

*Central Cooperative Bank
Valuation Update, prepared
by Bull Trend Brokerage*



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Central Cooperative Bank Valuation

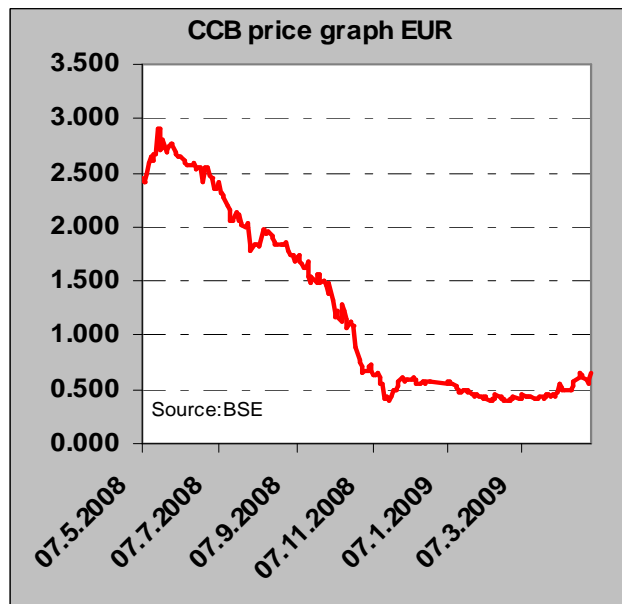


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Date: 12 May 2009
 Market Price as of 8 May 2009: 0.757 €
 Target price: 2.246 €
 Recommendation: Buy (previous Buy)
 ISIN: BG1100014973
 BSE Code: 4CF
 Bloomberg Code: 4CF:BU

Price chart



Stock information

As of :	08.5.2009
Mcap '000 EUR	62 924
Price per share (EUR)	0.757
52 week high (EUR)	2.965
52 week low (EUR)	0.368
Average daily volume	47 857
P/E	5.69X
P/BVPS	0.48X
P/TangibleBVPS	0.56X
Beta	1.177
Freefloat	24%
EPS	0.13
BVPS	1.57
Tangible BVPS	1.34

Source: BSE, CCB, Bloomberg

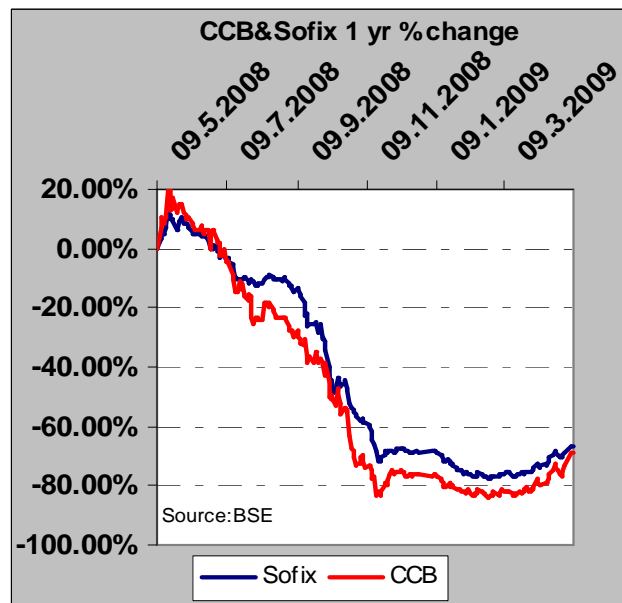
Central Cooperative Bank

Introduction:

- Central Cooperative Bank was established in 1991 and in 2002 the state share was bought by its current majority shareholder- Chimimport. The Bank is twelfth by assets size and is put in the second group Banks (according the BNB classification, which uses assets sizes for sorting) and is among the most popular brands on the market. CCB is a public company since 1999 and over the years gradually acquired the status of a blue chip stock.
- Central Cooperative Bank is a traditional commercial bank, with deposit/credit activity being its main occupation. The Bank is among the leaders in serving the agricultural sector in Bulgaria, benefiting most of the synergy with other companies in the group of Chimimport. The group of Chimimport consists of banking, non-life and life insurance companies, pension firms, aviation businesses and industrial companies.
- CCB is the third biggest banks among the commercial banks that are not owned by large international financial institutions, and is not fed with cheaper funds, at EURIBOR + small markup.
- Central Cooperative Bank manages to successfully use the capital market for increasing its equity. The Bank is one with the highest capital adequacy ratios and its conservativeness in loans distribution makes the bank very well prepared for the financial turmoil speeded around the world.
- Central Cooperative Bank expanded its activity in the Balkans region through its subsidiary-a Macedonian commercial bank-CCB-Skopie (former Sileks Bank).
- The Bank operates in an emerging economical region (Bulgaria and Macedonia) with high growth potential. Despite the fact that CEE and SEE is hard hit by the global economical slowdown, New Europe remains very competitive, mainly through its lower cost capital, land and labor resources.
- We consider current market values for CCB's shares to understate Bank's potential and perspectives. Prices of all financial institutions around the world experienced considerable decreases, so are the shares of Bulgarian public banks, but we consider stocks of Central Cooperative Bank to be vastly undervalued, giving investors good return opportunities. Fair value of CCB obtained in this analysis is 2.246 EUR per share, which gives 197% return potential. Inputs in our models are rather conservative, reflecting further economy slow down.
- Currency board in Bulgaria remains stable, and all policy parties agree that the currency board and the peg between EUR and BGN should be kept unchanged at 1.95583 BGN per 1 EUR, till Bulgaria enters the Eurozone. As of 31.12.2008 almost 60% of all loans lent are denominated in currency (mostly in EUR), thus a BGN devaluation means larger BGN payments for borrowers. Current account and trade deficits have started to shrink very swiftly. Currencies of the other CEE countries stabilized and started to advance. All these leads to smaller pressure on the Bulgaria's currency board and BGN/EUR peg.
- Higher interest rates on deposits and interbank lending, and higher government bonds yields show clearly that higher policy, economy and currency risks persist.

