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FINANCIAL STRENGTH RATING	Update* 12.10.2015				
Long-term credit rating:	B-				
Outlook:	stable				
Short-term credit rating:	C				
National-scale long-term rating:	B (BG)				
Outlook:	stable				
National-scale short-term rating:	C (BG)				

* To see the full rating history, please, see the table at the end of the document

BCRA – Credit Rating Agency (BCRA) is the third qualified rating agency in the EU, registered under the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council. The credit ratings, assigned by BCRA, are recognized throughout the EU and are entirely equal with the other ratings, recognized by European Securities and Markets Authority (ESMA), without any territorial or other limitations.

„BCRA – Credit Rating Agency” AD (BCRA) assigns the following ratings to „Investbank” AD:

- **Long-term credit rating B-, outlook „stable”, short-term credit rating C;**
- **National-scale long-term rating B (BG), outlook „stable”, national-scale short-term rating C (BG).**

BCRA’s officially adopted Bank Financial Strength Rating Methodology has been applied (http://www.bcra-bg.com/files/file_377.pdf).

The report has been prepared and the rating – assigned, based on information, made available by the rated bank, the Bulgarian National Bank, the National Statistical Institute, BCRA’s database, consultants and other sources of public information.

The political situation at the time of preparation of the report could be defined with momentary stability.

During the first quarter of 2015, the country reported a considerably high real growth rate – 3.1% compared to the same quarter of the previous year, and during the follow-up quarter it retarded to 2.4%, but remained

over the reported for the same (second) quarter of the previous year.

During the first half of 2015, the investments in the country maintained levels that were similar with the reported during the same period of the previous year, despite the decline observed in the investment flows during the second half of 2014 (in comparison with the reported values for 2013).

A slight improvement in the conditions of labour market was observed, as the unemployment rates decreased, even though the levels remained high.

The price level in the country reported drops during the months since the beginning of 2014 that brought to strengthening deflationary processes. After February 2015, the deflation rates reported a drop.

By the end of 2015, the country is projected to be in a situation of low deflation – within 0.5%, measured through Harmonized Indices of Consumer Prices (HICP). The increase in electricity prices for business sector also will contribute to the increase of the price level.

As a result of the political and economic instability of the country, observed during 2014, as of the end of the year a considerable increase in the budgetary deficit was reported, as well an increase in the leverage level of Bulgaria. The increase of the debt also continued in 2015, whereas the budget reported improvements.

The economy of Bulgaria was characterized with a low economic activity in 2014 and recovery for the first half of 2015, that was expected to retain during the rest of the year but with lower rates.

BCRA - CREDIT RATING AGENCY

For the period of updating, the banking system of the country was characterized by the following features:

- Overcoming the consequences of the crisis and closure of Corporate Commercial Bank AD;
- Maintaining sustainable growth in the amount of deposits;
- A considerable decline in credit growth¹;
- Permanent uptrend of net interest margin;
- Interruption in the uptrend of classified loans;
- A decline in assets² in 2014 and 2015, interruption in the downtrend of the banks profit.

During the period of updating, the process of implementation in Bulgarian legislature to regulatory requirements EU in the field of banking.

During the analyzed period there were no changes in the shareholding structure of “Investbank“ AD.

During the period of updating, the Supervisory Board of „Investbank“ AD did not change, and Mrs. Zdravka Rumenova Ruseva was elected as a member of the Management Board with Minutes №15/17.04.2015. As of 30.06.2015 the Management Board of the bank includes:

- Plamen Milkov – Chairman of the Management Board and Executive Director;
- Lyubomir Karimanski – Executive director and Deputy Chairman of the Management Board;
- Radka Nikodimova – Executive Director and member of the Management Board;
- Zdravka Ruseva – member of the Management Board.

The mission of „Investbank“ AD is to strengthen its position as a universal, modern and innovative institution developing long-standing partnership relations with customers, providing high quality services and satisfying customers' needs.

Some of the main objectives of the bank are as follows:

- Development of newly opened points of sale in 2014;
- Balanced management of assets and liabilities;

- Increase in net interest income and going closer to average standards for the banking system;
- Further improvement of the quality of the credit portfolio;
- Perform technological updates in the banking software and systems.

The comparison of the reported data as of the end of 2013 on the abolished Ordinance 8 of BNB with those as of the end of 2014 on Capital Requirements Directive IV (CRD IV)³, show an increase of the capital base with 83.7% and of the Tier I Capital with 66.5%. The total capital adequacy of the bank as of the end of 2014 was higher than the average for the banking system and below the average for the banks from the second group. At the end of the first half of 2015, the level of the total capital adequacy of the bank was lower than the average for the sector and of this of the banks from the second group.

