



## **Fitch Upgrades First Investment Bank's Support Rating to '3'; Affirms LT IDR at 'BB-'**

Fitch Ratings-London-22 June 2009: Fitch Ratings has today upgraded Bulgaria-based First Investment Bank's (FIBank) Support rating from '5' to '3' and affirmed its other ratings at Long-term Issuer Default (LT IDR) 'BB-', Short-term IDR 'B', and Individual 'D'. As a result Fitch has also revised the Support Rating Floor to 'BB-' from 'No Floor'.

The upgrade of the Support rating recognizes the increasing likelihood, in Fitch's opinion, of Support being provided by the authorities if need be given FIBank's stature as the largest Bulgarian-owned bank and its systemic importance. Any downgrade of Bulgaria's LT foreign currency IDR ('BBB-/Negative Outlook) could result in a downgrade of FIBank's LT IDR. The Negative Outlook on FIBank's IDR reflects that on Bulgaria's LT FC IDR.

FIBank's liquidity remains under pressure given the bank's upcoming financing needs (including a EUR117m syndicated loan due in October 2009) and contractually short-term customer deposit base. Difficult market conditions have postponed EMTN issuance in 2008 and 2009, depriving FIBank of the long-term funding it needs to increase its balance sheet and which underpins profitability.

FIBank's performance deteriorated in 2008 and Q109 and given the conditions facing the Bulgarian banking sector a further deterioration is expected for the rest of 2009 given lower business volumes, tighter margins and higher loan impairment charges. Performance ratios lag those of its peers and, in the absence of loan growth, will likely decline further, dampening internal capital generation and in turn the bank's ability to grow.

Asset quality remains acceptable but this is expected to deteriorate as loans season and the economy slows. Borrower concentration is also a concern.

FIBank's capitalisation is moderate with Basel II capital adequacy ratio of 13% at end-Q109 (2008 profits were capitalized at end May 09), particularly given the large concentrations in the bank's exposures and potential asset quality deterioration.

Founded in 1993, FIBank was the sixth-largest bank in Bulgaria by total assets at end-Q109. It had market shares of 6.1% and 7.7% of banking sector assets and deposits, respectively. It is the largest remaining Bulgarian-owned bank. FIBank is listed on the Sofia Stock Exchange. It has a small subsidiary bank in Albania.

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