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CREDIT RATING *	Update	Monitoring	Update
Date of Rating Committee:	28.09.2016	16.05.2017	13.10.2017
Date of rating publication:	29.09.2016	18.05.2017	16.10.2017
Long-term rating:	BBB-	BBB-	BBB-
Outlook:	negative	stable	stable
Short-term rating:	A-3	A-3	A-3
National-scale long-term rating:	A (BG)	A (BG)	A (BG)
Outlook:	stable	stable	stable
National-scale short-term rating:	A-1 (BG)	A-1 (BG)	A-1 (BG)

* To become familiar with the full rating history, please, see the table at the bottom of the document;

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BCRA reaffirms the assigned credit ratings to Credissimo:

- Long-term rating: **BBB-**, outlook: **stable**; short-term rating: **A-3**;
- National-scale long-term rating: **A (BG)**, outlook: **stable**, national-scale short-term rating: **A-1 (BG)**.

The officially adopted methodologies of BCRA for assigning financial strength rating to banks (http://www.bcra-bg.com/files/file_377.pdf) and corporate credit rating (http://www.bcra-bg.com/files/file_103.pdf) have been applied.

The credit report has been prepared and the credit rating – assigned, based on information the rated company provides and public information made available by the National Statistical Institute, the

BNB, BCRA's database, consultants and other public information sources.

Political Environment

With full EU membership in 2007, Bulgarian governments lose their main incentive to pursue a reform policy. The country continues to be in a monitoring regime, with no significant progress in any of Bulgaria's problematic areas in the last years, which are mainly about fighting corruption and improving the functioning of the judiciary.

The complicated international situation also puts the country in serious trouble. The dependencies of a large part of the Bulgarian political and business elite from Russia and Turkey are evident. The war in Syria, on the other hand, puts Bulgaria at risk of a refugee wave. This strengthens nationalist and xenophobic attitudes, and the subject of refugees quickly finds place in political rhetoric.

Similar attitudes (nationalist and xenophobic) are also observed among EU member states. Some of them have a negative attitude towards the allocation of refugees by quota in each country and stand against this decision. If these disagreements get worse, they can lead to serious conflicts and division within the community.

	CREDIT RATING Credissimo Long-term/short-term rating: BBB- / A-3 (outlook: stable) National-scale rating: A (BG) / A-1 (BG) (outlook: stable) October 2017
	95, Evlogi Georgiev, fl. 1 1142 Sofia

Economic Environment

In 2015, the economy reports a real growth of 3.6% – the highest value for the years after the financial crisis as among the main forces are domestic consumption and exports of goods and services. In 2016, the growth rate of economy slows down but remains close to the reported a year earlier – 3.4%, as among the groups with the largest contribution remains exports, and consumption of households and imports of goods and services slow down to half of the growth rates which the corresponding groups report in the previous year.

The flow of direct investments in the country doubles in 2015 (to 5.6% of GDP) compared to the reported in 2014 (2.7% of GDP). In 2016, Direct Investment Flows reduce (to 1.5% of GDP), as investments in share instruments come to barely 37.3% of the reported a year earlier, and the debt instruments continue to report a tide which triples compared to a year earlier.

The observed positive changes after 2013 in the labour market remain. With a descending trend in unemployment rate in the last three years, as of end-2016 the officially registered unemployment rate by the National Employment Agency reaches 8.0% (10.0% at the end of 2015) of the active population in the country. According to the data of the NSI (Labour Force Survey) unemployment rate of the population over the age of 15 years also follows this dynamics reaching 7.6% on average for 2016 compared to 9.2% for 2015.

The income on average for the economy increases in 2016 (up to 950 BGN/month), as nominal growth slows down (to 6.3%) compared to the reported a year earlier (8.8%), and growth in average income over the year fluctuates between 9-10%.

