



Bulgarian Banking Sector

OVERVIEW

Special Focus on publicly listed banks

Analysis by ELANA Trading Research

Sofia, May 2010



HIGHLIGHTS OF THE ANALYSIS

The expectations of many international analysts for severe banking crisis in Bulgaria proved to be only speculations. The banking system managed to maintain the level of assets and no decline of credits was posted. In the same time, bad loans increased but cumulative bank profits exceeded provisions for losses. The increase of NPLs will likely continue and will have implications on the strategy for the development of the system. High interest rates supported the level of deposits and provided stable source of financing for banks.

Our forecast

The growth of the banking sector will accelerate next year and we expect that it will return to the pre-crisis levels of growth in 2013-2014. However, the profitability of banks will be supported by the decline of interest rates on deposits and the slow expansion.

I. Overview of the Bulgarian Banking System

– growth and factors

- Assets of banks 2003 – 2010
- Loans and lending policies
- Administration and staff costs
- Deposits
- Equity
- Investment in securities
- Non-performing loans

II. Valuation of four public listed banks

- Central Cooperative Bank (CCB)
- First Investment Bank (FIB)
- Bulgarian-American Credit Bank (BACB)
- Corporate Commercial Bank (CORP)

Disclaimer

Analyst Certification: The research analyst(s) certifies that: (1) all of the views expressed in this document accurately reflect his or her personal views about any and all of the subject securities or issuers; (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this document.

Financial Interest: ELANA Trading may trade or own shares of the analyzed companies. The research analyst(s) is not holding shares of the analyzed companies, unless otherwise noted.

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

Information Disclosure: All reasonable care has been taken to ensure the facts stated are accurate and opinions given are fair and reasonable. Our recommendations are based on information available to the public that we consider to be reliable but for the completeness and accuracy of which we assume no liability. Neither ELANA Trading, nor its directors, officers or employees shall in any way be responsible for its contents. The views expressed may differ from the views of other firm departments or representatives. Additional information is available upon request. Unless otherwise noted, sources for all information in charts and tables are ELANA Trading's calculations.

Risks for Investors: Information in this document should not be regarded as an offer to buy or sell any financial instruments. The investment possibilities discussed in this document may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. In particular, the risks associated with an investment in the securities or the financial instruments under discussion are not explained in its entirety.

The prices or values of the securities may go down as well as up and can fluctuate and fall against the investor. The securities or investments may cause the investor to lose the amount invested. Past performance is not a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of the securities or investments.

Valuation Methods: Company valuations are based on the following methods: multiple-based (P/E, P/B, EV/EBITDA), historical valuation approaches, peer comparisons, discount models (DCF, DDM) or asset-based evaluation methods. Valuation models are dependent on macroeconomic factors, including interest rates, foreign exchange rates, prices of raw materials, and any expectations about the economy, the market sentiment. The valuation is based on expectations that might change rapidly and without notice, depending on developments specific to individual industries and countries. Recommendations and target prices derived from the models might therefore change accordingly. The application of models depends on forecasts of a range of economic variables, thus there is a range of reasonable variations within models. Any valuation is dependent upon inputs that are based on the subjective opinion of the analysts carrying out this valuation.

Recommendations: Analyst(s) recommendations are based on the specific factors for the company, sector, country and global developments, as compared to market indices. Recommendations and opinions reflect ELANA Trading's expectations over the 12-month period following publication from the perspective of long-only investment clients. ELANA Trading reserves the right to express different or contrary recommendations and opinions for different timescales or for other types of investment client. Except as otherwise noted, expected performance over next 12 months vary for different recommendations for Bulgarian stocks as follows:

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

Frequency of Recommendations: No schedule of recommendations is available. The frequency of recommendations depends on specific factors to individual companies and the opinion of the analyst(s) for the necessity of minor or major changes.

Rights: The copyrights of ELANA Trading analyses belong to the Research Department of the brokerage and their content cannot be used for commercial purposes. Replication and redistribution of ELANA Trading analyses content is expressly prohibited without the prior written consent of the appointed contacts listed below.

For more information about the current recommendations, please visit ELANA Trading web page: <http://analysis.elana.net/en/recommendations.aspx> .

For more information, please contact:

Research analyst	Phone:	E-mail:	Internet:
Tsvetoslav Tsachev	+359 2 810 00 23	tsachev@elana.net	www.elana.net
Tamara Becheva	+359 2 810 00 27	becheva@elana.net	www.elana.net