Central Cooperative Bank's stocks performance:

CCB stock and SOFIX index 1 yr performance



CCB stock Index membership: SOFIX, BG40, Dow Jones STOXX EU Enlarged TMI®, Dow Jones STOXX® Eastern Europe TMI Small, Dow Jones STOXX® Eastern Europe TMI, Dow Jones STOXX® Balkan TMI ex Greece & Turkey, Dow Jones STOXX® Balkan TMI, Dow Jones STOXX® Balkan 50 Equal Weighted;

- Despite the fact that the shares of Central Cooperative Bank are considered a blue chip for the local capital market, the stock was among the hardest hit from the local market sell off, lasting more than 18 months.
- For the last 52 weeks CCB's market capitalization tracks closely the benchmark-SOFIX. The Beta for the stock is 1.18. Bank's shares are still 89% below the all time high, reached in 2007, while the SOFIX index is performing a bit better with 80% below its peak.
- Major reason for CCB stock depreciation is that big minority shareholders decided to liquidate their positions at any price even at a large loss, being forced by their liquidity problems. Clients of the Estonian Hansapank and the Greek Eurobank EFG lessened considerably their holdings of CCB shares.
- CCB's shares are one of the motors of the spring rally on Bulgarian Stock Exchange with 95% price increase since the end of February, where current market rally started.



Shareholders	2008	2007
CCB Group Assets Management	68.20%	64.98%
Bayerische Hypo Und Vereinsbank	7.81%	8.02%
IRJSC Armeec	4.44%	2.70%
Chimimport	2.88%	0.57%
Universal Pension Fund Saglasie	2.02%	0.67%
Unicredit Bank Austria AG	1.61%	-
Artio International Equity Fund	1.53%	-
Kyriakos Savvas Petridis	1.20%	-
Hanspank clients	1.09%	4.08%
Eurobank EFG Bulgaria	0.29%	5.74%
Other	8.93%	13.24%
Total	100.00%	100.00%
Number of shares '000	83 155	83 155

Source:CCB

Financials and important ratios:

Financials		
'000 EUR	2007	2008
Total Assets	800 351	850 841
Cash and cash balances with BNB	124 780	155 016
Loans and receivables	543 909	535 618
Financial assets	100 675	83 985
Tangible assets	25 194	26 598
Attracted funds	689 677	726 742
Equity	108 175	116 828
Net banking income	48 516	57 414
Interest income	46 518	55 186
Interest expenses	17 435	21 836
Net interest income	29 084	33 350
Fee and commission income	12 150	13 377
Fee and commission expenses	1 719	1 794
Net Fee and commission income	10 431	11 583
Administrative expenses	29 123	38 115
Depreciation	3 172	4 035
EBT	11 544	11 740
Net Income	10 390	11 066

In 2008 Central Cooperative Bank wisely didn't chase neither market share by assets size, nor profitability by deploying bigger share of it's assets into loans. In 2007 and 2008 assets growth rate for CCB is below the average level for the market.

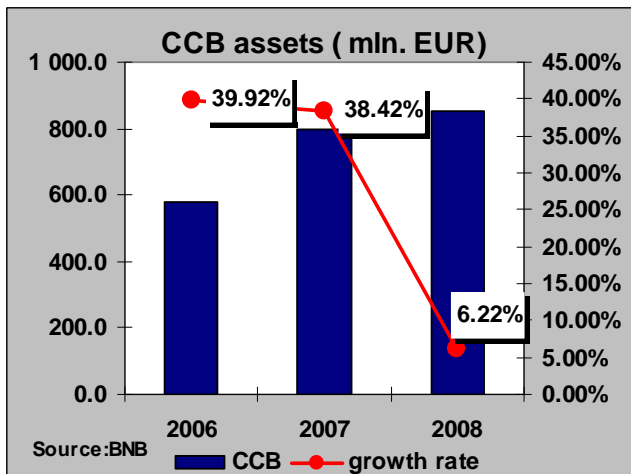
Administrative expenses increased at faster pace than different sources of revenues. The Bank has a chronic problem with the higher administrative costs, leading to big deviation from the potential level.

Ratios	CCB		Bank System		Group 2	
	2007	2008	2007	2008	2007	2008
Interest expenses to Interest income	37.48%	39.57%	36.49%	43.32%	42.93%	48.22%
Net earnings to net interest income	35.72%	33.18%	52.66%	49.75%	46.21%	40.01%
Net earnings to net fee and commission income	99.60%	95.54%	169.87%	177.08%	155.30%	132.02%
Net earnings to net banking income	21.42%	19.27%	19.27%	37.38%	31.84%	29.10%
Net fee and commission income to administrative expenses	35.82%	30.39%	51.61%	47.24%	41.73%	40.51%
Resource security ratio	99.78%	79.80%	169.49%	153.03%	138.14%	127.05%
Cost to Income ratio	66.57%	73.41%	47.39%	50.01%	54.73%	60.65%
Net interest margin (NIM)	4.22%	4.04%	4.29%	4.33%	4.58%	3.79%
Net fee and commission income to Assets	1.51%	1.40%	1.33%	1.22%	1.36%	1.15%
Return on Equity	12.39%	9.84%	21.58%	19.62%	20.99%	14.20%
Return on Assets	1.51%	1.34%	2.26%	2.16%	2.12%	1.52%
Equity to assets	13.52%	13.73%	10.51%	11.40%	10.04%	11.25%
Cash to assets	15.59%	18.22%	12.16%	9.65%	12.19%	11.93%
Total loans to assets	67.96%	62.95%	77.64%	81.85%	77.33%	78.47%
Loans(firms+individuals) to assets	44.16%	59.92%	63.95%	71.89%	60.37%	68.43%
Deposits to assets	84.80%	83.26%	65.72%	60.00%	68.16%	62.51%
Deposits(firms+individuals) to assets	85.24%	83.77%	66.23%	60.46%	69.33%	63.39%
Deposits to loans (Firms and individuals only)	192.02%	138.89%	102.77%	83.46%	112.91%	91.35%