Despite some slowdown in the decline of the prices in early 2016, in the second half and first 2 months of 2017 deflation remains at levels of about 1.1%-1.4% average annual, measured by HICP. The reasons for continuous deflation are due to changes in the prices of about half of the group of the index. Largest impact causes the changes in the group Transportation whose contribution fluctuates between 0.9-1.4 p.p. for April 2015 – February 2017.

Public Finance

A slight improvement is observed in the state budget of the country in 2015 that also continues in 2016.

Despite gradual growth in the state debt in the last three years, its stabilization at certain levels after March 2016 and restraint from issuing an external debt in the Budget Act for 2017 give grounds to expect a certain decline in its level in the current year. In addition, in 2017, three maturities take place, which are substantial by values (total 2.6 billion BGN) – the largest of which is on international capital markets programme (1.9 billion BGN).

The level of the state debt continues to be a positive factor for Bulgaria (29.1% of GDP as of March 2016, as its level remains unchanged by the end of the year) compared to the EU indicators. The leverage, on average, for the EU is about 83.3% of GDP as of September 2016, and for the Eurozone it amounts to 90.1% of GDP. Only Estonia and Luxemburg stand before Bulgaria, respectively, by 9.6% and 21.5% of GDP as of September 2016, followed by Romania (36.2%) and Latvia (37.9%).

Banking system

On 13.08.2016 were disseminated the results from the conducted Asset Quality Review (AQR) and Stress Tests (ST) for stability of the banks in Bulgaria. The results show that the banking sector is stable, well capitalized and public support to banks with funds from the state budget is not necessary.

Sector analysis

During the period of updating (June 2016 – June 2017) the legal framework do not change substantially, regulating the activity of companies specialized in giving loans and, in particular – lending the so called „quick loans“.

The number of companies in the sector do not change substantially in the period of updating: as of June 2016 their number is 151 and a year later it increases by 3, reaching 154 at the end of June 2017.

In 2016, the assets on a yearly basis continue to increase for fourth consecutive year as the lowest growth after 2012 (2.2%) is reported, and only for the first half of 2017 is reported growth of 7.2% compared to the end of 2016.

	CREDIT RATING Credissimo Long-term/short-term rating: BBB- / A-3 (outlook: stable) National-scale rating: A (BG) / A-1 (BG) (outlook: stable) October 2017
95, Evlogi Georgiev, fl. 1 1142 Sofia	phone: (+359-2) 987 6363 www.bcra-bg.com

The dynamics of loans continues to be similar with assets, in 2016 is noticed a substantially higher increase (14.7%, the increase is the highest for last five years) than assets, while in the first half of 2017 their growth as of the end of 2016 (5.8%) slightly drops behind total assets. At the end of completed last year, the loans hold 82.6% of total assets, which is by 9.0 p.p. more compared to December 2015. Six months later their weight in assets decreases slightly (by 1.1 p.p.), to 81.5%.

The consumer loans in 2016 increase with a rate of 22.1% (their average growth for last 4 years amount to 20.0%), which is by 1.9 p.p. higher than the achieved in 2015 (20.2%), and for the first half of 2017 their growth compared to the end of the previous year amounts to 8.0%. The ascending trend in the share of consumer loans continues (from 85.7% at the end of 2015 reaches 91.4% 18 months later).

For third consecutive year in 2016 borrowings in the form of loans increase, as growth rate (8.2%) slows down compared to the previous year (12.4%). Only for the first six months of 2017 the increase is in the amount of 10.7% compared to the end of 2016. The asset coverage ratio continues to hold comparatively low levels (about 50%), as the levels remain sensitively lower compared to the reported in the period 2008-2009 (76%-79%).

During the completed last year is observed considerable growth in generated joint profit (44.4%), as its level (155 509 thousand BGN) reaches the highest value for the last five years. In the first half of 2017, the profit increases by 9.9% compared to the same period of the last year reaching 125 761 thousand BGN, which is 80.9% of the profit for the last year.

