

„Credissimo” EAD

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CREDIT RATING*	Update	Update
Date of Rating Committee:	31.10.2018	04.11.2019
Date of Publication:	01.11.2018	05.11.2019
Long-term Rating:	BBB-	BBB
Outlook:	positive	stable
Short-term Rating:	A-3	A-3
Long-term National-scale Rating:	A+ (BG)	A+ (BG)
Outlook:	positive	stable
Short-term National-scale Rating:	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 makes the following corrections in the assigned credit rating of Credissimo EAD:

- **Upgrades** the long-term rating: **BBB-** to **BBB** and affirms the short-term rating: **A-3**;
- **Affirms** the long-term national-scale rating: **A+ (BG)** and the short-term national-scale rating: **A-1 (BG)**;
- **Changes** the rating outlook from **positive** to **stable**,

which expresses the opinion about the retained positive development of the company in the period under review, characterised by a growth in assets value without deterioration of their quality, improved financial result and improvement or preservation of the good levels of the evaluated indicators, including very low credit and total leverage, high level of liquidity and high return on assets.

The officially adopted methodologies of BCRA for assigning financial strength rating to banks (<https://www.bcra->

[bg.com/files/bank_methodology_2018_en.pdf](https://www.bcra-bg.com/files/bank_methodology_2018_en.pdf)) and corporate credit rating (https://www.bcra-bg.com/files/Corporate_Methodology_2016_en.pdf) have been applied.

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

Operating Environment

Sovereign risk

In 2018, the Government of Republic of Bulgaria is committed to speeding up the process of joining the euro area by officially submitting a letter of intent. In August 2018, the Council of Ministers approved an Action Plan including measures for realizing Bulgaria's intentions to join the Exchange Rate Mechanism II and the Banking Union. Despite the initial expectations, it did not take place in July 2019.

In 2018, the country's economic growth slowed down to 3.1% from 3.8% in 2017. Domestic demand (consumption and investment) contributed positively to GDP dynamics. In the first quarter of 2019, the registered economic growth rose by 2.1 p.p. up to 5.2% on an annual basis, mainly driven by final consumption.

The country registers a decline of the external debt, and at the end of December 2018, the BNB's

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international reserves amounted to 25 072 million and provided 150.5% coverage of the monetary base - a solid buffer used by the central bank to ensure the stability of the currency board. Indicators of reserves adequacy remain high.

The upward trend in wages and the unemployment reduction retains while employment growth decelerates at the domestic labour market.

The annual average inflation rate (measured by HIPC) maintained its gradual uptrend from 2018 (2.6%) reaching 3.0% as of mid-2019.

Public finance indicators remain stable, backed by the favourable macroeconomic environment. The government debt followed a favourable downward trend and amounted to 20.4% of GDP at the end of 2018. The country has a significantly lower level of government debt than the Maastricht convergence criterion of 60% and is among the three EU countries with the lowest levels. New debt issued in January-August 2019 amounted to BGN 900.6 million, with the proceeds being used to finance part of the amount for the government's purchase of new weapons in the army (F-16 fighters).

Banking System

The Ministry of Finance's Action Plan in the process of country's accession to the Banking Union included an asset quality review and stress tests of several Bulgarian banks, the results of which were announced on July 26, 2019. The ECB's¹ comprehensive assessment showed that, in testing the adverse macroeconomic scenario, in two of the six banks, there was a capital shortfall the same conclusion being made for both institutions in the 2016 BNB AQR. As it did three years ago, the Bulgarian National Bank stated that follow-up actions would be conducted to further strengthen the capital position of banks in strict compliance with the BNB mandate and the relevant regulatory framework.

Banks in the country continue to improve the quality of their portfolios. The accelerated growth of assets (with record growth in the amount of the gross loan portfolio of the system) and the significant profit growth in 2018 are maintained,

with a steady upward trend in attracted funds in the form of deposits (excluding credit institutions). The capital adequacy of the banking system remains at very good levels.

Sector Analysis

In the period of the update, there are no significant changes in the legal framework regulating the activities of the companies specialized in lending.