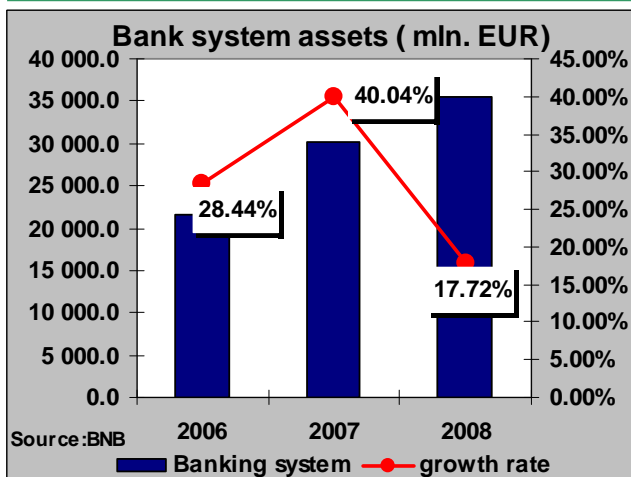
Source:CCB,BNB

- Thanks to its conservativeness Central Cooperative Bank is well prepared for the consequences of the global financial and economical crisis. The Bank has one of the highest equity to assets and cash to assets ratios in the whole banking system and among the second group banks.
- The share of loans in total assets of CCB is also at very low level, compared to the other banks, operating in Bulgaria. Low loans exposure will protect Bank's health from any further economy deterioration. The main sources of financing of the Bank are corporate and households and individuals deposits, thus CCB has one of the highest overages of loans and assets by its NFI deposits.
- The interest expenses to interest income ratio for CCB is below average for the banking system and the banks from second group. The bank is not participating actively in the fight for deposits trying to attract deposits at skyrocketing interest rates, as the leading 6 banks do. The result is obvious-lower interest expenses compared to interest income, compared to the market average.
- Net interest margin stood at 4.04% at the end of 2008 and remains below the average for the banks in the second group and below the average for the Banking system. NIM is decreasing slightly compared to 2007 but this is a tendency for all the banks in the second group, but not for the banking system as a whole, where biggest 6 banks distort the average.

Central Cooperative Bank's assets

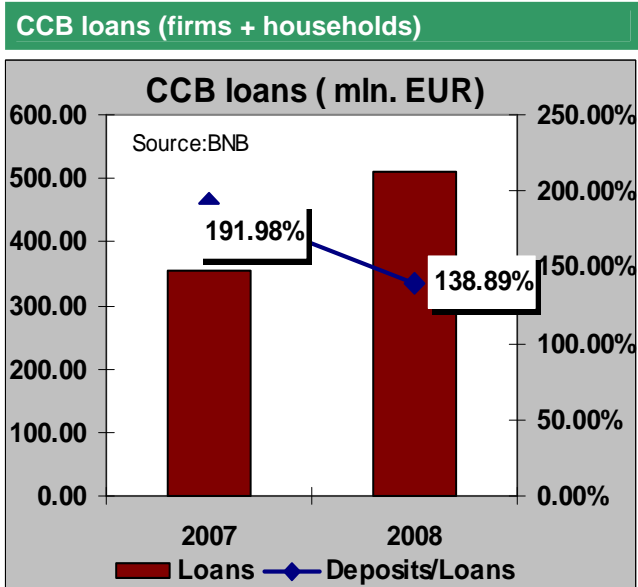


Banking system assets

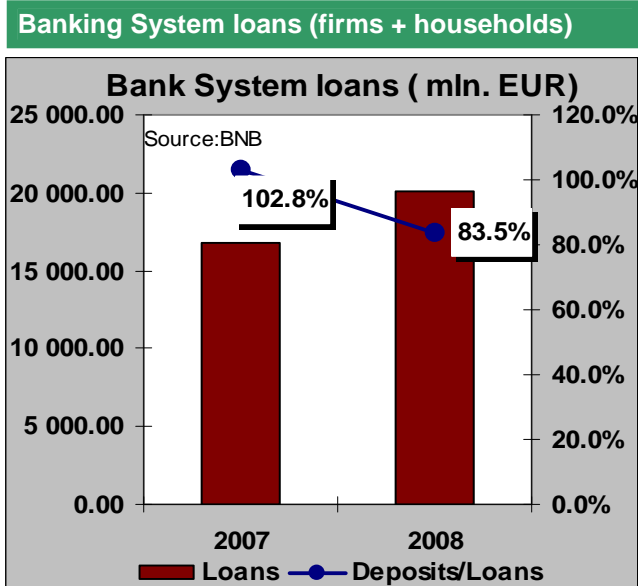


- Net earnings have smaller share compared to net banking income, net interest income and net fee and commission income compared to the average for the whole system and banks in the second group. Reasons behind this are higher administrative expenses. The Bank traditionally operates with higher administrative expenses, making the profitability suffer.
- Cost to income ratio has increased in 2008 for the banking system and CCB particularly, but Central Cooperative Bank possesses one of the highest ratios, which stood at 73.41% in 2008, compared with 50% for the banking system and 60.65% for the banks in the second group.
- For the poor management of administrative costs speaks not only the higher Cost to income ratio, but the lower Net fee and commission income to administrative expenses ratio.
- Again, the amount of administrative costs is a recipe for the last place of CCB on the indicator "resource security" among all the banks. It is critically low level of only 80% at 153% for the system as a whole
- Despite the fact that CCB has one of the highest Net fee and commission income to assets ratios, unreasonable high administrative expenses neutralize this advantage.
- Bank's profitability, expressed through the ROE and ROA ratios is far below the standards set for the whole banking system and the second group banks in particular. Main reasons behind this poor performance are conservative loan policy (CCB possesses one of the lowest loans to assets ratio) and poor administrative expenses management.
- Central Cooperative Bank stays well prepared for the obstacles of the economic crisis. Higher cash to assets and equity to assets ratios, one of the lowest loans to assets ratio and one of the highest deposits to loans ratio are the facts for Bank's good financial health and stableness. But when the business cycle turns up the low loans to assets ratio will only hinder profitability.