During 2014 for a second consecutive year there was an increase reported in the value of the non-adjusted leverage and it reached 10.44 (9.42 at the end of 2013). The adjusted leverage reported a decrease as its value at the end of 2014 amounted to 13.28 (18.30 a year earlier). The dynamics of the non-adjusted leverage was a result of the faster growth rate of the assets compared to this of the equity, and of the adjusted leverage – a result of the decrease of fixed assets. During the first half year of 2015, there was not a considerable change in the leverage levels.

The increase of the capital base in 2014 brought to a considerable contraction of the ratio Net Classified Exposures / Capital Base, as the contraction of net classified loans also contributed. Despite the reported decline, the level of the indicator remained higher compared to the average for the banking system. During the first six months of 2015, the indicator increased.

The return on equity of the bank increased in 2014, mainly in line of the growth of the generated net profit, but in a comparative aspect, the reported value was much lower than those of the sector and the banks from the second group. During the first half year of 2015, an additional improvement was realized in the

¹ Excluding CCB data from the reports of the banking system affects the dynamics of the loans of the banking system.

² Excluding CCB data from the reports of the banking system affects the dynamics of the banking system assets.

³ According to the changes in legislation in 2014, the deduction of specific provisions as a discount of the capital base was discontinued

 <p>BCRA CREDIT RATING AGENCY</p>	<p>FINANCIAL STRENGTH RATING CB „Investbank” AD Credit Rating: B- / C <i>Outlook: Stable</i> National rating: B (BG) / C (BG) <i>Outlook: Stable</i> 12.10.2015</p>
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value of the indicator, but in a comparative aspect, the indicator still had an unfavourable position.

During 2014, the resource base of „Investbank“ for a consecutive year increased considerably - by 16.5%, /in 2013 the growth was 24.7% compared to 2012/, compared to a decline of 0.5% for the banking system. This dynamics was determined by the deposit base. At the end of 2015, the resource base remained at almost the same level at the end of 2014. At the same time, the banking system registered a decline of the borrowings of 3.4% compared to the end of 2014.

The currency structure maintained the uptrend of the share of deposits in BGN.

At the end of 2014 and June 2015, the share of the term deposits in funds attracted from companies, individuals and households continued to decrease.

The bank continued to maintain low size open currency positions different than euro that are not assessed as a source of a considerable risk.

During 2014, the amount of the assets of the bank increased by 14.1%, while those of the banking system reported a decline of 0.7%. The increase was mainly in line of the increase of the net credit portfolio and cash in hand and on a current account in BNB, and, to a smaller scale, was due to the reported growth of the investment portfolio. The indicated changes did not lead to considerable changes in the structure of the assets. During the first six months of 2015, the amount of the assets decreased by 1.54%, as the decrease was mainly in line of the decrease of cash in hand and on a current account in BNB and receivables from credit institutions. Despite the reported decrease in the amount of assets, the net loans continued to increase during the period. In a comparative aspect, the decrease of the assets was similar with that of the banking system, whose assets for the given period decreased by 1.47%.

The analyzed period was characterized with an increase of the investment portfolio, as the increase was mainly in line of debt instruments.

After the registered decline of the gross loans in 2012 and 2013 (0.4% and 1.1%), „Investbank“ reported a considerable growth of 20.3% in 2014. For this period, the gross loans in the banking system reported a decline of 5.0%. In structural terms, the gross portfolio of the bank was dominated by loans to companies. The net loan portfolio followed the trend of the gross one reporting a growth of 19.4% in 2014 and 14.6%

during the first half year of 2015. In the balance sheet of the Bank the amount of 100 955 thousand leva was also included on position “loans and advance payments to clients” (in 2013: 20 499 thousand leva), that was deferred receivables in structured transactions. In case of a failure to execute the negotiated payments on these transactions, the bank may take measures for the realization of collateral.

The analysis of the structure on remaining size showed that the exposures in the amount of more than 10 billion were dominant, followed by those between 200 thousand leva and 500 thousand leva.

The trend maintained the same - the prevailing loans in the maturity structure were the loans with a residual term less than 1 year, followed by those from 1 to 5 years, and on the last position were the loans with a term exceeding 5 years.

During 2014, „Invstbank“ reported a decline of 4.0% in the amount of the classified exposures year on year, that led to a decline in their share by 12.9 p.p.(from 38.7% as of the end of 2013 reached 25.8% at the end of 2014). During the first half year of 2015, a growth was reported of 9.5% in the amount of non-performing exposures compared to the end of 2014, but due to the faster growth of gross credit portfolio, the share of the non-performing exposures decreased by 1.0 p.p. and reached 24.8%.

The net ratio for generating overdue continued to have a negative value during 2014, but as an absolute value the indicator decreased and it is close to 0. At the end of the first half year of 2015, the value of the indicator was positive.