The number of companies in the sector did not substantially change during the period of the update, and by the end of 2017 is unchanged (157) increased by two in March 2018 (159) and again become 157 as of June 30, 2018.

In the review period the number of companies retains at the level as of the end of 2017 (157), following the decrease of the number by six companies in 2018, compared to the end of the previous reported quarter (three closed the business, while for three BNB revoke licenses due to infringement of rights and obligations with respect to the Central Credit Register) and increased by two newly registered ones in 2018 and by four more in the first half of 2019.

In 2018, the **value of assets** in the sector registered decline, as a result of the formal exit of the one of the major participants, namely BNP Paribas Personal Finance EAD (as a result of the merger in BNP Paribas Personal Finance S.A., France and the continuation of its activities in Bulgaria as a branch). The assets of the latter form a share at about 14% of the total in the sector, while the loans and advances to clients in the portfolio are at about 16 % compared to those of the sector. Eliminating this impact, the registered non-banking credit institutions were able to retain slight growth in the assets for the year under review, as well as growth in the first half of 2019 (0.6%).

Loan dynamics remain similar to that of the assets, in 2018 decreased by 11.4% and increased by 9.4% in the first six months of 2019. In past three years, they retain a share in the assets base of above 82%, whereas major part retaining the consumer loans in the range of 70-75% for the same period, with a slight upward

¹ ECB Press Release is available at:
<https://www.bankingsupervision.europa.eu/press/pr/date/2019/html/ssm.pr190726~1b474e3467.bg.html>

trend of the upper limit range as of the end of the period.

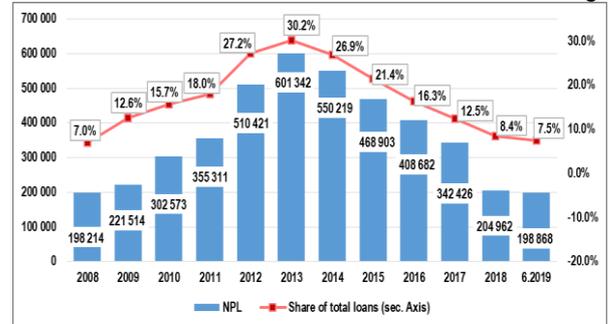
Growth in non-bank credit institutions' loan portfolios is backed by the banks' reluctance to cover the short-loan segment, characterised by the small amounts of loans, as well as by the large number of loan seekers working in the "grey" sector of the economy, having poor credit history and no access to cheaper bank financing. On the other hand, as an additional factor affecting to attract customers, the extremely simplified procedure for obtaining a fast loan (including accessible and fully online service in some cases) and obtaining the approved amount within a few hours after application (most often) should not be overlooked.

The analysis of the maturity loan structure shows a continuous rise in the portfolio of the short-term loans up to 1 year (48.7% as of the end of June 2019 and 48.0% as of the end of 2018, compared to their share of 43.8% as of the end of 2017). This is a result of the loans' shrinkage with above 1-year to 5-year term at rate below 30%, while relatively maintaining the share of those with an above 5-year term at rates ranging 23 and 24%.

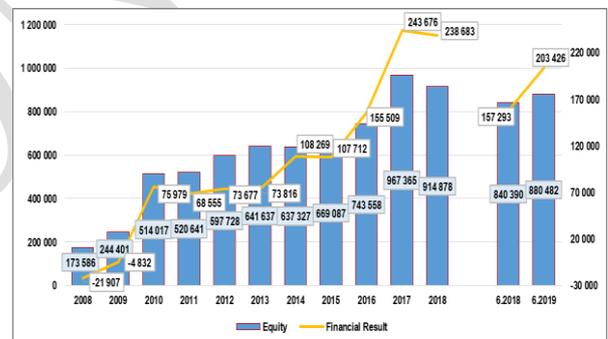
Compared to the assets structure, the share of attracted funds in the sector increased slightly, exceeding the level of 50% during the review period (50.4% at the end of 2018 and 53.9% at the end of June 2019, respectively), following the steady registered trend since 2014, interrupted only as of the end of 2017, when funding fell to 47.6%.

