	0	0	0	0	0
Gains (losses) from hedge accounting, net	0	0	0	0	0
Exchange differences, net	591	-438	6 698	13 433	7 086
Gains (losses) on derecognition of assets other than held for sale, net	-63	13 507	-223	5	73
Other operating income	566	912	920	1 070	1 071
Other operating expenses	0	0	1 251	1 330	914
Administration costs	73 843	80 464	31 430	36 293	22 448
Depreciation	7 891	9 285	4 318	4 242	2 100
Provisions	0	0	127	48	228
Impairment	6 895	9 005	3 052	8 806	23 789
Negative goodwill immediately recognised in profit or loss	0	0	0	0	0
Share of the profit or loss of associates and joint ventures accounted for using the equity method	0	0	0	0	0
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	0	0	0	0	0
Total profit or loss before tax from continuing operations	23 836	24 823	82 429	67 475	26 074
Tax expense (income) related to profit or loss from continuing operations	2 383	2 481	8 062	6 524	1 405
Total profit or loss after tax from continuing operations	21 453	22 342	74 367	60 951	24 669
Profit or loss after tax from discontinued operations	0	0	0	0	0
Total profit or loss after tax and discontinued	21 453	22 342	74 367	60 951	24 669
Profit or loss attributable to minority interest	0	0	0	0	0
Profit or loss attributable to equity holders of the parent	21 453	22 342	74 367	60 951	24 669

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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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