During the period of updating, the downtrend in non-performing loans remains. The decline for completed last year comes to 12.8%, as it is less than the reported for the previous year (14.8%). For the first quarter of 2017 a decline is reported of 3.2% compared to the end of 2016 and their volume reaches 395 730 million BGN. Favourable is the dynamics of their share in total loans: on a yearly basis is reported a decline of 5.1 p.p. for 2016, and for the first six months of 2017 there is a decline of another 1.4 p.p., reaching 14.9% of aggregate credit portfolio.

To improve the portfolio of the companies contributes business growth and sale of degraded loans to companies specialized in debt collection of receivables.

The prospects for the sector are comparatively favourable and are based on predictions for economic growth, increase in income, consumer power and consumption which to lead to greater confidence of loan borrowers with regard to their personal finances. An important factor for development of quick loans industry will continue to be accessibility of the services as a result of information technologies in use and electronic channels for sales. On the other hand, there are indications for intensifying the interest of banks (through related companies or directly) to the specified segment, which create conditions for enhancing the competitive pressure, respectively, for restricting the possibilities for maintaining high profitability.

During the period of updating, there are not substantial changes in the shareholding structure of the company.

During the period of updating, Credissimo establishes new two subsidiaries:

- FD Credissimo DOEEL (Skopje) begins to operate in September 2016.
- Credissimo Super is established in May 2017.

Credissimo has a one-tier management system. The company is managed by Board of Directors (BD). During the period of updating, a personal change is made in the BD: in April 2017, Ivelin Kamburov is registered in the Commercial Register as member of the BD.

In June 2016, the representatives of the company change. Asen Benev is no longer a representative of the company and Georgi Karpuzov replaces him. At the moment, the company is represented by Sokol Yankov and Georgi Karpuzov only together.

The dynamics of equity in the analyzed period is determined by financial result and distributed cash dividends in 2017 and 2016. In 2016 is reported growth in equity of 4.6%, and for the first six months of 2017 the increase is 3.6% compared to the end of 2016.

	CREDIT RATING Credissimo Long-term/short-term rating: BBB- / A-3 (outlook: stable) National-scale rating: A (BG) / A-1 (BG) (outlook: stable) October 2017
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In 2016 is reported a slight increase in non-adjusted leverage ratio (by 0.08), which due to overtaking growth in assets (11.4%) compared to equity increases from 1.29 at the end of 2015 to 1.37 at the end of 2016. In the first half of 2017 is reported insignificant growth (by 0.02) in the value of the indicator reaching 1.39 at the end of June 2017.

Similar is the dynamics of adjusted leverage ratio which in 2016 increases by 0.09, and in the first half of 2017 by 0.02, respectively, to 1.39 and 1.41 at the end of the periods.

In the completed two last years, non-adjusted and adjusted leverage ratios of the company are characterized by lower levels compared to the average for the competitive group.

In 2016, the funds attracted by Credissimo report a substantial decline on a yearly basis (41.0%). The decline is in line of smaller debts to companies (a drop by 49.5%) and of completely paid off debts on other financial liabilities. For the same period the debts to financial institutions report a slight increase (12.4%). In the first half of 2017, substantial changes are not observed in the resource basis as a low decline is reported in its size (1.1%).

At the end of June 2016, the company uses two unsecured loans from legal entities. The aim is to finance the operating activity at present. The deadline for absorbing the funds is expired and the end dates for paying off the debts are in the first half of 2018.

During the period of updating, two loans to physical persons and a bank loan are paid off as their total amount comes to 900 thousand BGN at the end of June 2015.

During the completed last year as a result of overtaking growth in payables (34.7%) compared to equity (4.6%), there is an increase in leverage ratio (by 0.08), from 0.29 at the end of 2015 to 0.37 at the end of 2016. In the first half of 2017, the trend remains, but due to substantially less increase in growth of liabilities compared to equity the growth of the indicator is barely 0.02, reaching 0.39 as of June 2017. In a comparative aspect in 2016, Credissimo continues to take a favourable position compared to the competitive group with 0.37 of the indicator, compared to 1.00 on average for the group.

