

To:  
Financial Supervision Commission  
Sofia

CC:  
Bulgarian Stock Exchange  
Sofia

*Re: Change of First Investment Bank's outlook by Fitch Ratings*

Dear Sirs,

We hereby would like to inform you that yesterday Fitch Ratings changed First Investment Bank's Outlook to Stable from Positive. The Bank's other ratings were affirmed at Long-term Issuer Default (IDR) 'BB-' (BB minus), Short-term IDR 'B', Individual 'D', Support '5' and Support Rating Floor 'No Floor'.

The press release published by Fitch Ratings states that the outlook change reflects Fitch's view of the currently more challenging operating environment for FIBank. The agency points out that the general increase in funding costs, both internationally and domestically, coupled with expected modest lending growth for 2008, might result in margin pressure, weaker operating profits and, ultimately, lower internal capital generation.

The Fitch release states that FIBank's ratings reflect the bank's good franchise, improvements in business diversification, acceptable capitalisation and risk management framework. Data on FIBank's Q108 net profit is quoted – it increased by almost 50% yoy, although this strong performance might be difficult to maintain throughout the year. The release refers to net interest revenue, the largest contributor to operating revenues, which was sound, and to net interest margin which was stable over 2007, mainly supported by higher interest rates charged on loans while lending volumes were broadly stable compared to end-2007.

Fitch Ratings emphasise that the Bank's asset quality is still healthy, with non-performing loans (i.e. overdue by more than 90 days) forming less than 2% of total loans and a coverage ratio that comfortably exceeds 100%. They stress the fact that since early 2008 the Bank has successfully managed to attract local currency customer deposits, thanks to competitive pricing. Funding from customers accounted for 66% of the bank's total funding at end-March 2008, while the remainder was primarily in the form of long-term funding from international markets.

The release recalls that in Q108 the Bank successfully repaid EUR200m of Eurobonds, adding that FIBank's capitalisation is at an acceptable level: its Tier 1 and total regulatory capital adequacy ratios stood at 9.8% and 14%, respectively, at end-March 2008.

In conclusion Fitch Ratings remind that FIBank was the sixth-largest bank in Bulgaria by total assets at end-2007 and that at end-Q108, it had market shares of 7% and 8% in assets and deposits, respectively.

Regards,

*(signed)*

Matthew Mateev  
Executive Director

*(signed)*

Evgeni Lukanov  
Executive Director