Moody's Global
Banking

Credit Analysis

November 2008

Corporate Commercial Bank AD

Sofia, Bulgaria

Table of Contents:

Analyst Contacts:

Limassol **357.25.586.586**

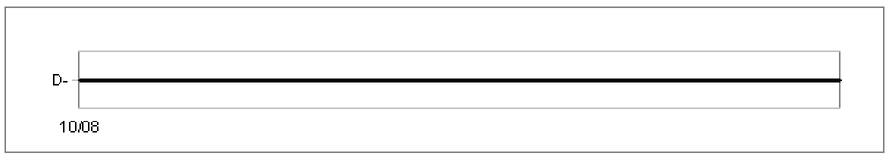
Elena Panayiotou
Analyst

Stathis A. Kyriakides, CFA
Asst Vice President - Analyst

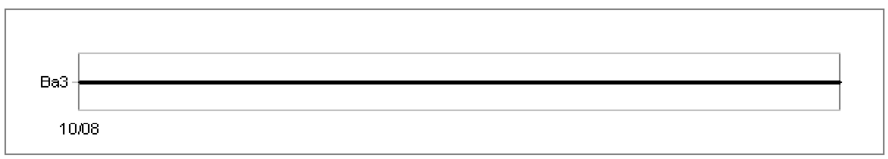
Mardig Haladjian
General Manager

Summary Rating Rationale

Rating History – Bank Financial Strength Rating



Rating History – Long-Term Deposit Rating



Moody's assigns a Bank Financial Strength Rating (BFSR) of D- to Corporate Commercial Bank (CorpBank) which maps to a Baseline Credit Assessment (BCA) of Ba3. The rating derives from the bank's small presence in Bulgaria as the tenth-largest locally owned bank in the system with around 3% market share in banking assets. Moreover, the rating captures the bank's comfortable capital levels, good liquidity and strong asset quality metrics. Having traditionally focused in corporate banking, the bank's interest rate margins are lower than other banks in the system, and this impacts profitability levels which remain weaker than most of its peers – albeit gradually improving due to increased business volumes. Moreover, the bank has a higher cost of funding compared to its foreign-owned competitors that have been benefiting from access to parental funding at lower costs.

This Credit Analysis provides an in-depth discussion of credit rating(s) for Corporate Commercial Bank AD and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website. Click here to link.

Moody's Investors Service

Another major constraint to CorpBank's rating is the high concentration levels evidenced on both sides of the balance sheet, which raise the sensitivity of the institution's funding structure to deposit withdrawals but also elevate the risks associated with the performance of individual borrowers. Moreover, a system-wide feature that constrains upward movement to all Bulgarian banks' ratings is the growing concerns with regard to future credit quality as a result of recent strong credit growth in the developing Bulgarian economy. The ratings are further constrained by Bulgaria's increasingly competitive banking environment which challenges all banks' ability to grow their funding and customer deposit base and continue to fund growth. Moreover, CorpBank's corporate governance assessment is adversely affected by its shareholding structure whereby more than 50% of the bank's share capital is in the hands of one individual and by the key man risk issue, which in our view, is present within the bank. Both factors are captured in the bank's risk positioning assessment and its BFSR.

CorpBank's global local currency (GLC) deposit ratings are set at Ba3/NP and derive from the BCA of Ba3 and Moody's assessment of a low probability of systemic support from the Bulgarian authorities in case of need.

The BFSR could be upgraded further if CorpBank eases credit concentrations on both sides of the balance sheet, and expands and diversifies its funding base to support business growth and to achieve further improvements in its profitability levels. Furthermore, positive pressure could be exerted on the rating if the bank makes further inroads in the targeted market segment without unduly elevating its risk profile, while addressing corporate governance matters would ease certain rating constraints.

A downgrade of the BFSR would be triggered by any of the following:

1. A material weakening in the bank's deposit franchise dynamics and overall funding base
2. A significant deterioration in the bank's credit quality metrics and profitability levels
3. A further increase in funding costs, leading to higher pressure on interest rate margins and profitability levels
4. A further rise in credit concentration levels

Group Structure

With consolidated assets of BGN1.7 billion (€869 million) as of June 2008, CorpBank ranks tenth in the Bulgarian market.

The group comprises primarily of Corporate Commercial Bank which is the most profitable entity in the group, while contribution from the bank's associates/subsidiaries (listed below) is still negligible.

CorpBank has participations in the following companies:

- 51% in KTB Asset Management Company
- 90% in DAR 02, a small security services company
- 67% in Velder Consult, a consultancy company mainly involved in servicing SMEs applying for EU funding

Key Issues

The profit contribution derives almost exclusively from the bank's corporate banking activity, which comprised around 98% of total loan book at year-end 2007. We expect corporate banking to remain the primary driver to profitability but at the same time we expect that the SME sector will grow at a rapid pace, making a stronger contribution to bottom-line profits.

Management's strategic goals of strengthening its presence in the corporate banking market while growing its SME and private banking activities are likely to be supported by: (i) the bank's fast-expanding distribution network that gradually increases its nationwide visibility (ii) flexibility in decision-making and servicing of clients by offering tailor-made products and (iii) increasing alternative distribution channels. Positive pressure is likely to be exerted on CorpBank's ratings as a result of its success in gaining market share in the corporate banking and SME sector without unduly raising its risk profile.

