

**Rating Action: Moody's downgrades Corporate Commercial Bank's deposit ratings to Ca from Caa1; on review direction uncertain**

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Global Credit Research - 03 Nov 2014

Limassol, November 03, 2014 -- Moody's Investors Service has today downgraded the long-term local- and foreign-currency deposit ratings of Bulgaria's Corporate Commercial Bank AD (Corpbank) to Ca from Caa1, and placed the ratings on review with direction uncertain. Concurrently, Moody's lowered the bank's baseline credit assessment (BCA) to c from ca within the E standalone bank financial strength rating (BFSR) category. The short-term deposit ratings of Not Prime are unaffected by today's rating action.

The downgrade of the deposit ratings reflects the heightened risk of material losses for Corpbank's uninsured depositors following the publication of the results of the audit commissioned by the Bulgarian National Bank (BNB). The audit indicated significant impairment losses and a negative equity position for the bank.

The review on Corpbank's deposit ratings reflects uncertainty regarding the ultimate treatment of uninsured depositors. While Moody's notes that the Bulgarian Parliament has discussed potential measures that could contain losses to uninsured depositors, so far these have not been adopted. The review will focus on how the bank is ultimately resolved and the magnitude of losses for uninsured depositors.

A full list of affected ratings is provided at the end of this press release.

**RATINGS RATIONALE**

The downgrade of Corpbank's long-term deposit ratings to Ca and the lowering of the standalone BCA to c is driven by Moody's expectations of material losses to uninsured depositors following the publication of the results of the audit commissioned by the BNB, which indicate that the bank needs to take significant impairments resulting in a negative equity position. More specifically, according to the audit report submitted to the BNB on 20 October, Corpbank needs to take provisions of BGN4.2 billion (EUR2.1 billion), which compares to total assets of BGN6.7 billion as of September 2014 and shareholder's equity of BGN198 million.

Furthermore the rating agency notes that both insured and uninsured depositors have not had access to their deposits since 20 June 2014 when the bank was placed under administrative supervision.

**RATIONALE FOR REVIEW**

The review on Corpbank's deposit ratings reflects uncertainty regarding the ultimate treatment of uninsured depositors. While Moody's notes that the Bulgarian Parliament has discussed potential measures that could contain losses to uninsured depositors, so far these have not been adopted. The review will focus on how bank is ultimately resolved and the magnitude of losses for uninsured depositors.

**WHAT COULD MOVE THE RATINGS UP/ DOWN**

Moody's could further downgrade Corpbank's Ca deposit ratings if the review concludes that uninsured depositors are likely to suffer losses greater than currently anticipated in the Ca range. The deposit ratings could be confirmed or upgraded if the authorities implement a restructuring plan containing the imposition of losses to uninsured deposits.

**LIST OF RATINGS**

- Long-term local- and foreign-currency deposit ratings downgraded to Ca from Caa1; on review direction uncertain
- Standalone bank financial strength rating (BFSR) affirmed at E -- now mapping to a standalone credit assessment of c, from ca previously
- Short-term deposit ratings of Not-Prime remain unaffected

No outlook is assigned to the E BFSR and short-term deposit ratings.

## PRINCIPAL METHODOLOGIES

The principal methodology used in this rating was Global Banks published in July 2014. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

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Elena Panayiotou  
Asst Vice President - Analyst  
Financial Institutions Group  
Moody's Investors Service Cyprus Ltd.  
Kanika Business Centre  
319 28th October Avenue  
PO Box 53205  
Limassol CY 3301  
Cyprus  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Yves J Lemay  
MD - Banking  
Financial Institutions Group  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service Cyprus Ltd.  
Kanika Business Centre  
319 28th October Avenue  
PO Box 53205  
Limassol CY 3301  
Cyprus  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

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