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BANK FINANCIAL STRENGTH RATING	Initial Rating 4.2009	Monitoring 18.11.2009	Update 03.5.2010	Monitoring 07.12.2010	Update 25.5.2011
Long-term rating :	BBB-	BBB-	BBB-	BBB-	BB
Outlook :	<i>stable</i>	<i>negative</i>	<i>stable</i>	<i>negative</i>	<i>negative</i>
Short-term rating :	A-3	A-3	A-3	A-3	B

Bulgarian Credit Rating Agency (BCRA) is the third qualified rating agency in EU, registered under Regulation 1060/2009 of the European Parliament and of the European Council. The credit ratings, assigned by BCRA, are recognized in the whole EU and are entirely equal with the other ratings, recognized by European Securities and Markets Authority (ESMA), without any territorial or other restrictions. The rating scale of BCRA coincides with the scale of Standard & Poor's.

BCRA changes the long-term financial strength rating of „Investbank” AD to BB and short-term to B; the outlook is retained “negative”. The officially adopted methodology by BCRA for assignment of bank financial strength rating is used (http://www.bcra-bg.com/files/file_66.pdf).

In elaborating the report and assigning the rating, BCRA uses information, provided by the rated bank, BNB, NSI, BCRA'S database, consultants and other sources of public information.

During 2010 and the first quarter of 2011 Bulgarian banks operated in an environment which was slowly recovering. The main factors, defining the functional environment of banks during the update period are as follows: improved values of the main macroeconomic indicators, combined with a low investment activity; growth of people's savings, leading to a growth in the amount of the borrowed funds in banks, despite the decline in interest rates on deposits; financing the bank activity mainly through raising resources from the domestic market; reduce the growth rates in crediting; slowing the growth rate of non-performing credits; slight growth in the amount of assets, accompanied by a decline in the banks profit.

During the period under review shareholding capital of the bank is increased by BGN 9 600 thousand (in line of conversion of subordinated debt) and reached to BGN 89 600 thousand. The capital growth leads to unessential changes in the shareholding structure. There are frequent changes in the team of the high bank management. During the

period under review the bank has implemented and adopted a new three-year strategy pursuant to the change of the market conditions in the state.

In 2010 the company has concluded two new contracts for receipt of additional capital reserves; the subordinated debt amounted to BGN 12 713 thousand as of March 2011. At the end of 2010 the capital base decreased by 12.4% on yearly basis, in line of specific provisions of credit risk, calculated in accordance with the decrees of Ordinance No 9. Total Capital Adequacy is decreased during the analyzed period and remained lower compared to the average for the second tier banks of the bank system as a whole. Corrected and non-corrected levels of leverage increased, however, they remained similar to the average for the reference group of banks. As of the end of 2010 Return of own capital decreased to 1.69%; this value is lower compared to the average for the banks group having similar amount of assets (2.88%).

As of the end of 2010 the resource base of the bank registered an increase of 18.85% on yearly basis; the growth is entirely in line of physical persons' deposits and non-financial institutions. The share of the deposits brought down in the total deposits of physical persons and corporate deposits increased to 74.5% as of December 2010, whereas it decreased slightly as of March 2011 reaching the same levels as these at the end of 2009.

During the period under review the share of credits in the structure of assets reduced (from 68.43% as of 12.2009 to 56.08% as of 3.2011), whereas the share of the investments, cash resources and cash balances of BNB increased. The credit portfolio of the bank continues being characterized with comparatively fair diversification. In 2010 Classified exposures increased by 36.1%; their amount was kept the same as of the end of the first quarter of 2011. Their share in the total gross sum of the loans increased and it is considerably higher compared to the average for the bank sector which we estimate as a negative factor from rating point of view. Credits, classified as loss, registered the

biggest growth. During the period under review the big exposures in accordance with Ordinance 7 of BNB increased; as of 12.2010 the growth is 132% on yearly basis.

During the analyzed period Gross Interest Spread declined. Net Interest Margin kept the same trend and decreased to 2.44% as of 3.2011. Values of the both indicators are lower compared to the average for the second tier banks which is regarded as a negative factor from rating point of view. In 2010 the bank realized lower financial result compared to the past year which determine a decline in Return on Assets. As of March 2011 the bank realized Negative Financial Result.

During the period under review the amount of current assets registered nearly a double growth compared to the end of 2009. This is a reason for the values growth of the indicator Current assets/Total liabilities to 22.34%. Liquidity Ratio also reported a

considerable increase; its value is under the average for the second tier banks.

As of the end of 2010 the assets of the rated bank were increased by 17.9% compared to the end of the past year in a growth of 6.3% average for the reference group. During 2010 and the first quarter of 2011 „Investbank” AD occupied the tenth position in the second tier banks of the bank system by amount of assets (it occupied the ninth position in 2009). During the period under review the new services: „Sms-notification of debts on credit cards“ and "Formation of a notification letter for credit card of clients" are in operation. In the beginning of 2011 a new version of Internet banking of Investbank AD with expanded functions was put in action.

The main factor which shall influence on the bank financial strength rating of Investbank AD is the Classified credits management, to a great extend of the Credits, classified as Loss.

Main Financial Indicators:

(BGN thousand)	3.2011	2010	2009	2008
Balance Sum	1 243 361	1 202 374	1 019 195	1 118 541
Credits and advance payments to clients (Gross)	719 740	721 079	716 650	683 662
Shareholding capital	89 600	89 600	80 000	70 000
Net Interest Income	4 714	28 269	35 862	33 838
Profit after Taxation	- 1 944	1 744	7 742	11 249
Net Interest Margin	2.44%	2.94%	3.70%	3.73%
Return on assets	0.32%	0.16%	0.70%	1.03%
Gross Factor of Generation of defaults	-	-	-	4.30%
Net Factor of Generation of defaults	-0.3%	14.0%	24.01%	4.38%