

|   |  |
|---|--|
|  | <p style="text-align: right;">95, Evlogi Georgiev blvd.<br/>1142 Sofia<br/>phone: (+359 2) 9876363<br/>www.bcra-bg.com</p> |
|---|--|

|   |  |
|---|--|
| <p style="text-align: center;"><b>„Investbank” AD</b></p> | <p>Elena Touyova, lead financial analyst<br/>elena.touyova@bcra-bg.com</p> |
|   | <p>Delyan Pehlivanov, financial analyst<br/>d.pehlivanov@bcra-bg.com</p>   |
|   | <p>Denitsa Nikolaeva, financial analyst<br/>d.nikolaeva@bcra-bg.com</p>    |

| FINANCIAL STRENGTH RATING | Initial Rating | Update     |
|---------------------------|----------------|------------|
|                           | 04/2009        | 03.05.2010 |
| Long-term rating :        | BBB-           | BBB-       |
| Outlook :                 | stable         | stable     |
| Short-term rating :       | A-3            | A-3        |

*Bulgarian Credit Rating Agency is the only Bulgarian agency which under verdict on Court File 25/04.06.2008 is included in the list of the Financial Supervision Committee as its ratings are acknowledged equally with the ratings of the international agencies **Moody's, Standard & Poor's and Fitch**. In 2006 BCRA adapted the bank financial strength methodology of ICRA (An Associate of Moody's Investors Service). The rating scale of BCRA coincides with that of **Standard & Poor's**.*

**Bulgarian Credit Rating Agency retains the long-term of financial strength of „Investbank” AD BBB- (outlook: stable) and short-term rating A-3. The officially methodology which BCRA adopted for assignment of a bank financial strength rating is used ([http://www.bcra-bg.com/files/file\\_66.pdf](http://www.bcra-bg.com/files/file_66.pdf)).**

In order to elaborate the report and to assign the rating, information is used from the assessed bank, BNB, NSI, database of BCRA, consultants and other sources of public information.

In 2009 the Bulgarian banks operated in a highly unfavorable and deteriorating environment. Main determining factors for the bank are: deteriorated international and domestic economic situation; deterioration of the economic status of consumers, which reflected on the decrease of the borrowings and decrease of the growth rates of financing, as well as in relation with the corporate loans, as well as with these for individuals; an increase of non-performing loans and reduced profitability of the bank activity; a difficult access of the Bulgarian banks to financial funds from the international markets.

In 2009 the major owner of INVESTBANK AD – „Festa Holding Холдинг” AD – has increased the shareholding capital of the bank by 10 millions leva. During the analyzed period the Managing Board has dismissed Plamen Milkov and elected Atanas Kantchev. Diana Mladenova is elected for a chairman of the Managing board. In 2009 the bank elaborated and adopted a new 3-year strategy, pursuant to the

change of the market conditions in the state. With view of the reduced volume of work during the analyzed period the corresponding changes were made in the network with the aim to optimize the expenses.

As of the end of 2009 the shareholding capital of „Investbank” amounted to BGN 80 millions. During the period under review the tier 2 capital increased by BGN 3 200 thousand borrowed under the form and with conditions of a subordinated debt for a term of 7 years. Total Capital Adequacy registered an increase in 2009, but remained lower than the average for the banks in the second group of the banking system, as well as for the bank system as a whole. The adjusted and non-adjusted levels of leverage decreased during the period under review, but remained close to the average for the competitive group of banks. During the period under review return on equity decreased to 7.55%, though it remained higher than the average for the competitive group of banks – 6.71%.

During the period under review the resource basis decreased by 10.38%. At the end of 2009 the share of the deposits decreased to 82.4% at the expense of the share of borrowings, which also registered a growth of the absolute value. During the period under review the uptrend of the share of term deposits (73% as of 31.12.2009) was maintained, which is a good factor for the stability of the deposit basis from the viewpoint of liquidity management. The borrowings increased by 18.5%, mainly in line of bank deposits.

Due to the deteriorated economic situation during the period under review the growth rate of the size of the credit portfolio decreased to 4.8%. In 2009 the share of the loans in the sum of the assets increased to 70.32%. The credit portfolio of the bank continued being characterized with a comparatively good diversification. The share of the classified exposures increased highly and occupied a value, which exceeded significantly the average for the second group of bank system. The share of gross amount of the classified loans in total gross amount of the loans in

2009 continued increasing; at the end of the year it reached to 27.91% (compared to 6.9% in 2008).

In 2009 Gross Interest Spread remained at the same level as last year's, and Net Interest Margin increased, reaching to 3.85%. During the update period the bank realized a lower financial result compared to past year (mainly in line of higher allocated provisions), which determined a decline with the return of the middle assets.

The current assets decreased in the period under review, which was a reason for a decline of the values of the indicator current assets /total liabilities to 12.19%. Liquidity Ratio also continued a downturn trend, reaching to 15.27% as of 31.12.2009 (19.21% as of 31.12.2008), as its value is sensitively lower for the bank system as a whole, as well as for the second group of banks.

In 2009 the assets of the rated bank decreased by 8.8% compared; a decline on average for the competitive group of 1.9%. Despite all it continued occupying the third position among the banks in the excerpt with a similar amount of the assets and 9<sup>th</sup> position in the second group of the bank system.

During the period under review the process of adaptation and introduction of the management system for market and operating risk, as well as of the information system of the bank management. The activity related to allocation of the clients` basis in a separate system with the aim to target the group of clients continued.

***The management of the classified loans, to the greatest extent of the loans, classified as „Loss”, is a main factor, which could influence on the financial strength rating of Investbank AD.***

*Key Financials:*

| <b>(BGN thousand)</b>                          | <b>2009</b> | <b>2008</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Balance Sum                                    | 1 019 195   | 1 118 541   | 1 085 721   | 530 693     | 320 285     |
| Loans and advanced payments to clients (gross) | 716 650     | 683 662     | 484 529     | 190 807     | 169 541     |
| Shareholding capital                           | 80 000      | 70 000      | 70 000      | 32 323      | 20 000      |
| Total Interest Income                          | 87 586      | 77 434      | 50 525      | 21 985      | 14 148      |
| Profit After Taxes                             | 7 742       | 11 249      | 10 576      | 1 731       | 923         |
| Total Capital Adequacy                         | 15.55%      | 12.77%      | 12.98%      | 14.18%      | 12.85%      |
| Net Interest Margin                            | 3.85%       | 3.67%       | 3.34%       | 2.18%       | 2.92%       |
| Net Financial Result / Average assets (%)      | 0.72%       | 1.02%       | 1.31%       | 0.41%       | 0.39%       |
| Gross Classified Exposures/Total loans         | 27.91%      | 6.89%       | 5.55%       | 5.84%       | 2.83%       |
| Gross Factor on Generation of Defaults         | -           | 4.30%       | 8.77%       | 3.85%       | 2.04%       |
| Net Factor on Generation of Defaults           | 24.01%      | 4.38%       | 8.76%       | 3.85%       | 1.86%       |
| Liquidity Ratio                                | 15.27%      | 19.21%      | 49.94%      | 51.11%      | 36.07%      |