Corporate Commercial Bank AD

Analysis of Rating Considerations

Discussion of Qualitative Rating Drivers

Franchise Value

- **Market Share and Sustainability**

Small presence in the Bulgarian market with core focus in the corporate segment

CorpBank has a relatively small banking franchise in Bulgaria with around 3% share in banking assets. Traditionally a corporate-focused bank, the bank is mainly active in some key economic sectors such as energy production and distribution, infrastructure development, export financing, utilities and infrastructure construction, areas in which the bank aims to expand further. Moreover, a key strategic goal is to make further inroads in the SME segment in Bulgaria, a sector has been supported by EU funding. Additionally, leveraging on its good quality of service and its flexibility as a small and efficient bank, CorpBank aims to tap further the domestic private banking business that currently remains underdeveloped.

In our view, the local market will continue to offer good growth opportunities for banks; however, we believe that CorpBank's efforts are likely to be challenged by the other larger banks in the system with long-established presence in the corporate segment. The bank's main competitors, which have a wide clientele base and a larger distribution network, also benefit from access to parental funding and the sharing of expertise and know-how from larger Western European banking groups. Moreover, we note that in light of the intense competition in the Bulgarian market for supporting growth, all banks – but particularly those remaining in the hands of local investors – are challenged to grow and attract customer deposits and to build a strong and sustainable funding base in order to support business expansion. CorpBank's ability to strengthen its corporate portfolio and attract good lending opportunities in the SME sector and private banking, will contribute to its franchise dynamics and its BFSR.

- **Geographic Diversification**

Operations are concentrated in the small Bulgarian market

CorpBank has weak geographic diversification, which is reflected in its franchise value assessment. The bank's operations are solely based in Bulgaria, which Moody's regards as a local market, having a GDP of under USD100 billion. Management's continues to focus on expanding business in the local market, therefore the bank is unlikely to seek international expansion and hence geographic diversification is likely to remain at low levels at least in the foreseeable future.

- **Earnings Stability**

Business activity derived primarily from the corporate segments

CorpBank has a small retail loan portfolio (at around 2% of total loans as at year-end 2007), with retail customers being mostly the employees of the corporates with which the bank has lending relationships. Subsequently, the bank's pre-tax profits rely heavily on the corporate activity, which according to Moody's BFSR methodology are considered to be less stable than revenues sourced from the retail banking, asset management and fiduciary business. As such, this acts as a constraint to CorpBank's ratings

Risk Positioning

Moderate Overall Risk Positioning

- **Corporate Governance**

Corporate Governance assessment is impaired by CorpBank's shareholding structure and the "key man" risk issue

CorpBank's corporate governance assessment is adversely affected by its shareholding structure whereby more than 50% of the bank's share capital is in the hands of one individual. Although we see no issue with the depth of management which comprises experienced bankers with many years of service in the field, we believe that the bank's corporate governance assessment is impaired by "key man" risk and the lack of succession planning. The composition of the supervisory board comprises three members, two of which are considered to be independent. Hence, we have no concerns as regards board independence or the related-party exposures, which, although present, comprise an acceptable portion of Tier 1 capital.

- **Controls and Risk Management**

Although CorpBank's Risk Management Framework appears to be of adequate quality, in our view, it needs to be improved further

CorpBank's risk management framework is assessed to be of adequate quality. In our view, it appears there is adequate involvement of the supervisory board in setting up the risk limits and the overall risk appetite of the institution, while with regard to credit risk, committees are in place to ensure adherence to limits set once a year by the bank's supervisory board. That said, we highlight that the bank's organisational structure lacks an integrated risk management function responsible for all types of risks (credit, market and operational risk). The separation of the duties between a credit officer reporting directly to the supervisory board and the executive management directors will be key in providing additional evidence of the independence of the bank's risk management function.

CorpBank's current exposure to credit risk is low; however, we reiterate that the bank needs to continue to develop its systems and IT infrastructure in order to ensure they are commensurate with its rapid business growth. Acknowledging this, and as a means of implementing Basel II, management has been upgrading its Enterprise Risk Management (ERM) framework and risk measurement, control and risk monitoring system. To this end, during 2007, it created a separate committee at board level in order to review the implementation of the new ERM framework and oversee the transition to the new approach. According to management, this is expected to be finalised at year-end 2008. The supervisory board and the internal audit department have been involved in supervising this project.

Current systems allow for stress test analyses on most risks assumed by the institution; however, these tests continue to lack the ability to measure RAROC.

- **Financial Reporting Transparency**

More detailed public disclosure would further increase transparency

With regard to financial reporting, CorpBank publishes financial statements under IFRS on a semi-annual basis, and with effect from 30 June 2008 these reports are being made public twice a year. Public financial information and management analysis provide adequate disclosure regarding the bank's financial and business performance but lack important information on borrower concentration risks and detailed disclosure on performance of business lines. Additionally, more detailed public disclosure of ownership information analysis would further improve transparency.

Credit Risk Concentration

High single-borrower concentration levels weigh on the rating

Moody's uses two measures to calculate credit concentrations. The first captures the size of single large exposures, and the second captures exposure to different industry segments.