Loans:



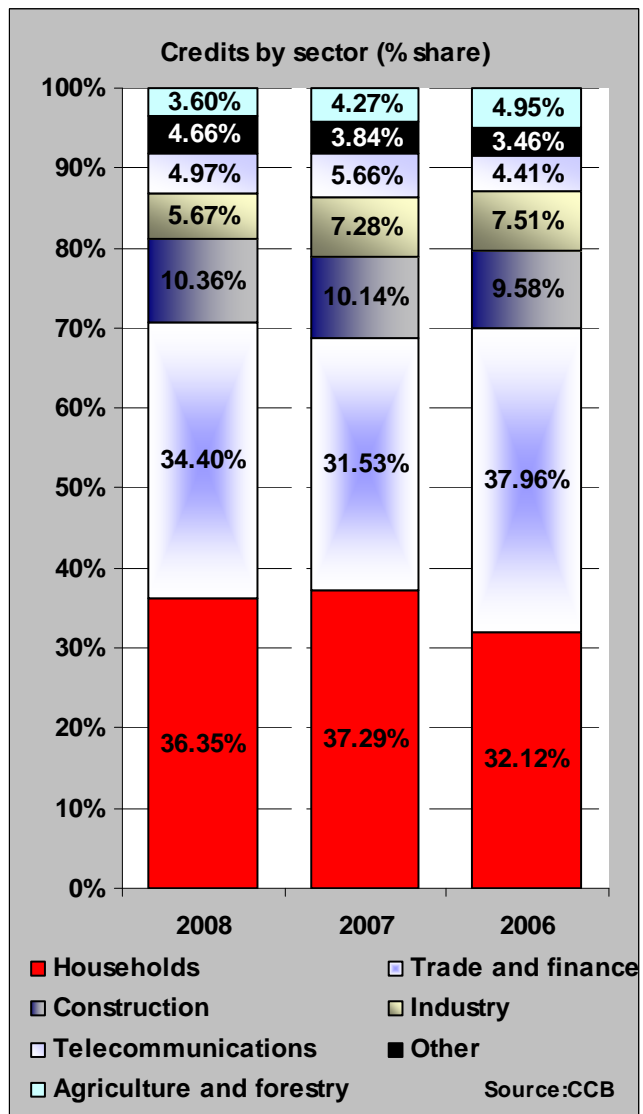
Central Cooperative Bank is among the very few banks in Bulgaria, financing its credit activity through household and corporate deposits.



Rapid credit growth in 2008 was financed mainly through loans from credit institutions, mainly mother-banks.

- Central Cooperative Bank is one of the most conservative commercial banks in Bulgaria. In situation of deep economic slow down, as the current juncture is, this gives the Bank a huge advantage and keeps its books cleaner from bad loans. CCB has a large coverage of loans to firms and individuals with deposits to firms and individuals, which is quite different from the general tendency where banks rely heavily; on parent banks financing for funding their credit activity. The deposits to loans ratio declined for the Bank and for the system as well, but stood at 139% for CCB at the end of 2008, corresponding to 83.5% for the banking system.
- In 2008 CCB's credit portfolio is concentrated mainly in the Trade and finance sector (36.35% share), Households (34.40%) and Construction sector (10.36%). The Bank is also well known name in servicing the Agricultural sector, despite the diminishing share of the sector through the years.
- Central Cooperative Bank credit portfolio is comprised mainly of loans for business and households, with total share of 92 percent. Very interesting trends are evident in CCB's credit portfolio in 2008 compared with 2007. Credit institutions in 2007 borrowed 35.8% of all loans lent by CCB, while in 2008 loans to credit institutions comprise only 4.9% from the loans portfolio. Loans lent to firms increased their share in total loans and advances from 38.9% in 2007 to 57.8% in 2008. Retail exposure makes up 34.2% of the credit portfolio.
- Currency structure of all loans lent differs considerably from the banking system and banks in group 2. Foreign currency loans share diminishes to 33% in 2008, compared to increases to 63% for the banks in the second group and 60% for the system. Most of the banks prefer to lend money in foreign currency despite the fact that interest rates on BGN loans are traditionally higher. Banks are discounting the possibility of BGN devaluation against the EUR, even that this is very unlikely because the currency board stays stable and current account deficit and foreign debt are shrinking swiftly since the beginning of 2009.
- CCB achieves one of the highest interest level on its loan portfolio, compared with that of the system and second group banks. Gross interest rates on loans lent for the Bank in 2008 increased to 9.53%, compared with 7.62% in 2007. Interest rates on CCB firm loans decreased in 2008 to 8.67% from 10.82% in 2007, which tendency is quite the opposite of the market, but the interest level on businesses loans remains close to the average level for the system.

Credit portfolio composition



Credit portfolio structure

	CCB		Group 2		Banking System	
	2 007	2 008	2 007	2 008	2 007	2 008
Loans and Advances (Gross) '000 EUR	552 428	539 121	9 009 454	10 432 003	23 455 820	29 112 206
Central Governments	0.24%	0.56%	0.30%	0.38%	0.36%	0.32%
Credit Institutions	35.77%	4.87%	21.64%	12.42%	17.27%	11.85%
Non-credit Institutions	1.74%	2.57%	1.02%	1.07%	1.11%	1.34%
Corporate (corporate clients)	38.85%	57.81%	59.01%	65.27%	52.98%	56.00%
Retail Exposures	23.40%	34.19%	18.03%	20.87%	28.28%	30.48%

Currency structure of loans

	CCB		Group 2		Banking System	
	2007	2008	2007	2008	2007	2008
FX share % of Total						
Loans and Advances (Gross)	50.61%	32.94%	62.96%	63.13%	56.28%	59.96%
Central Governments	0.00%	0.00%	3.22%	7.69%	28.06%	25.33%
Credit Institutions	93.27%	79.51%	81.61%	66.32%	83.63%	80.63%
Non-credit Institutions	9.41%	53.00%	40.92%	51.24%	67.60%	81.78%
Corporate (corporate clients)	37.20%	40.79%	65.62%	70.55%	66.52%	71.66%
Retail Exposures	11.14%	12.05%	34.13%	39.63%	20.30%	29.82%

Gross interest rates on loans

	CCB		Group 2		Banking System	
	2007	2008	2007	2008	2007	2008
Loans and Advances (Gross)	7.62%	9.53%	6.88%	8.32%	6.77%	8.01%
Central Governments	0.19%	2.92%	2.44%	3.64%	3.61%	4.60%
Credit Institutions	3.01%	20.21%	2.78%	3.83%	3.10%	3.39%
Non-credit Institutions	2.55%	2.71%	4.42%	5.73%	3.73%	3.76%
Corporate (corporate clients)	10.82%	8.67%	8.10%	9.12%	7.36%	8.48%
Retail Exposures	9.81%	10.08%	8.01%	8.70%	8.08%	9.16%

Source:BNB,CCB

The provisions to loans ratio of CCB is standing at a very low level even declining in 2008 compared to 2007. Provisions on loans correspond to 1.13% on all loans lent by CCB, with 2.05% for the whole banking system. This ratio is expected to increase significantly in 2009 due deteriorating economic conditions (decrease in firms' sales and profitability and unemployment increase). Late payments and bank seizures increases are anticipated.

