



RoE	11.50%	P/E	9.09
RoA	2.91%	P/Assets	0.27
		P/B	1.05

Bulgarian American Credit Bank



- Bulgarian-American Credit Bank continued to disappoint the market as non-performing credits increased from 5.8% at the beginning of the year to 9.6% of the credit portfolio at the end of 2009. Provisions had been increased additionally by BGN 40 million. Year ago they were BGN 14 million.

- The huge decline of 2009 net profit was also due to the shrinking interest rate margins. BACB announced lower income from taxes and commissions and the decline by 73.8% was mainly due to the lack of pay off credits before the term set. The net interest income also decreased but in tight range – 4.30% on yearly basis.

- Commercial banks in Bulgaria are forced to renegotiate most of its loans to corporate clients to avoid further delay of monthly payments. Most of those loans have initial periods of low interest payments. Although the interest rates on long-term credits fell recently, the large corporate debtors will continue to feel the pressure from rising interest payments.

- The quarterly EPS of BACB is BGN 1.90. The return on capital fell to 11.50% as compared to 30% in 2008. The level of the non-performing loans is above the average for the Bulgarian banking system.

- The provisions are representing 8.8% of the gross loan portfolio of BACB. The capital adequacy ratio of BACB is 22.7% or well above the required 12%. The liabilities of the bank include bonds and large loans that are already affected by the credit crunch. The availability of capital is more limited and interest rates increased as a result of the higher risk premium.

- In December 2009 the bank issued its 7th bond issue on the amount of EUR 15 million, which was distributed between local investors.

- The main risks ahead of the BACB are the quality of the credit portfolio and the risk for the real estate market as 90% from the bank's credits are secured with real estates.

- BACB is affected by the economic slump and we could expect further deterioration of the small and medium-sized enterprises. The non-performing credits of Bulgarian banks will continue to rise during the following quarters due to the higher unemployment and contracting real estate prices.

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BULGARIAN AMERICAN CREDIT BANK 2009

08 February 2010

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Outperform	More than 5% higher as compared to SOFIX and BG40 performance
Market Perform	Market performance, +/-5% as compared to SOFIX and BG40
Underperform	More than 5% lower as compared to SOFIX and BG40 performance

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