High single-loan exposure: CorpBank has excessive borrower concentrations in its loan book, which acts as a constraint on its risk positioning assessment. According to figures provided by the bank, we observe that, as at year-end 2007, the 20 largest debtors represented over 300% of the bank's Tier 1 capital. Although we note that this is common for small corporate-focused Bulgarian banks, in our view this raises concerns particularly for institutions that operate in the developing Bulgarian economy, whereby credit exposures have not been tested under adverse economic conditions. Management success in easing the large credit concentrations would partly alleviate the pressure on the rating.

Exposure to industry segments: The bank's loan portfolio is adequately diversified among different economic sectors and hence we have no significant concerns about any possible negative sector-specific impact on the credit portfolio quality. That said, we highlight the bank's increasing exposure to the real estate sector. Currently, we have no significant concerns about this particular industry, but we do draw the attention to the sensitivity of its performance to demand from foreign investors. In light of indications showing that during 2008 foreign direct investment in Bulgaria has, to some extent, been affected by the global distress in the international markets, we caution that overleveraging this industry could have an impact on all Bulgarian banks with similar exposures. Currently, we see no negative pressure on the bank's rating from rising levels of exposure to this segment.

Liquidity Management

Adequate liquidity management; however, modest diversification of funding resources are viewed with caution

Overall, we consider the bank's liquidity management to be adequate. In our view, the bank has good systems in place to measure and monitor its liquidity position, while there is adequate senior management and board oversight.

CorpBank faces contractual maturity mismatches in its balance sheet, mainly due to the short-term nature of its deposits. As at year-end 2007, 61% of the bank's deposits were falling due within the three-month bucket while the bank has no access to longer-term funding. However, behavioural analysis provided by the bank suggests that around 90% of total deposits are sticky as they roll over in the bank's books, which partly addresses the above-mentioned concerns.

The modest diversification of CorpBank's funding base also raises concerns about the bank's liquidity management. In particular, we draw the attention to the large concentration levels in the bank's deposit base with the share of the 20 largest depositors comprising a high 51% of overall deposits as at year-end 2007, while the top five comprised 30%. These large deposit accounts are mainly sourced from state-owned companies (accounting for around 40% of total deposits), with balances typically rising at the end of the calendar year. Such large concentration levels raise concerns, particularly in view of the intense competition among banks to attract customer deposits.

Based on the behavioural analysis performed internally by the bank, these funding resources are regarded as rather stable as they are typically renewed in the bank's books, which again partly address some of our concerns.

The weak geographic diversification of the customer deposits base also raises some concerns, as almost all the funds are being sourced from Bulgarian entities.

- **Market risk appetite**

Market risk appetite is low

We consider CorpBank's market risk appetite to be low. Adding the expected losses from the bank's trading book using ten-day average VAR and its banking book based on stress tests on interest rate-, equity- and FX risk, these appear to be very low in relation to Tier 1 capital levels and hence do not raise significant concerns for the bank.

Operating Environment

Challenging – albeit improving – operating environment

Given the turmoil that followed its transition to a market economy, Bulgaria scores low in terms of economic stability (measured as GDP volatility over the past 20 years). That said, a degree of economic stability was achieved following the introduction of the currency board in 1997 and the country's subsequent accession to the European Union in 2007. Nevertheless, Bulgaria remains an emerging economy and potentially more susceptible to more pronounced economic cycles. At the same time, the World Bank's indicator on Control of Corruption assigns Bulgaria weak marks while corruption in the country has often been criticised in European Union reports. Concerns over corruption also influence perceptions of the country's legal system, and although improvements have been realised with regard to the bank's capacity to process legal claims against creditors, it appears that the processes are not applied consistently and delays can still occur.

Discussion of Quantitative Rating Drivers

Profitability

Although improving, earning power remains weaker than peers, reflecting the lower yield on asset mix

H1 2008 and FYE2007 financial results showed profitability indicators improving compared to previous years, but remained inferior to those of other Bulgarian banks. This mostly reflects the composition of the bank's balance sheet structure which comprises more liquid but lower-yielding assets. Furthermore, the predominance of corporate loans in CorpBank's book yields relatively lower returns because these companies typically have the ability to shop around. Additionally, in light of the absence of a foreign strategic investor in CorpBank's capital, the bank has no access to parental funding which is reflected in its relatively high cost of funding. During FYE2007, the bank's recurring earning power was approximately 2%, while interest rate margins stood at a low 3.2%.

Fees and commission income and income sourced from foreign exchange activities is relatively low and continues to have a modest contribution to earnings. While this is common for most Bulgarian banks, we highlight the need to diversify their income streams beyond interest-related activities in order to protect earnings from an anticipated interest rate margin compression. This is particularly important in view of the intense competition in the market for attracting customer deposits, particularly during 2008, which partly reflects the global financial conditions.

On the cost side, non-interest expenses are contained at low levels, despite higher infrastructure investments and increasing number of personnel, and comprised a low 1.8% of average assets during FYE2007.

CorpBank's ability to continue to grow its balance sheet without unduly elevating funding costs, and to enhance earnings especially from non-interest-related resources will be key to future profitability, while management's efforts to grow private banking activities will contribute towards achieving these goals.

