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<p><b>BANK FINANCIAL STRENGTH RATING</b></p> <p>Long-term rating:</p>	<p>Initial Rating 4.2009 <b>BBB-</b></p>	<p>Monitoring 18.11.2009 <b>BBB-</b></p>	<p>Update 03.5.2010 <b>BBB-</b></p>	<p>Monitoring 07.12.2010 <b>BBB-</b></p>	<p>Update 25.5.2011 <b>BB</b></p>
<p>Outlook:</p>	<p><i>stable</i></p>	<p><i>negative</i></p>	<p><i>stable</i></p>	<p><i>negative</i></p>	<p><i>negative</i></p>
<p>Short-term rating:</p>	<p><b>A-3</b></p>	<p><b>A-3</b></p>	<p><b>A-3</b></p>	<p><b>A-3</b></p>	<p><b>B</b></p>
<p><b>BANK FINANCIAL STRENGTH RATING</b></p>	<p>Monitoring 14.09.2011</p>	<p>Update 19.12.2012</p>	<p>Monitoring 10.05.2013</p>		
<p>Long-term rating:</p>	<p><b>B+</b></p>	<p><b>B+</b></p>	<p><b>B-</b></p>		
<p>Outlook:</p>	<p><i>negative</i></p>	<p><i>negative</i></p>	<p><i>negative</i></p>		
<p>Short-term rating:</p>	<p><b>C</b></p>	<p><b>C</b></p>	<p><b>C</b></p>		

BCRA – 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” PLC from B+ to B- and short-term rating C, outlook: negative. The officially adopted methodology by BCRA for assignment of financial strength rating of banks is used ([http://www.bcra-bg.com/files/file\\_66.pdf](http://www.bcra-bg.com/files/file_66.pdf)).**

To elaborate the report and assign the rating, the information, provided by the rated bank, BNB, NSI, BCRA's database, consultants and other sources of public information is used.

**During the last period of 2013 significant deterioration has occurred in the political situation in Bulgaria. After a quick escalation of civil protests in February which led to the resignation of the government, the management was taken over by a caretaker government - with authorities limited to the current affairs of Bulgaria and the priority related to the preparation and holding of early elections. In the period of administration of this government reforms were not made meeting the demands of the protesters and restoring confidence in the political parties.**

**The preliminary data on the results of parliamentary elections on 12.05.2013 predict that it will be impossible for the newly elected parliament to form a stable government. In case a**

**government of experts is composed, its activity, regardless of political force or forces to support, is most likely (given the opposition of the two largest parliamentary parties) to be hindered to a great extent by a strong opposition. There is a danger the political crisis will deepen and civil unrest escalates. In such a situation new elections are not excluded - as early as this fall or in the spring of 2014, together with the European Parliament elections. In assessing the political stability of the country, the public prosecutor ongoing investigations into the key ministers who resigned office and the results which could have a further impact on the state of the political climate have to be taken into account.**

**Along with the deteriorating political situation in the country there are no significant positive changes in the economic environment. In 2012 Bulgaria's economy continued to be influenced by the negative effects of the changes occurred due to international financial and economic crises during the period 2009 to 2012. Although real GDP growth registered a slight improvement, there is a steady upward trend in unemployment plus a continuing decline in FDI and the deterioration of the business climate (by data of NSI). A adverse external influence is observed on the perspectives for economic recovery in Bulgaria - a decline in the EU economy, which is the main trading partner of Bulgaria and recession in the Eurozone.**

The main factors that determine the functional environment, in which the banks in Bulgaria operate as of the moment of preparation of the rating report, are:

- yet unstable recovery of the economy: since the end of 2010 a slight growth of Gross Domestic Product is observed by 0.4% a real annual change rate for 2010 and 1.7%<sup>1</sup> for 2011. For the nine months of 2012 there is a growth of GDP by 0.9%<sup>2</sup> year on year;
- a slight growth of direct foreign investments in Bulgaria, but still a low investment activity;
- provision of financial resource for financing the activity of the banks mainly through operations on the domestic market;
- growth in the size of borrowings, despite the decrease of the interest rate on deposits from the side of the banks;
- preservation of low rates in the growth of crediting;
- delay of the upturn of non-regular loans as of the end of 2011 and the third quarter of 2012.

In August 2012 the shareholding capital of „Investbank” PLC increased through issuing new 29 761 905 shares, which are entirely possessed by Adil Said Ahmed Al Shanfari. Thus he holds 24.93% of the shares of the bank. The bank continues following its strategy for expanding the volume of its activity. Measures are taken to optimize the expenses and the branch network.