The gross ratio generating arrears decreased in 2014 and during the first six months of 2015.

At the end of 2014 and March 2015, in a comparative aspect the coverage from depreciation of gross credit portfolio and gross classified loans was considerably lower than this of the banking system and banks from the second group, and the share of the non-performing loans in total credit portfolio exceeded the average values for the banking system and banks from the second group.

During 2014, „Investbank“ generated by 13.0% (7 722 thousand leva) higher interest incomes compared to the previous year, and during the first half year of 2015 by 3.7% (1 177 thousand leva) higher compared to the same period of 2014.

As a result of the faster increase of income earning assets compared to this of the interest earning income in 2014 and during the first half year of 2015, the decrease in return of interest bearing assets of the bank continued. The level of the indicator for „Investbank“ continued to be lower than the average for the sector, as well the banks from the second group.

The cost of the interest liabilities of the rated bank decreased by 0.49 p.p. in 2014, and during the first half year of 2015 with more 0.46 p.p. Despite the decrease, the levels of the indicator remained higher in a comparative aspect compared to those of the banking system and the banks from second group.

The dynamics of gross interest spread in 2014 and the first six months of 2015 was favourable, but in a comparative aspect the level of the indicator continued to be considerably lower than that of the banking system and the banks from the second group.

The situation with net interest margin was similar. Despite the realized increase, the margin was at more unfavourable levels compared to those of the sector and the banks from the second group.

During 2014 and first six months of 2015, the trend of 2013 maintained (the bank to realize a positive net financial result), as in 2014 its level increased by 255.3% and reached 1 606 thousand leva (452 thousand leva as of the end of 2013).

The operating result of „Investbank“ AD reported negative levels for 2012 and 2013, as this trend remained in 2014, but the reported value was considerably lower compared to the previous periods. As of June 2015 an operating profit was reported.

The indicator Current assets /(total liabilities - equity) reported a decline during the first six months of 2015. The decline was in line of the faster decline in the amount of current assets compared to that of total liabilities, decreased through equity. The levels reported by the indicator were lower compared to the average for the banking system over the last 4 complete years.

The liquidity ratio reported a drop as of June 2015. The levels of the indicator were higher than the average for the banking system as of the end of the last three complete years, but it was lower at the end of June 2015.

The indicator Total loans / total deposits increased considerably but in a comparative aspect over the last 5 complete years the rated bank registered lower levels of the those in the banking system.

BNB has recommended the correlation of the liquid assets in the sense of Ordinance 11 to attracted funds from institutions, different than credit institutions, individuals, and households of at least 20%, as at the end of 2014 and June 2015 the bank considerably exceeded the requirement.

The position⁴ of „Investbank“ in the banking system by assets was characterized with an improvement: at the end of 2014, the bank moved from the 13th position to 12th position. The amount of credit portfolio also improved from the 15th to the 13th position. By deposits at the end of 2014, the bank occupied the 11th position, with a position higher compared to the end of 2013.

During 2014, strategic projects started and they are considered to be founding for the future development of the bank. They are connected with communication infrastructure, and main software and hardware.

⁴ The decreased number of banks in the banking sector of Bulgaria up to 22 due to taking out of Corporate Commercial Bank and MKB Unionbank of ranking as of 31.12.2014 should be taken into consideration.

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(thousand BGN)	6.2015	2014	2013	2012	2011	2010
Balance Sum	1 884 044	1 923 929	1 676 365	1 370 565	1 253 657	1 202 374
Equity	182 390	183 287	177 989	161 557	108 580	111 900
Net Financial Result	1 116	1 606	452	-725	-4 993	1 744
Return on Assets	0.10%	0.09%	0.03%	-0.06%	-0.40%	0.16%
Gross необслужвани Exposures / Total Loans	24.75%	25.79%	38.68%	42.34%	47.31%	37.74%
Liquidity Ratio	31.13%	35.17%	33.35%	32.10%	26.61%	25.35%

***Rating History:**

The ratings showed in the chart are assigned under the previous Methodology for assigning a financial strength rating to banks, and are not directly comparable with the ratings assigned after the entry into force of the current methodology as of September 2015.

„Investbank“ AD	Initial Rating 4.2009	Monitoring 18.11.2009	Update 03.5.2010	Monitoring 07.12.2010	Update 25.5.2011
FINANCIAL STRENGTH RATING					
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
FINANCIAL STRENGTH RATING	Monitoring 14.09.2011	Update 19.12.2012	Monitoring 10.05.2013	Update 18.12.2013	Update 13.10.2014
Long-term rating:	B+	B+	B-	C	B-
Outlook:	<i>negative</i>	<i>negative</i>	<i>negative</i>	<i>stable</i>	<i>stable</i>
Short-term rating:	C	C	C	C	C