Liquidity

Strong liquidity levels are likely to support growth in the short-to-medium term; however, sizeable concentration levels in the bank's funding structure raises concerns particularly in view of increasing competition in the market for attracting customer deposits

CorpBank currently has comfortable liquidity levels that underpin its BFSR. At 60% as at end-June 2008, the net loans-to-customer deposits ratio is the lowest among the Bulgarian rated banks, which provides the bank with room to continue to support its business expansion, at least in the foreseeable future. Moreover, although the size of the loan portfolio almost doubled during the 2007 calendar year (and grew by around 20% during H1 2008), it comprised a relatively low 53% of total assets at end-June 2008, with liquid assets accounting for a high 45% of the total balance sheet in that period.

Moreover, in comparison with other Bulgarian banks CorpBank has been a net interbank placer. As it has no access to parental funding, its funding structure has traditionally relied on customer deposits to finance growth. Hence, at end-June 2008, customer deposits funded a high 87% of total assets, a ratio that is much higher than its foreign-owned peers. On the one hand, we view positively the bank's ability to continue to attract customer deposits and support its business objectives; on the other hand, we once again highlight the large concentration levels in its deposit base that expose the bank to the risk of large deposit withdrawals.

These large deposit accounts are mainly sourced from state-owned companies, accounting for around 40% of total deposits. The average cost on these deposits – at 2.2% during H1 2008 – is significantly lower than the cost on private sector deposits (at 4.1%) and retail deposits (at 6.9%) that accounted for around 24% and 38% of total deposits, respectively, at end-June 2008.

Management's ability to ease concentration levels from the customer deposit base, while maintaining a strong funding base with commensurate costs, will exert positive pressure to the rating.

Capital Adequacy

Multiple capital injection from main shareholder has supported business growth and sustained capitalisation at comfortable levels

CorpBank's capital levels have been supported by multiple capital injections over the recent years[1] from its major shareholder and from full profit retention, which kept capitalisation at comfortable levels. Moreover, the bank's capitalisation was strengthened following the May 2007 IPO with the free float of around 16% of the bank's capital. As at end-June 2008, Tier 1 and total capital stood at a high 13.2% and 13.7%, respectively, and were considerably higher than the respective regulatory requirements of 6% and 12% (See Exhibit 1).

Exhibit 1

CorpBank's Capital Indicators as at period-end

	June-2008	2007	2006	2005
Tier 1 ratio	13.16	11.95	12.70	12.30
Total capital adequacy ratio	13.65	12.48	13.20	12.30
Shareholders' Equity % Assets	10.09	8.53	6.91	8.19

Looking ahead, CorpBank's planned business expansion is expected to put pressure on the bank's capital levels; however, good internal capital generation and continued support from its direct and indirect shareholders is expected to sustain capitalisation at comfortable levels.

[1] Capital injections were in the form of share issues which occurred in June 2005 (capital increase of BGN10 million), May 2006 (BGN8.867 million) and December 2006 (BGN11.13 million). The capital increase from the May 2007 IPO amounted to BGN10 million.

Corporate Commercial Bank AD

Efficiency

Despite higher levels of infrastructure investments, efficiency levels remain good and are supported by elevated business volumes

CorpBank's good efficiency levels reflect the low cost structure of its operations and its elevated business volumes. The bank's cost-to-income ratio totalled 47% during FYE2007, and was of the lowest among Bulgarian-rated banks. Costs grew by a modest 10% during 2007 and comprised a low 1.7% of average assets. Going forward, we anticipate some pressure on costs due to higher infrastructure investments; however, this should be compensated by increased business volumes and eventual productivity gains.

Asset Quality

Strong asset quality metrics currently underpin the rating; however, rapid credit expansion raises concerns about future performance of seasoned loan portfolio

Given its origins as a start-up bank relatively recently, CorpBank was never burdened by legacy problems loans, and maintains good asset quality levels that underpin its rating. As at end-June 2008, non-performing loan (NPL) balances (defined as loans overdue by more than 90 days) comprised a negligible 0.11% of total loans and those were well-covered by loan loss reserves (LLRs). (See Exhibit 2).

Exhibit 2

CorpBank's Asset Quality Indicators as at period-end

	June-2008	2007	2006	2005
NPLs/Total Loans	0.11	0.37	0.92	1.23
LLR/NPLs	452%	176%	77%	84%
(NPLs-LLR) / Shareholders' Equity	-2.03	-1.42%	1.16%	1.18%

We note that the bank has one of the lowest ratios of NPLs to total loans in the Bulgarian banking system; however, we recognise that this ratio is viewed in the context of a still-developing market economy and fast-expanding domestic credit portfolio that has not been tested under a downcycle. In our view, higher levels of delinquencies are, to some extent, anticipated as loans start to mature but we do draw attention to our concerns about the rapid credit growth evidenced at all Bulgarian banks. These concerns are aggravated by CorpBank's high borrower concentration levels, which, although well-covered by collateral, elevate the sensitivity of the bank's credit portfolio quality to the future performance of these clients.

In general, we believe that the rapid pace at which loans are underwritten by Bulgarian banks puts strain on their risk management systems and elevates their risk profiles. This is also a growing concern as the levels of country's consumer indebtedness rises and gradually converges to the EU standards. Such concerns about asset quality act as a constraint on all banks' ratings. Managements' ability to maintain a clean loan portfolio and sustain asset quality metrics at strong levels once loans season and go through an economic cycle will be a key future rating driver.