At the end of 2011 total capital adequacy registered a growth of 1.3 pp compared to the data for the past year. The growth is determined mainly by the significant decrease of the capital base by 23.5%. The uptrend of the capital adequacy is retained in the nine-month period of 2012 but the value reported by the bank remains lower than the average for the bank system. The indicator Net size of the classified exposures / Capital base registered a decline as of the end of September 2012 in line of a decline in the classified loans, but despite the decline its value remains considerably higher than the average for the bank system. Due to the registered loss the return on equity took negative values.

In 2011 the resource basis of the bank registered an increase of 5.0% year on year, as the growth is entirely in line of the deposits of the individuals and non-financial institutions (a growth of 8.5%). This trend is retained also in the nine-month period of 2012, as in the total deposits the deposits of physical persons are leading. In the structure of the deposits by maturity the participation of the „watch” deposits increased as of September 2012, though the term deposits prevail.

During the period under review the size of the assets of „Investbank” PLC increased – as of December 2011 by 4.3% year on year, and for the nine-month period of 2012 by another 6.6%. The increase in their size is mainly in line of the

investments in government securities (a growth of 63.1% for the period since the end of 2010 to the third quarter of 2012. Their share in the investment portfolio as of 30.09.2012 reached 84.2%. During the update period the gross size of the credit portfolio of the bank did not register significant changes. In 2011 a slight growth was registered within 2.6% year on year, and during the nine-month period a decline was registered by 2.7% compared to the end of 2011. In 2011 the classified exposures increased by 28.7%, but during the nine-month period of 2012 they registered a decline of 11.1% compared to the end of 2011. Net Ratio for generating default registered an increase in 2011, but for the nine-month period of 2012 it is negative in line of the decline in classified loans. The allocated specific provisions and depreciations increased during the whole analyzed period which leads to an increase in the coverage ratios, but their values are lower than the average for the bank system. The Bank registered a high concentration by size of the loans.

In 2011 and during the nine-month period of 2012 the return on interest bearing assets of „Investbank” PLC continued decreasing, as of September it is lower than the average for the bank system, as well as than the average for the banks in the second group. The rate of the interest liabilities of the bank decreased but retained higher than the average for the second group of banks and the bank system as a whole. Gross Interest Spread and Net Interest Margin follow a downtrend. In 2011 „Investbank” PLC registered a negative net financial result which is a reason for the negative value of Ratio „Return on assets”. For the first nine months of 2012r the rated bank continues registering a loss, which increased by 51.4% compared to the registered loss for the same period of 2011.

As of the end of 2011 the indicator Current assets<sup>3</sup>/(total liabilities - equity) registered a decrease of 7.99 pp in line of the decline of 29.5% in the size of the current assets. During the nine-month period of 2012 the current assets increased significantly and it leads to a growth of the analyzed indicator by 4.89 pp. Liquidity Ratio registered uptrend during the analyzed period. As of September 2012 it reached 32.13% compared to 26.11% for the bank system as a whole.

During the analyzed period the assets of the rated bank registered uptrend - 4.3% year on year in 2011 (compared to 4.1% for the bank system as a whole) and another 6.6% during the first nine months of 2012 (compared to 4.0% for the bank system as a whole). Despite the increase of the assets in 2011 „Investbank” PLC went by one position down in the ranking of the banks by the size of assets and took the eleventh

<sup>1</sup> Data of NSI in advance in 2011

<sup>2</sup> Data of NSI in advance for the third quarter of 2012

<sup>3</sup> Cash and cash balances of central banks + receivables from financial institutions.

 <b>BCRA</b> CREDIT RATING AGENCY	<b>FINANCIAL STRENGTH RATING</b> <b>„Investbank” PLC</b> <b>B- (outlook: negative)</b> <b>May 2013</b>	
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position. During the nine-month period of 2012, however, the rated bank left behind „Procredit bank” by size of the assets and took the tenth position in the bank system again. In its strategy the Bank registered the necessity of security of the set growth in the activity of the adequate information systems.

*Main Financial Indicators:*

<b>(BGN thousand)</b>	<b>9.2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Balance Sum	1 336 811	1 253 657	1 202 374	1 019 195	1 118 541
Loans and advance payments to clients (gross)	720 222	740 025	721 079	716 650	683 662
Shareholding capital	119 362	89 600	89 600	80 000	70 000
Net Interest Income	10 723	18 818	28 269	35 862	33 838
Profit after Taxes	-10 364	-4 993	1 744	7 742	11 249
Return on assets	-0.67%	-0.40%	0.16%	0.70%	1.03%
Gross Ratio of generating default	11.3%	23.2%	19.7%	25.1%	4.30%
Net Ratio of generating default	-10.8%	17.4%	14.0%	24.0%	4.38%