In the retail exposure consumer loans are gaining bigger share for CCB, with 71% share. Mortgage loans to individuals comprise 29% of the retail exposure for the Bank. Situation is quite different for the second group banks and for the whole banking system. In the banking system and the banks in the second group, mortgage loans and consumer loans are approximately with equal share. Smaller share of mortgage loans gives another advantage of the Bank, while the economy is facing swiftly declining property market.

As for the loan portfolio as a whole, and in CCB retail lending relies heavily on BGN loans, which is not typical of the banking system. This will be a problem for the Bank eventually if the current peg between the BGN and the EUR changes so the BGN becomes cheaper, but this is not likely to happen any time soon if at all.

Gross interest rates on mortgage and consumer loans lent for Central Cooperative Bank are above the average for the system and second group banks. Provisions on retail exposure are also below the average for the system and second group banks, keeping CCB book's cleaner.

Market share by loans lent

Rank	Bank	2 007	2 008	Change
1	UniCredit Bulbank	13,68%	15,42%	1,74%
2	DSK Bank	13,65%	12,90%	-0,75%
3	United Bulgarian Bank	11,10%	11,89%	0,79%
4	Raiffeisenbank (Bulgaria)	9,06%	9,18%	0,12%
5	Eurobank EFG Bulgaria	7,28%	7,66%	0,38%
6	Piraeus Bank Bulgaria	6,78%	6,52%	-0,26%
7	First Investment Bank	6,58%	5,45%	-1,13%
8	Societe Generale Expressbank	3,10%	3,54%	0,43%
9	Alpha Bank S.A. - Sofia Branch	2,68%	3,21%	0,53%
10	Corporate Commercial Bank	2,87%	2,81%	-0,06%

Source:BNB

Provisions

	CCB		Group 2		Banking System	
	2007	2008	2007	2008	2007	2008
Loans and Advances (Gross)	2.04%	1.13%	1.75%	1.65%	2.16%	2.05%
Central Governments	0.00%	0.00%	0.07%	0.01%	0.12%	0.06%
Credit Institutions	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%
Non-credit Institutions	1.16%	0.80%	1.63%	0.11%	0.75%	0.29%
Corporate (corporate clients)	3.40%	0.77%	2.21%	1.61%	2.11%	1.69%
Retail Exposures	3.01%	1.95%	2.38%	2.86%	3.67%	3.63%

Retail Exposures structure

	CCB		Group 2		Banking System	
	2007	2008	2007	2008	2007	2008
Retail Exposures '000 EUR (100%) of which:	129 273	184 303	1 624 843	2 176 665	6 632 659	8 874 545
Residential Mortgage Loans to Individuals	30.27%	29.04%	50.30%	48.49%	45.41%	47.57%
Consumer Loans	69.73%	70.96%	49.70%	51.51%	54.59%	52.43%

Currency structure of Retail exposures

FX	CCB		Group 2		Banking System	
	2007	2008	2007	2008	2007	2008
Residential Mortgage Loans to Individuals	30.77%	30.50%	55.53%	64.81%	36.97%	49.30%
Consumer Loans	2.62%	4.50%	12.48%	15.91%	6.43%	12.15%

Interest rates and provisions on Retail exposure

	CCB		Group 2		Banking System	
	2007	2008	2007	2008	2007	2008
Interest rates						
Residential Mortgage Loans to Individuals	7.77%	7.92%	7.30%	7.39%	6.73%	7.78%
Consumer Loans	9.97%	10.96%	8.73%	9.94%	9.20%	10.42%
Provisions						
Residential Mortgage Loans to Individuals	0.97%	0.14%	1.27%	1.87%	1.73%	1.83%
Consumer Loans	3.90%	2.69%	3.51%	3.80%	5.29%	5.26%

Source:BNB,CCB

Deposits:

Central Cooperative Bank relies mainly on corporations and individuals for attracting funds. Deposits from businesses and individuals comprise nearly 98% of all attracted funds. On this indicator CCB is ahead of the second group banks and the banking system. Individuals and firms deposits gain bigger share in source of funding for CCB in 2008 compared to 2007. Credit institutions financing is with a tiny share for Central Cooperative Bank, but with 27.2% for the banking system and 25.22% for the banks in the second group.

Currency structure of attracted funds of CCB differs significantly from that of the banking system and of the second group. The FX component of attracted funds stood at 42.7%, compared with 60.2% for the whole banking system and 64.7% for the banks in the second group. CCB is the only bank with such a high share of the BGN denominated attracted funds. CCB is financing its activities mainly through firms and households deposits and borrowed funds from credit institutions take a tiny share in its attracted funds portfolio, which is not the case for the banking system and for the peer group banks. Last two use international credit institutions (mostly their foreign mother banks) funds as a considerable source for financing their expansion, with 80.2% of these funds a denominated in EUR, which leads to the bigger FX component of attracted funds for the whole banking system and is the main reason behind Bulgaria's considerable foreign debt.

Although CCB is not owned by a foreign larger bank, thus being financed at lower interest rates, the gross cost of attracted funds for the Bank is extremely low and below the system and the banks of the second group. Gross interest rates on attracted funds for Central Cooperative Bank increased in 2008 vs. 2007, but at a slower pace than the banking system and second group banks. Despite the fact that credit institutions play little role for CCB as a source for financing, interest rates on attracted by credit institutions funds are very low, below the average.