The past two years are characterised by maintained higher profits, registered a growth from 56.7% in 2017 and repeated their success in 2018 with a minimum decrease of 2.0%. The reported results in the first half of 2019 show a 29.3% increase in sector profits compared to the first half of 2018. As a consequence, the level of equity in

the sector is increasing.



A favourable **downward trend in non-performing loans** retained throughout the review period. After reaching its peak in 2013 (30.2% share of total loans and BGN 601.3 million in absolute value), they decreased steadily and reaching 30.5% share in the loan portfolio, amounting to BGN 198.9 million. These levels are close to those of 2008 (actually the first period affected since the occurred crisis, after a level of 3.5% at the end of 2007). The drop in 2018 was by 4.1 p.p. forming a share of 8.4% at its end.



In addition to business growth, the sale of impaired loans to specialist debt collection companies is contributing to improving the portfolios of companies at an earlier stage at the time they emerge.

However, according to data provided by the Association of Collecting Agencies in Bulgaria (ACAB), 2018 is characterized by a continuing general decline in debt collection (by 50%) which outlined the positive trend of an increasing number of clients able to service their obligations on time. By major types of debt assigned to collection companies, the share of non-banking products decreased from 31.2% to 19.0%, which can be considered as another sign of the stable improvement of credit portfolios.

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The improvement of the credit portfolio of the companies is significantly influenced by the **sales of deteriorated loans** to debt collection companies. According to data from a survey of households and business liabilities in 2017, presented by the Association of Collector Agencies in Bulgaria (ACAB), the average amount of non-performing loans in the country decreased by 15% compared to 2016 (from BGN 912 for 2016 to BGN 775). This fact combined with the increase in income reported by the National Statistical Institute is considered as increased tolerance of the debt "burden" for households. With regard to the structure of the contracting entities, the Association' data show that the relative stability remains in 2017, with banks continuing to hold the first position, but their share declined from the previous year to 41.6%. "Fast Loans" displaced telecommunication products and account for just over 30% of the debts processed by the collector agencies.

The prospects for the sector are comparatively favourable and are based on the forecasts for economic growth, increase in income, consumer power and consumption which to lead to greater confidence of borrowers with regard to their personal finances. An important factor for the development of fast loans industry will continue to be the accessibility of the services as a result of information technologies in use and electronic sales channels. The negative impact could cause the expansion of banks in the segment, facilitated by the implementation of high-tech solutions that will improve the lending process. The regulatory profitability ceiling is a prerequisite itself for limiting high profits, as well as for enhancing the competitive pressure.

The sector of debt collection agencies, tightly linked to the business of fast loans and lending in general, is expected to continuing the upward trend in terms of portfolio management (the expected new pools, sold by banks) and collection degree. The latter should be considered to improve the general credit culture and lead to a total decrease in the levels of non-performing loans.

“Credissimo” EAD

In the period of rating update there are no changes in the registered capital of **“Credissimo” EAD** and it stands at the amount of BGN 5 000 000,

distributed in the same number of shares, with a face value of BGN 1 each, fully owned by Credissimo Holding Limited, Malta (Credissimo Holding Limited), in which shareholders are Sokol Yankov (with a share of 30.83%), Kosta Kanchev (28.34%), Assen Benev (22.83%), Advenkos EOOD (Konstantin Krastev, 15%) and Georgi Karpuzov (3%). The management of the company declares no changes in the shareholders' structure are to be made.

At the end of the review period, there was a change in the composition of the management of the company - in the place of Konstantin Krastev, as a member of the Board of Directors was appointed Emiliana Neeva (Decision of the owner dated 20.05.2019). Thus, the composition of the Board of Directors is:

- Sokol Yankov - Chairman of the Board of Directors, Executive Director (shareholder and sole owner of the capital);
- Assen Benev - Deputy Chairman of the Board of Directors (and a shareholder);
- Georgi Karpuzov - Member of the Board of Directors, Executive Director (and shareholder);
- Kosta Kanchev - Member of the Board of Directors (and a shareholder);
- Ivelin Kamburov - Member of the Board of Directors;
- Emiliana Neeva - Member of the Board of Directors

Until 20.05.2019, the company is represented jointly and simultaneously by the two Executive Directors, namely Sokol Yankov and Georgi Karpuzov. After that date, the appointment of Georgi Karpuzov as Executive Director is withdrawn and the only Executive Director is Sokol Yankov.

