



RoE	16.08%	P/E	7.09
RoA	4.12%	P/Assets	0.30
		P/B	1.14

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 10% of the credit portfolio at the end of the last reporting period. Provisions had been increased additionally to BGN 24.8 million from BGN 10.4 million at the end of the second quarter.

- The huge decline of the net profit margin year-to-date was also due to the shrinking interest rate margins. BACB announced one percentage point decline of the interest margin to 9.9%. 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. The liquidity shortage early this year resulted to higher interest rates on long-term credits and deposits.

- The quarterly EPS of BACB was BGN 0.01, whereas from the beginning of 2009 remained BGN 1.89. The return on capital fell to 15% as compared to 30% for 2008. The level of the non-performing loans is above the average for the Bulgarian banking system and both factors contributed for the sell-off after the report.

- The provisions are representing 8.9% of the gross loan portfolio of BACB. The bank announced also that its large increase of provisions during the third quarter was due partly to devaluation of exposures after improper practice of a client. The capital adequacy ratio of BACB is 22.4% 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.

- 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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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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