Attracted funds portfolio structure

	CCB		Group 2		Banking System	
	2007	2008	2007	2008	2007	2008
Attracted Funds (Gross) '000 EUR	689 565	726 742	10 383 381	11 701 070	26 687 589	31 129 433
Credit Institutions	1.07%	1.92%	19.63%	25.22%	22.04%	27.20%
Institutions other than Credit Institutions	47.98%	42.45%	43.79%	37.52%	38.61%	32.66%
Individuals and Households	50.95%	55.63%	34.00%	34.49%	36.38%	36.41%
Subordinated Debt	0.00%	0.00%	1.47%	1.70%	2.18%	2.85%
Debt/Equity (Hybrid) Instruments	0.00%	0.00%	1.11%	1.06%	0.80%	0.87%

Currency structure of attracted funds

FX	CCB		Group 2		Banking System	
	2007	2008	2007	2008	2007	2008
Attracted Funds (Gross)	39.63%	42.67%	61.68%	64.71%	58.75%	60.17%
Credit Institutions	2.42%	9.99%	91.84%	92.02%	82.89%	80.27%
Institutions other than Credit Institutions	23.92%	27.71%	44.99%	44.20%	42.88%	42.68%
Individuals and Households	55.21%	55.22%	63.15%	64.35%	57.91%	57.02%
Subordinated Debt	n.a.	n.a.	93.31%	97.27%	95.94%	97.79%
Debt/Equity (Hybrid) Instruments	n.a.	n.a.	100.00%	100.00%	97.25%	97.72%

Gross interest rates on attracted funds

	CCB		Group 2		Banking System	
	2007	2008	2007	2008	2007	2008
Attracted Funds (Gross)	2.53%	3.00%	2.74%	3.76%	2.32%	3.36%
Credit Institutions	8.57%	1.59%	2.67%	4.17%	2.63%	4.02%
Institutions other than Credit Institutions	1.66%	2.00%	2.27%	3.04%	1.97%	2.84%
Individuals and Households	3.17%	3.82%	3.11%	3.95%	2.41%	3.08%
Subordinated Debt	n.a.	n.a.	4.69%	6.28%	2.18%	5.05%
Debt/Equity (Hybrid) Instruments	n.a.	n.a.	8.73%	9.50%	7.24%	8.20%

Source:BNB,CCB

Marker share by deposits (firms and households only)

Rank	Bank	2 007	2 008	Change
1	UniCredit Bulbank	16,30%	14,43%	-1,87%
2	DSK Bank	12,99%	12,86%	-0,13%
3	Raiffeisenbank (Bulgaria)	9,36%	10,65%	1,30%
4	United Bulgarian Bank	8,81%	9,61%	0,80%
5	Eurobank EFG Bulgaria	8,59%	9,18%	0,59%
6	First Investment Bank	8,39%	7,62%	-0,77%
7	Corporate Commercial Bank	4,09%	4,48%	0,40%

Source:BNB

Excess return valuation:

Using the excess return method, we value Central Cooperative Bank at 303.3 mln.EUR (3.65 EUR per share).

Thanks to its conservatives in credit activity and thanks to the fact, that the Bank is part of a bigger group with subsidiaries specialized in dealing with bad loans and receivable securitizations, we don't expect severe profitability deterioration.

Bad loans and write-downs increases are anticipated, but they will be lower than the average rates for the system.

We consider our assumptions on the model to be fair and even modest, in terms of lower return on equity ratios and higher costs of capital.

Excess return valuation									
'000 EUR	Date	Net income	Equity	ROE*beg equity	ROaE	k	k*BVbeg	AE	PV(AE)
	31.12.2008	11 066	116 828						
	31.12.2009	11 475	128 304	9.82%	9.36%	12.31%	14 377	-2 902	-2 693
	31.12.2010	15 396	143 700	12.00%	11.32%	12.31%	15 790	-393	-325
	31.12.2011	22 992	166 692	16.00%	14.81%	12.31%	17 684	5 308	3 905
	31.12.2012	26 671	193 363	16.00%	14.81%	12.31%	20 514	6 157	4 032
	31.12.2013	34 805	228 168	18.00%	16.51%	12.31%	23 796	11 009	6 420
	31.12.2014	41 070	269 238	18.00%	16.51%	12.31%	28 079	12 991	6 746
	31.12.2015	53 848	323 086	20.00%	18.18%	12.31%	33 134	20 714	9 577
	31.12.2016	64 617	387 703	20.00%	18.18%	12.31%	39 760	24 857	10 230
	31.12.2017	85 295	472 998	22.00%	19.82%	12.31%	47 713	37 582	13 773
	31.12.2018	85 140	558 137	18.00%	16.51%	12.31%	58 209	26 930	8 788
	31.12.2019	100 465	658 602	18.00%	16.51%	12.31%	68 687	31 778	9 233
Terminal value								401 859	116 798
k (cost of capital)		12.31%							
k (beyond forecast period)		11.00%							
Growth (beyond forecasts)		2.00%							
ROE*beg equity (beyond forecasts)		17.00%							
Beg equity		116 828							
Sum of PV(AE)		186 506							
Fair value		303 334							
Fair value per share 'EUR		3.65							

Following assumptions apply:

- Required rate of return for the forecasted period (2008-2018) using the CAPM is 12.31%. Government 5 yr bonds yield 4.45%, market premium we apply is 1.5 times the gov bonds return, and CCB's stock beta is 1.18;
- Required rate of return beyond forecasted period is lowered to 11%, because of the mature Bulgarian economy and banking sector expected;
- We expect the average net income growth rate beyond forecasts to be 2%;
- For the years 2009 and 2010 we expect lower profitability because of possible write-downs and assets depreciations;

The Price multiples valuation method gives the lower value of the Bank, compared with the Excess return method. Fair value of CCB using the multiples method is 1.31 EUR per share.

Price multiples valuation:

Price multiples valuation			
'EUR	P/BVPS	P/TangibleBVPS	P/EPS
Banking industry multiples	0.93X	1.08X	3.57X
CCB fair value per share based on each multiple	1.46	1.45	0.47
Multiple weight	30%	55%	15%
Fair value per share	1.31		

Source:BTB, Reuters.com

- Fair value of CCB using the average price multiples for the banking industry is 108.65 mln.EUR (1.31 EUR per share). We are using the average Price to book value, Price to tangible book value and Price to earning multiples for the banking industry. Weight of 0.3 is assigned to the average P/BVPS multiple, 0.55 to the P/TangibleBVPS and 0.15 to the P/E multiple. Market values of financial companies are changing very dynamically lately, which means investors perception of value and risk is changing swiftly.