Discussion of Support Considerations

CorpBank's Global Local Currency Deposit ratings do not incorporate external support and hence are set at the same level as the bank's Baseline Credit Assessment

Moody's assigns long- and short-term global local currency (GLC) deposit ratings of Ba3/Not-Prime to CorpBank. The ratings do not incorporate any external support and hence are set at the same level as the bank's Baseline Credit Assessment of Ba3.

The introduction of the currency board in Bulgaria in 1997 has reduced the probability of complete systemic support. As a result, Moody's assesses the probability of systemic support in the case of CorpBank as low, based on the bank's small size as it ranks tenth in terms of assets with a share of around 3% of banking system assets

Corporate Commercial Bank AD

Exhibit 3: Mapping the BFSR to the Baseline Credit Assessment (BCA)

The discussions of qualitative and quantitative rating drivers presented in this report form the analytical basis for assigning a Bank Financial Strength Rating (BSFR) of D- to Corporate Commercial Bank (CorpBank).

BFSRs are Moody's opinions on the intrinsic safety and soundness of a bank enterprise and, in effect, address the susceptibility of a particular institution to financial distress.

The BFSR array of ratings is not on Moody's traditional rating scale (Aaa, Aa, etc). However, there is a useful method for translating BFSRs to Moody's traditional scale – the Baseline Credit Assessment – which, in effect, measures a bank's standalone default risk assuming there is no systemic or other external support.

CorpBank's D- BFSR maps to a baseline credit assessment of Ba3. However, considering external support factors, its deposit ratings are [ ].

BFSR/Baseline Risk Assessment Mapping for Corporate Commercial Bank AD

BFSR	Baseline Credit Assessment (BCA)
A	Aaa
A-	Aa1
B+	Aa2
B	Aa3
B-	A1
C+	A2
C	A3
C-	Baa1
C-	Baa2
D+	Baa3
D+	Ba1
D	Ba2
D-	Ba3
E+	B1
E+	B2
E+	B3
E	Caa1
E	Caa2
E	Caa3

Please see: "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", March 2007

Corporate Commercial Bank AD

Company Annual Statistics

Corporate Commercial Bank AD

	12/31/07	12/31/06	12/31/05	12/31/04	12/31/03
Summary Balance Sheet (LEV thousands)					
Cash & Central Bank	279,747	121,062	64,560	46,707	49,241
Due from Banks	566,473	429,631	147,114	111,581	64,491
Government Securities	87,468	47,626	21,089	21,330	42,528
Trading Securities	48,470	3,412	10,611	3,945	10,242
Investment Securities	0	0	0	0	0
Other Liquid Assets	0	0	0	0	0
Gross Loans	754,809	382,811	265,154	167,083	123,855
Loan Loss Reserves (LLR)	-4,970	-2,711	-2,757	-2,104	-1,427
Net Loans	749,839	380,100	262,397	164,979	122,428
Equity in Affiliates	0	0	0	0	0
Fixed Assets	37,393	22,871	16,947	10,008	7,121
Other Assets	1,916	864	1,147	972	677
Total Assets	1,771,306	1,005,566	523,865	359,522	296,728
Total Assets (USD millions)	1,331	677	316	250	192
Customer Deposits	1,559,385	884,215	453,292	307,003	245,676
Due to Banks	47,941	43,783	26,951	22,075	30,903
Borrowings	1,402	1,247	205	320	219
Other Liabilities	6,495	1,164	525	1,608	1,637
Total Liabilities	1,615,223	930,409	480,973	331,006	278,435
Subordinated Loan Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Supplementary Capital	4,998	5,721	0	0	0
Shareholders' Equity	151,085	69,436	42,892	28,516	18,293
Total Capital Funds	156,083	75,157	42,892	28,516	18,293
Total Liabilities & Capital Funds	1,771,306	1,005,566	523,865	359,522	296,728
Derivatives - Notional Amount	–	–	–	–	–
Derivatives - Replacement Value	–	–	–	–	–
Risk-Weighted Assets (RWA)	–	514	309	–	–
Contingent Liabilities	122,699	56,730	44,417	48,448	26,230

Corporate Commercial Bank AD

Corporate Commercial Bank AD

	12/31/07	12/31/06	12/31/05	12/31/04	12/31/03
Summary Income Statement (LEV thousands)					
Interest Income	81,076	43,830	27,137	21,744	13,859
Interest Expense	-43,571	-26,906	-13,005	-7,949	-5,089
Net Interest Income	37,505	16,924	14,132	13,795	8,770
FX Income	6,812	4,356	2,294	616	1,055
Trading Income	713	1,081	1,670	820	1,658
Fees & Commissions	5,839	6,855	5,008	3,972	1,427
Other Operating Income	1,626	1,722	592	493	1,876
Total Non-Interest Income	14,990	14,014	9,564	5,901	6,016
Operating Income	52,495	30,938	23,696	19,696	14,786
Personnel Expenses	-8,529	-6,952	-5,704	-4,861	-3,415
Other Operating Expenses	-13,607	-12,934	-10,272	-7,352	-6,799
Operating Funds Flow	30,359	11,052	7,720	7,483	4,572
Amortisation / Depreciation	-2,310	-2,249	-1,814	-1,399	-935
Total Non-Interest Expense	-24,446	-22,135	-17,790	-13,612	-11,149
Pre-provision Income (PPI)	28,049	8,803	5,906	6,084	3,637
Loan Loss Provisions Expenses (LLPE)	-2,259	-1,066	-653	-677	-498
Non-Operating Income	0	0	-42	-143	0
Pretax Income	25,790	7,737	5,211	5,264	3,139
Taxes	-2,642	-1,193	-834	-1,041	-423
Net Income	23,148	6,544	4,377	4,223	2,716
Minority Interests	0	0	0	0	0
Net Income (Group share)	23,148	6,544	4,377	4,223	2,716
Dividends	0	0	0	0	0
Transfers to Capital Reserves	-23,148	-6,544	-4,377	-4,223	-2,716
Other Adjustments	0	0	0	0	0

