



RoE	1.89%	P/E	32.60
RoA	0.51%	P/Assets	0.16
		P/B	0.62

Bulgarian American Credit Bank



- Bulgarian-American Credit Bank posted its first quarterly loss for the last several years. The bank reported BGN 3 million consolidated loss for the period as assets decreased and interest margin shrank due to the decline of credits and the difficult access to deposits from local entities.

- Assets decreased 11% on quarterly basis, as both credits and deposits from financial institutions fell by BGN 100 million. However, this was due to the temporarily increase during the first quarter and assets finished the reported period 1% higher than year ago.

- Non-performing credits over 90 days increased from 9.6% of the credit portfolio at the end of 2009 to 13.1%. Provisions for impairments had been increased to BGN 71 million and currently are covering 81.3% of NPLs. This is one of reasons for the significant decrease of profitability of BACB. It had lower importance than the decrease of net interest income, which fell by BGN 8 million and contributed the most for the decline of the quarterly profit by BGN 13 million.

- We expect that negative factors will begin to fade out during the second half of 2010. It is unlikely that interest income will continue to decline but there are not yet signs for bottoming out. Interest expense is already close to its high as BACB is offering the highest interest rates on deposits and interest rates will continue to decline gradually during the next quarters. BACB's advertising costs increased since the beginning of the year.

- The capital adequacy ratio of BACB is 25.8% 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. 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.

- Standard & Poor's decreased the long-term credit rating of BACB in June to B+ from BB- and maintained the negative outlook. Main reasons were falling profitability and the worsening quality of assets.

For more information, please contact:

Research analyst
Tsvetoslav Tsachev
Tamara Becheva

Phone:
+359 2 810 00 23
+359 2 810 00 27

E-mail:
tsachev@elana.net
becheva@elana.net

Internet:
www.elana.net
www.elana.net



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Regulatory Authority: Financial Supervisory Commission, *Shar Planina* Street 33, 1303 Sofia, Bulgaria

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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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