Final fair value of Central Cooperative Bank is 2.246 EUR per share, which gives a 196.7% price growth potential. Current market price of CCB underestimates the Bank's real value and potential.

One of the reasons behind severe price devaluation of CCB's stocks is that a large minority shareholder liquidated almost its whole position in the Bank at market, which made Bank's shares tumble. The other reasons is the confidence in banks shares around the world was lost.

Fair Value of Central Cooperative Bank:

Fair Value		
CCB Fair Value per share		
'EUR	Value	Weight
Excess return method per share value	3.65	40%
Price Multiples method per share value	1.31	60%
Fair value per share	2.246	
Market price per share as of 9.05.2009	0.757	
Return potential	196.7%	

- Fair value of Central Cooperative Bank, computed as weighted average of the two valuation methods used, with 40% weight for the Excess return method and 60% for the Price multiples method, is 186.8 mln.EUR, respectively 2.246 EUR per share.

Conclusions:

- Central Cooperative Bank is mid-sized commercial banking institution, operating in a fast developing economy. Its low loans exposure and high cash and equity to assets ratios keep the Bank in a good shape for meeting the challenges of global and local economy deterioration. Bank's books remain cleaner of bad loans and write-downs, compared to the average level for the local market.
- CCB is not part of a larger international financial group and is not secured with cheap loans by credit institutions, but is not taking a part in the fight for deposits, thus operating with one of the lowest cost of funds. The Bank finances its credit activity mainly through deposits of firms and households and has one of the highest deposit to loans ratios in the industry.
- According to our valuation stocks of CCB are considerably undervalued and have great return potential. We assign a BUY recommendation to Central Cooperative Bank and believe that in long term triple digit return is possible.
- Higher administrative expenses lead to one of the highest Cost to income ratios in the market, but this is also an opportunity for the bank to increase its profitability or to neutralize negative effects of write-downs and bad loans effect through decreasing administrative expenses to a reasonable level.



Appendixes:

Balance sheet:

'000 EUR	2005	2006	2007	2008
Assets				
Cash and cash balances with central banks	53 975	62 694	124 780	155 016
Loans and advances to Credit institutions	55 827	100 957	197 136	20 273
Receivables on REPO loans	530	3 447	8 582	11 777
Financial assets held for trading	7 125	12 831	18 448	11 105
Loans and receivables (net)	196 271	277 289	335 423	500 969
Other assets	2 677	3 586	3 739	26 344
Available-for-sale financial assets	57 883	67 612	41 634	23 533
Held-to-maturity investments	19 624	26 352	43 183	51 946
Property and equipment and intangible assets	19 735	24 007	28 208	31 873
Investments in subsidiaries	-	-	-	17 834
Non-current assets classified as held for sale	-	-	-	171
Total Assets	413 647	578 776	801 133	8 509 993
Liabilities and Equity				
Liabilities				
Deposits of Commercial Banks	8 594	46	191	3 476
Credits of Commercial Banks	-	-	-	5 130
Liabilities under repurchase agreements of securities	7 417	-	7 162	7 927
Due to other customers	338 061	484 018	678 607	708 118
Other attracted funds	4 679	4 938	3 606	2 107
Other liabilities	2 547	2 539	3 509	7 271
Short-term debt	10 971	27 599	0	0
Total Liabilities	372 269	519 139	693 074	734 013
Equity				
Issued Share Capital	24 801	37 202	42 516	42 516
Share Premium	13 302	16 567	32 955	32 955
Retained Earnings	-	-	22 709	32 983
Revaluation Reserves	9	-275	-391	-2 688
Net income	3 266	6 142	10 274	11 066
Total Equity	41 378	59 637	108 059	116 828
Total Liabilities and Equity	413 647	578 776	801 133	840 615
Contingent liabilities	23 718	45 275	99 484	130 704

Source:CCB

Income statement:

'000 EUR	2005	2006	2007	2008
Interest Income	24 429	32 632	47 174	55 186
Interest Expenses	9 323	13 408	17 435	21 836
Net Interest Income	15 106	19 224	29 739	33 350
Net Fee and commissions income	8 159	10 063	10 085	11 537
Net income from securities investments	737	5 225	6 964	3 552
Net income from currency revaluation	1 000	897	1 192	1 749
Other operating income (net)	2 345	1 440	1 208	7 181
Total operating income	19 574	25 182	33 175	42 149
Provisions for impairment	4 022	5 136	4 670	3 525
EBT	3 750	6 532	11 342	11 740
Taxes	484	390	1 069	673
Net income	3 266	6 142	10 274	11 066
EPS	0.10	0.12	0.14	0.13

Source:CCB



Loans:

		Central Cooperative Bank				Banks Group 2				Bank system			
000'EUR		Amount	FX	Interest rates	Provisions	Amount	FX	Interest rates	Provisions	Amount	FX	Interest rates	Provisions
2008	Loans and Advances (Gross)	539 121	32.94%	9.53%	1.13%	10 432 003	63.13%	8.32%	1.65%	29 112 206	59.96%	8.01%	2.05%
	Central Governments	3 044	0.00%	2.92%	0.00%	39 622	7.69%	3.64%	0.01%	93 787	25.33%	4.60%	0.06%
	Credit Institutions	26 252	79.51%	20.21%	0.00%	1 295 652	66.32%	3.83%	0.00%	3 450 742	80.63%	3.39%	0.00%
	Non-credit Institutions	13 876	53.00%	2.71%	0.80%	111 540	51.24%	5.73%	0.11%	391 415	81.78%	3.76%	0.29%
	Corporates (corporate clients)	311 646	40.79%	8.67%	0.77%	6 808 524	70.55%	9.12%	1.61%	16 301 716	71.66%	8.48%	1.69%
	Retail Eexposures	184 303	12.05%	10.08%	1.95%	2 176 665	39.63%	8.70%	2.86%	8 874 545	29.82%	9.16%	3.63%
	Residential Mortgage Loans to Individuals	53 525	30.50%	7.92%	0.14%	1 055 524	64.81%	7.39%	1.87%	4 221 915	49.30%	7.78%	1.83%
	Consumer Loans	130 778	4.50%	10.96%	2.69%	1 121 141	15.91%	9.94%	3.80%	4 652 630	12.15%	10.42%	5.26%
2007	000'EUR	Amount	FX	Interest rates	Provisions	Amount	FX	Interest rates	Provisions	Amount	FX	Interest rates	Provisions
	Loans and Advances (Gross)	552 428	50.61%	7.62%	2.04%	9 009 454	62.96%	6.88%	1.75%	23 455 820	56.28%	6.77%	2.16%
	Central Governments	1 329	0.00%	0.19%	0.00%	26 874	3.22%	2.44%	0.07%	84 563	28.06%	3.61%	0.12%
	Credit Institutions	197 629	93.32%	3.01%	0.00%	1 949 431	81.61%	2.78%	0.00%	4 051 967	83.63%	3.10%	0.01%
	Non-credit Institutions	9 601	9.41%	2.55%	1.16%	91 751	40.92%	4.42%	1.63%	259 649	67.60%	3.73%	0.75%
	Corporates (corporate clients)	214 597	37.20%	10.82%	3.40%	5 316 555	65.62%	8.10%	2.21%	12 426 981	66.52%	7.36%	2.11%
	Retail Eexposures	129 273	11.14%	9.81%	3.00%	1 624 843	34.13%	8.01%	2.38%	6 632 659	20.30%	8.08%	3.67%
	Residential Mortgage Loans to Individuals	39 125	30.77%	7.77%	0.97%	817 257	55.53%	7.30%	1.27%	3 011 582	36.97%	6.73%	1.73%
Consumer Loans	90 148	2.62%	10.69%	3.89%	807 587	12.48%	8.73%	3.51%	3 621 077	6.43%	9.20%	5.29%	

Source:BNB,CCB

Deposits:

		Central Cooperative Bank			Banks Group 2			Bank system		
000'EUR		Amount	FX	Interest rates	Amount	FX	Interest rates	Amount	FX	Interest rates
2008	Attracted Funds	726 742	42.67%	3.00%	11 701 070	64.71%	3.76%	31 129 433	60.17%	3.36%
	Credit Institutions	13 960	9.99%	1.59%	2 951 489	92.02%	4.17%	8 467 912	80.27%	4.02%
	Deposits	3 476	40.11%	1.09%	1 923 772	91.38%	3.90%	5 781 559	74.15%	3.75%
	Repo Transactions	5 370	0.00%	3.40%	30 338	50.61%	8.24%	192 540	89.70%	6.05%
	Short-term Funding	0	0.00%	0.00%	312 077	100.00%	7.52%	537 619	96.76%	6.68%
	Long-term Funding	5 114	0.00%	0.03%	685 302	92.03%	3.24%	1 956 194	92.88%	3.88%
	Institutions other than Credit Institutions	308 514	27.71%	2.00%	4 390 516	44.20%	3.04%	10 168 280	42.68%	2.84%
	Deposits	303 850	28.13%	2.02%	4 273 764	43.49%	2.98%	10 005 038	42.37%	2.81%
	Repo Transactions	0	0.00%	0.00%	2 613	8.55%	0.31%	25 477	14.85%	2.00%
	Short-term Funding	0	0.00%	0.00%	37 965	99.32%	6.79%	37 965	99.32%	6.79%
	Long-term Funding	2 107	0.00%	2.84%	76 174	57.80%	4.69%	99 800	58.64%	4.45%
	Individuals and Households	404 268	55.22%	3.82%	4 036 003	64.35%	3.95%	11 334 089	57.02%	3.08%
	Subordinated Debt	0	0.00%	0.00%	199 284	97.27%	6.28%	886 870	97.79%	5.05%
	Debt/Equity (Hybrid) Instruments	0	0.00%	0.00%	123 780	100.00%	9.50%	272 280	97.72%	8.20%
2007	000'EUR	Amount	FX	Interest rates	Amount	FX	Interest rates	Amount	FX	Interest rates
	Attracted Funds	689 565	39.62%	2.53%	10 383 381	61.68%	2.74%	26 687 589	58.75%	2.32%
	Credit Institutions	7 360	2.42%	8.57%	2 038 188	91.84%	2.67%	5 881 220	82.89%	2.63%
	Deposits	191	89.54%	1.34%	1 481 406	92.51%	2.17%	4 046 886	82.89%	1.94%
	Repo Transactions	7 162	0.00%	0.64%	28 621	14.19%	5.02%	159 968	28.80%	3.88%
	Short-term Funding	0	0.00%	0.00%	258 421	100.00%	3.21%	258 451	100.00%	5.66%
	Long-term Funding	8	100.00%	0.00%	269 740	88.59%	4.63%	1 415 913	85.86%	3.93%
	Institutions other than Credit Institutions	330 817	23.89%	1.67%	4 547 101	44.99%	2.27%	10 303 132	42.88%	1.97%
	Deposits	327 218	24.15%	1.66%	4 411 211	44.25%	2.19%	10 147 229	42.55%	1.93%
	Repo Transactions	0	0.00%	0.00%	0	0.00%	0.00%	6 161	83.10%	0.42%
	Short-term Funding	0	0.00%	0.00%	12 524	98.69%	9.09%	12 524	98.69%	9.09%
	Long-term Funding	3 598	0.00%	2.43%	123 367	66.07%	4.53%	137 218	60.13%	4.30%
	Individuals and Households	351 388	55.21%	3.17%	3 530 022	63.15%	3.11%	9 707 639	57.91%	2.41%
	Subordinated Debt	0	0.00%	0.00%	153 002	93.31%	4.69%	582 714	95.94%	2.18%
Debt/Equity (Hybrid) Instruments	0	0.00%	0.00%	115 069	100.00%	8.73%	212 884	97.25%	7.24%	

Source:BNB,CCB

Conflict of interests:

Authors of this analytic material, employees and customers of the investment intermediary "Bull Trend Brokerage" Ltd may hold open positions referring to the financial instruments being discussed.

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