Corporate Commercial Bank AD

Corporate Commercial Bank AD

	12/31/07	12/31/06	12/31/05	12/31/04	12/31/03
Summary Balance Sheet - Growth (%)					
Cash & Central Bank	131.08	87.52	38.22	-5.15	497.08
Due from Banks	31.85	192.04	31.85	73.02	42.06
Government Securities	83.66	125.83	-1.13	-49.84	219.86
Trading Securities	1,320.57	-67.84	168.97	-61.48	-35.71
Investment Securities	–	–	–	–	–
Other Liquid Assets	–	–	–	–	–
Gross Loans	97.18	44.37	58.7	34.9	70.93
Loan Loss Reserves (LLR)	83.33	-1.67	31.04	47.44	-23.85
Net Loans	97.27	44.86	59.05	34.76	73.45
Equity in Affiliates	–	–	–	–	–
Fixed Assets	63.5	34.96	69.33	40.54	407.56
Other Assets	121.76	-24.67	18	43.57	3.68
Total Assets	76.15	91.95	45.71	21.16	90.81
Total Assets (USD)	96.51	114.29	26.2	30.67	132.26
Customer Deposits	76.36	95.07	47.65	24.96	142.46
Due to Banks	9.5	62.45	22.09	-28.57	-2.3
Borrowings	12.43	508.29	-35.94	46.12	-97.72
Other Liabilities	457.99	121.71	-67.35	-1.77	19.58
Total Liabilities	73.6	93.44	45.31	18.88	93.44
Subordinated Loan Capital	–	–	–	–	–
Minority Interest	–	–	–	–	–
Supplementary Capital	-12.64	–	–	–	–
Shareholders' Equity	117.59	61.89	50.41	55.88	58.01
Total Capital Funds	107.68	75.22	50.41	55.88	58.01
Total Liabilities & Capital Funds	76.15	91.95	45.71	21.16	90.81
Derivatives - Notional Amount	–	–	–	–	–
Derivatives - Replacement Value	–	–	–	–	–
Risk-Weighted Assets (RWA)	–	66.04	–	–	–
Contingent Liabilities	116.29	27.72	-8.32	84.7	12.54

Corporate Commercial Bank AD

Corporate Commercial Bank AD

	12/31/07	12/31/06	12/31/05	12/31/04	12/31/03
Summary Income Statement - Growth (%)					
Interest Income	84.98	61.51	24.8	56.89	65.5
Interest Expense	61.94	106.89	63.61	56.2	105.12
Net Interest Income	121.61	19.76	2.44	57.3	48.82
FX Income	56.38	89.89	272.4	-41.61	350.85
Trading Income	-34.04	-35.27	103.66	-50.54	433.12
Fees & Commissions	-14.82	36.88	26.08	178.35	16.68
Other Operating Income	-5.57	190.88	20.08	-73.72	113.18
Total Non-Interest Income	6.96	46.53	62.07	-1.91	127.19
Operating Income	69.68	30.56	20.31	33.21	73.12
Personnel Expenses	22.68	21.88	17.34	42.34	47.52
Other Operating Expenses	5.2	25.92	39.72	8.13	75.28
Operating Funds Flow	174.69	43.16	3.17	63.67	94.8
Amortisation / Depreciation	2.71	23.98	29.66	49.63	209.6
Total Non-Interest Expense	10.44	24.42	30.69	22.09	71.63
Pre-provision Income (PPI)	218.63	49.05	-2.93	67.28	77.85
Loan Loss Provisions Expenses (LLPE)	111.91	63.25	-3.55	35.94	-70.04
Non-Operating Income	–	–	-70.63	–	–
Pretax Income	233.33	48.47	-1.01	67.7	719.58
Taxes	121.46	43.05	-19.88	146.1	464
Net Income	253.73	49.51	3.65	55.49	781.82
Minority Interests	–	–	–	–	–
Net Income (Group share)	253.73	49.51	3.65	55.49	781.82
Balance Sheet - % of Total Assets					
Cash & Central Bank	15.79	12.04	12.32	12.99	16.59
Due from Banks	31.98	42.73	28.08	31.04	21.73
Government Securities	4.94	4.74	4.03	5.93	14.33
Trading Securities	2.74	0.34	2.03	1.1	3.45
Investment Securities	–	–	–	–	–
Other Liquid Assets	–	–	–	–	–
Gross Loans	42.61	38.07	50.61	46.47	41.74
Loan Loss Reserves (LLR)	-0.28	-0.27	-0.53	-0.59	-0.48
Net Loans	42.33	37.8	50.09	45.89	41.26
Equity in Affiliates	–	–	–	–	–
Fixed Assets	2.11	2.27	3.23	2.78	2.4
Other Assets	0.11	0.09	0.22	0.27	0.23
Customer Deposits	88.04	87.93	86.53	85.39	82.8
Due to Banks	2.71	4.35	5.14	6.14	10.41
Borrowings	0.08	0.12	0.04	0.09	0.07
Other Liabilities	0.37	0.12	0.1	0.45	0.55
Total Liabilities	91.19	92.53	91.81	92.07	93.84
Subordinated Loan Capital	–	–	–	–	–
Minority Interest	–	–	–	–	–
Supplementary Capital	0.28	0.57	–	–	–
Shareholders' Equity	8.53	6.91	8.19	7.93	6.16
Total Capital Funds	8.81	7.47	8.19	7.93	6.16