In the period of updating (06.2016-06.2017) the increase in assets continues, at decreasing rates compared to the previous two analyzed periods as on an annual basis their growth comes to 11.4% at the end of 2016 and of 11.1% at the end of June 2017. The main reason for the change remains the increase in net loans, and in the first half of 2017 the influence of partially mutually compensating increase in investments and decline in "other assets" contributes. The assets structure continues to be dominated by net loans (78.7% as of June 2017).

For the period 7.2016 - 6.2017 1.5% less enquiries for loans are reviewed. In 2016, monthly average of granted loans come to 29.6% (29.1% for previous 12 months).

At the end of 2016, the share of net loans without a delay or within 30-day delay increases by 7.3 p.p. on a yearly basis, up to 74.2%. In the first half of 2017, the share of net loans without a delay or within 30-day delay reports a decline of 3.1 p.p. compared to the previous year and comes to 71.1% in the end of the period.

At the end of 2016, 25.8% (33.1% at the end of 2015) of net loans of the company have a delay of more than 30 days or in categories Court and Assigned. At the end of the first half of 2017, the share of degraded net loans increases to 28.9%. There is an increase compared to the end of previous year in their size (by 16.2%, 757 thousand BGN).

The main conclusions which could be made with regard to the quality of credit portfolio are the following:

- At the end of 2016 and in June 2017 a substantial increase of payables is observed in the categories with zero-day overdue and over 720 days overdue;
- In 2016 a decline in payables is observed only with assigned receivables (13.0%), while for the period 6.2016 – 6.2017 the categories in which a decline is reported are Court (14.2%) and Assigned receivables (6.7%);
- As of 12.2016 and 6.2017 the allocated depreciations increase by 51.0% and 50.6% on a yearly basis. The increased depreciations are as a result of the substantial growth in payables and of higher depreciation percent;

	CREDIT RATING Credissimo Long-term/short-term rating: BBB- / A-3 (outlook: stable) National-scale rating: A (BG) / A-1 (BG) (outlook: stable) October 2017
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- At the end of June 2017, the average level of coverage of impairment portfolio increases to 36.7% (29.0% at the end of June 2016).

During the period of updating, there is a slight decline in given loans to old customers, but their share continues to be dominant.

In the last quarter of 2016 a cession of 983 loans is realized. All included loans in the cession contract are in the category Assigned.

In 2016, Credissimo generates higher interest income – by 25.3% on a yearly basis. In the first half of 2017, the trend remains as growth of 22.6% is reported compared to the same period of the previous year.

The ratio of interest income to annual average balance (net) value of loans improves slightly – from 2.2 p.p. for 2016 and minimum 0.4 p.p. in the first half of 2017.

In 2016, Credissimo is characterized by a substantially lower value of the indicator interest income to balance value of loans (annual average) in a comparative aspect compared to the average level for selected competitive group.

The costs for interests in 2016 report a decline of 44.0% on a yearly basis and when compare the first halves of 2017 and 2016 a decline is also observed – 55.2%. As a result of the ratio of costs for interests to annual average of interest liabilities decreases substantially in 2016 (from 11.3% to 5.1% at the end of the year), as well as in the first half of 2017, when it reaches 1.4% (compared to 4.1% as of 30.06.2016).

In 2016, Credissimo takes a position substantially below the average for the competitive group with regard to costs for interests to average interest liabilities.

The net profit in 2016 in the size of 2 745 thousand BGN is substantially lower than the result for the previous year (6 523 thousand BGN), or relative decline by 57.9%. The main reason for a substantially lower result is the high increase in loans due to depreciations (by 102.1%).