Corporate Commercial Bank AD

Corporate Commercial Bank AD

	12/31/07	12/31/06	12/31/05	12/31/04	12/31/03
Income Statement - % of Average Assets					
Interest Income	5.84	5.73	6.14	6.63	6.13
Interest Expense	-3.14	-3.52	-2.94	-2.42	-2.25
Net Interest Income	2.7	2.21	3.2	4.2	3.88
FX Income	0.49	0.57	0.52	0.19	0.47
Trading Income	0.05	0.14	0.38	0.25	0.73
Fees & Commissions	0.42	0.9	1.13	1.21	0.63
Other Operating Income	0.12	0.23	0.13	0.15	0.83
Total Non-Interest Income	1.08	1.83	2.17	1.8	2.66
Operating Income	3.78	4.05	5.36	6	6.54
Personnel Expenses	-0.61	-0.91	-1.29	-1.48	-1.51
Other Operating Expenses	-0.98	-1.69	-2.33	-2.24	-3.01
Operating Funds Flow	2.19	1.45	1.75	2.28	2.02
Amortisation / Depreciation	-0.17	-0.29	-0.41	-0.43	-0.41
Total Non-Interest Expense	-1.76	-2.89	-4.03	-4.15	-4.93
Pre-provision Income (PPI)	2.02	1.15	1.34	1.85	1.61
Loan Loss Provisions Expenses (LLPE)	-0.16	-0.14	-0.15	-0.21	-0.22
Non-Operating Income	–	–	-0.01	-0.04	–
Pretax Income	1.86	1.01	1.18	1.6	1.39
Taxes	-0.19	-0.16	-0.19	-0.32	-0.19
Net Income	1.67	0.86	0.99	1.29	1.2
Minority Interests	–	–	–	–	–
Net Income (Group share)	1.67	0.86	0.99	1.29	1.2
Income Statement - % of Operating Income					
Interest Income	154.45	141.67	114.52	110.4	93.73
Interest Expense	-83	-86.97	-54.88	-40.36	-34.42
Net Interest Income	71.44	54.7	59.64	70.04	59.31
FX Income	12.98	14.08	9.68	3.13	7.14
Trading Income	1.36	3.49	7.05	4.16	11.21
Fees & Commissions	11.12	22.16	21.13	20.17	9.65
Other Operating Income	3.1	5.57	2.5	2.5	12.69
Total Non-Interest Income	28.56	45.3	40.36	29.96	40.69
Operating Income	100	100	100	100	100
Personnel Expenses	-16.25	-22.47	-24.07	-24.68	-23.1
Other Operating Expenses	-25.92	-41.81	-43.35	-37.33	-45.98
Operating Funds Flow	57.83	35.72	32.58	37.99	30.92
Amortisation / Depreciation	-4.4	-7.27	-7.66	-7.1	-6.32
Total Non-Interest Expense	-46.57	-71.55	-75.08	-69.11	-75.4
Pre-provision Income (PPI)	53.43	28.45	24.92	30.89	24.6
Loan Loss Provisions Expenses (LLPE)	-4.3	-3.45	-2.76	-3.44	-3.37
Non-Operating Income	–	–	-0.18	-0.73	–
Pretax Income	49.13	25.01	21.99	26.73	21.23
Taxes	-5.03	-3.86	-3.52	-5.29	-2.86
Net Income	44.1	21.15	18.47	21.44	18.37
Minority Interests	–	–	–	–	–
Net Income (Group share)	44.1	21.15	18.47	21.44	18.37

Corporate Commercial Bank AD

Corporate Commercial Bank AD

	12/31/07	12/31/06	12/31/05	12/31/04	12/31/03
Profitability Indicators					
Return on Average Assets (%)	1.67	0.86	0.99	1.29	1.2
Return on Shareholder's Equity - period end (%)	15.32	9.42	10.2	14.81	14.85
Recurring Earning Power [1]	2.02	1.15	1.34	1.85	1.61
PPI (%) Avg Total Capital Funds	24.26	14.91	16.54	26	24.35
Interest Expense (%) Interest Income	53.74	61.39	47.92	36.56	36.72
Interest Income (%) Avg Interest Earning Assets [2]	6.99	6.7	7.26	7.98	7.14
Interest Expense (%) Avg Interest Bearing Liabilities [3]	3.43	3.82	3.21	2.62	2.43
Net Spread (%) [4]	3.55	2.89	4.05	5.36	4.71
Net Interest Margin (%) [5]	3.23	2.59	3.78	5.06	4.52
Non-Interest Income (%) Operating income	28.56	45.3	40.36	29.96	40.69
Income Tax (%) Pre-tax Income	10.24	15.42	16	19.78	13.48
Efficiency Indicators					
Non-Interest Expense (%) Avg Assets	1.76	2.89	4.03	4.15	4.93
Cost to Income Ratio (%) [6]	46.57	71.55	75.08	69.11	75.4
Personnel Expenses (%) Avg Assets	0.61	0.91	1.29	1.48	1.51
Personnel Expenses (%) Operating Income	16.25	22.47	24.07	24.68	23.1
Personnel Expenses (%) Non-Interest Expense	34.89	31.41	32.06	35.71	30.63
Liquidity Indicators					
Net Loans (%) Customer Deposits	48.09	42.99	57.89	53.74	49.83
Net Loans (%) Total Deposits [7]	46.65	40.96	54.64	50.13	44.27
Average Net Loans (%) Average Customer Deposits	46.24	48.04	56.21	52	55.62
Average Net Loans (%) Average Assets	40.69	42.01	48.38	43.8	42.68
Liquid Assets [8] (%) Total Assets	55.45	59.84	46.46	51.06	56.11
Customer Deposits (%) Total Deposits	97.02	95.28	94.39	93.29	88.83
Customer Deposits / Shareholders' Equity (Times)	10.32	12.73	10.57	10.77	13.43
Due from Banks (%) Due to Banks	1,181.60	981.27	545.86	505.46	208.69
Loan Portfolio Quality Indicators					
Problem Loans (%) Gross Loans	0.32	0.92	–	–	–
Problem Loans (%) (Shareholders' Equity + LLR)	1.53	4.87	–	–	–
(Problem Loans - LLR) (%) Shareholders' Equity	-1.71	1.16	-6.43	-7.38	-7.8
Loan Loss Reserve (%) Gross Loans	0.66	0.71	1.04	1.26	1.15
Loan Loss Provision Expenses (%) Pre-provision Income	8.05	12.11	11.06	11.13	13.69
LLP (%) (Loan Loss Reserve - LLP)	83.33	64.8	31.04	47.44	53.61
Loan Loss Provision Expenses (%) Gross Loans	0.3	0.28	0.25	0.41	0.4
Pre-provision Income (%) Net Loans	3.74	2.32	2.25	3.69	2.97
Shareholders' Equity (%) Net Loans	20.15	18.27	16.35	17.28	14.94
Loans to Related Cos. (%) Gross Loans	–	–	–	–	–

Corporate Commercial Bank AD

Corporate Commercial Bank AD

	12/31/07	12/31/06	12/31/05	12/31/04	12/31/03
Capitalization Indicators					
Tier 1 ratio (%)	11.95	12.7	12.3	13.23	11.18
Shareholders' Equity (%) Total Assets	8.53	6.91	8.19	7.93	6.16
Shareholders' Equity (%) T. Assets + Contingent Liabilities	7.98	6.54	7.55	6.99	5.66
Total Capital funds (%) Total Assets	8.81	7.47	8.19	7.93	6.16
Total Capital (%) T. Assets + Contingent Liabilities	8.24	7.07	7.55	6.99	5.66
Shareholders' Equity (%) Total Capital funds	96.8	92.39	100	100	100
Contingent Liabilities (%) Total Assets	6.93	5.64	8.48	13.48	8.84
Free Capital [9] (%) Shareholders' Equity	75.25	67.06	60.49	64.9	61.07
Dividend Payout (%) [10]	–	–	–	–	–
Internal Capital Growth (%) [11]	33.34	15.26	15.35	23.09	23.46

Notes:

[1] Recurring Earning Power = Pre-provision Income (%) Average Total Assets

[2] Interest Earning Assets = Due from Banks + Government Securities + Trading Securities + Investment Securities + Gross Loans

[3] Interest Bearing Liabilities = Customer Deposits + Due to Banks + Borrowings + Subordinated Debt Capital

[4] Net spread = Interest Income (%) Avg Earning Assets - Interest Expense (%) Avg Interest Bearing Liabilities

[5] Net interest margin = Net Interest Income (%) Average Earning Assets

[6] Cost to Income Ratio = Total non interest expense (%) Operating income

[7] Total deposits = Customer deposits + Due to banks

[8] Liquid Assets = Cash & Central Bank + Due from Banks + Government Securities + Trading Securities + Other Liquid Assets

[9] Free Capital = Shareholders' Equity - Fixed Assets - Equity in Affiliates

[10] Dividend Payout = Dividends (%) Net Income

[11] Internal Capital Growth = Current period's Net income - Current period's Dividends (%) Last period's Shareholders' Equity

Corporate Commercial Bank AD

Moody's Related Research

Banking System Outlook:

- Bulgaria, July 2008 (110054)

Analysis:

- Bulgaria, February 2008 (107275)

Country Statistics:

- Bulgaria, May 2008

Research Guide:

- Bulgaria, September 2008 (111496)

Banking System Supplement:

- Bulgaria, September 2008 (111495)

Rating Methodology:

- Incorporation of Joint-Default Analysis into Moody's Bank Rating Methodology, February 2007 (102221)
- Bank Financial Strength Ratings: Global Methodology, February 2007 (102151)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Corporate Commercial Bank AD

Report Number: 112193

Author	Editor	Production Specialist
Elena Panayiotou	Wendy Arthur	Nita Desai

Moody's Investors Service