For the first half of 2017, the company realizes a net profit in the size of 4 263 thousand BGN which is by 93.2% higher compared to the result for the first half of 2016. The main reason for its substantial growth is the high size of the reported net income from fees and commissions – in the

size of 6 872 thousand BGN, with net minus 111 thousand BGN for the comparable half.

The year of 2016 is characterized by a substantial decline in net profit, while there is an increase in assets, return on assets reports a high decline – from 40.3% for 2015 to 12.4% for 2016. In a comparative aspect, for 2016 the company remains with a favourable position compared to the average value for the competitive group.

In 2016, a change is reported in the uptrend for last four years in the ratio of current assets to liabilities exclusive of equity. The realized decline on an annual basis comes to 0.78, as the value of the indicator decreases from 4.14 at the end of 2015 to 3.36, which positions it close to 2014 (3.43). The decline is in a result of overtaking growth in arrears (34.7%) compared to the current assets (9.2%). In the first half of 2017, the trend maintains as at the end of the previous year is reported an additional decline of 0.28 in the value of the indicator and at the end of June 2016 it amounts to 3.08. The decline continues to be in line of overtaking growth in liabilities (9.6%) compared to current assets (0.4%).

Credissimo has a favourable position compared to the reference group by level of Current assets / (Total liabilities – equity) with values for last two years exceeding substantially the average for the group.

During the period of updating, the relative increase in current liabilities (32.2% for 2016 and 9.0% for the first half of 2017) continues to be higher than the short-term assets as a result of which current liquidity of the company decreases to 3.45 at the end of 2016 (4.18 at the end of 2015) and to 3.18 at the end of June 2017.

Quick liquidity reports declines in 2016 and first half of 2017 (by 0.04 and 0.12) reaching 0.38 and 0.26 at the end of the periods. In the first period, the decrease is due to predicted increase in current liabilities compared to cash (9.2%), and in the second of increase in short-term liabilities and decrease in cash (24.9%).

In a comparative aspect, Credissimo has a favourable position in 2015 compared to the competitive group (with a value above the average) with regard to current liquidity ratio, and in 2016 the reported value by the company is very close to the average.

	CREDIT RATING Credissimo Long-term/short-term rating: BBB- / A-3 (outlook: stable) National-scale rating: A (BG) / A-1 (BG) (outlook: stable) October 2017
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The values of assets, equity and total income, realized by Credissimo, place the company in the forth, second and third position compared to the companies included in the competitive group. For a number of reviewed financial indicators the

company realizes better values than the other companies.

Main Financial Indicators

	(thousand BGN)	6.2017	2016	2015	2014	2013	2012
Balance Sum		24 470	23 250	20 880	15 189	9 651	5 118
Equity		17 550	16 938	16 193	10 970	5 804	2 694
Net Financial Result		4 263	2 745	6 523	5 166	2 809	1 682
Return on equity		36.7%	12.4%	36.2%	41.6%	35.2%	34.4%
Return on assets (annual average)		18.3%	12.4%	36.2%	46.4%	43.0%	44.6%
Current Liquidity Ratio		3.2	3.5	4.2	6.7	4.3	6.2

The rating of the company could be negatively affected by decrease in income, additional deterioration of credit portfolio, respectively, continuous increase in depreciation costs and substantial decrease in financial result of the company.

The rating of the company could be positively affected by sustainable improvement of financial indicators, increase in generated profit, increase in collection on receivables and improvement and/or implementation of new systems of assessment of receivables.

*Rating history:

The ratings displayed in the chart are assigned under the previous Methodology for assigning a corporate credit rating, respectively, with the applied rating scale and are not directly comparable with the ratings assigned after the entry into force of the current methodology on 04.07.2016.

CREDIT RATING	Initial Rating 28.08.2015	Monitoring 05.07.2016
Long-term rating :	BB+	BB+ (under review)
Outlook :	stable	
Short-term rating :	B	B (under review)