Three new subsidiaries (100% owned by the rated company) were registered during the review period:

- **Credissimo PLUS Sp.z.o.o., Poland** - 100% subsidiary, capital of BGN 93 thousand - currently not operating;
- **Credissimo FS Spain S.L.** - 100% subsidiary, registered in January 2018, capital of BGN 20 thousand (fully paid in) - still not operating;

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- **Credissimo Colombia S.A.S.** - 100% subsidiary, registered in January 2018, capital of BGN 2,051 thousand (fully paid in). In the first year of its establishment did not operate and launched to form a loan portfolio in 2019.

The expansion of the company's group in new markets - Macedonia, Poland, Colombia and Spain, remains a featured specifics in company' development in the past two years. The formation of the portfolios in subsidiaries is carried out exclusively prudent, with a total share of 13% of the parent portfolio as of the end of 2018.

The full ownership of the equity of the subsidiary "**I Trust**" **EODD** (non-banking financial institution), dealing with the guarantee transactions and collection of receivables on loans and other forms of financing is preserved.

The financial result and the available amount of dividend for distribution are forming the **equity** dynamics. Notwithstanding, the improved net financial result for 2018, the General Meeting of Shareholders resolved not to pay dividends to the shareholders and the full amount of profit being transferred as retained earnings. Thus, in 2018, a higher increase in equity is reported (by 31.7%) compared to the past year (19.6%). For the first six months of 2019, the trend is retained with additional growth of 10.6% for the period. In the period from the beginning of 2017 to mid-2019, the increase amounts to 74.3% (BGN 12 582 thousand).

Credissimo EAD retains the level of **coverage of receivables claims** of the loan portfolio by equity at average levels of the reference group². The review period is marked by a more slight increase in the amount of **net overdue loans** above 30 days – by 3.7% for 2018, following a rate of 23.4% in the previous period. This together with the outpaced increase of equity led to a sensitive decrease in the ratio *Net overdue loans (above 30 days)/Equity* down to 18.8% at the end of 2018. The same is the value at the end of 2019 compared to 23.8% at the end of 2017. The level of the indicator is the lowest since 2013 has reached the highest value of 45.2% at the end of 2014.

² Includes: „Easy Asset Management“AD; „City Cash“ OOD; „Net Credit“ OOD, „4finance“ EOOD, „Feratum Bulgaria“ EOOD and „Sofia Commerce Credit Group“ AD.

In the period under review, the funds attracted by Credissimo retain extremely low levels. The main source of funding is the loans provided by the owners of the company. In addition, Credissimo utilises temporary loans of limited size, attracted by P2P platforms (on which the Company enjoys relatively high and stable valuation) on the basis of loans disbursed. The company has not used bank loans since 2015 when it repaid its obligations and is not financed through bond loans.

The structure of liabilities is unchanged, dominated by obligations to related parties - trade payables formed under services guarantying the receivables, followed by loans commitments.

The growing size of **equity** outpaces the growth of liabilities, which contributes to additional reduction in the level of the *debt ratio* (liabilities to equity) down to 0.32 as of June 2019 (0.41 as of the end of 2018 and 0.47 as of the end of 2017). The level of the indicator is below the average of the reference group, in which two companies (out of six) reached lower levels.

In the period of rating update the steady growing trend of assets remains under relatively maintained increasing pace on an annual basis – for '18/'17 of 26.2% (28.0% for the previous period) and a new one for the first half of 2019 of 21.9% (slightly lower than the reported growth of 31.0% for the same period of 2018). The main reason for the growth trends is the expansion of loan portfolio – increased by 23.5% in 2018 (29.0% for 2017) and by another 5.7% for the first six months of 2019 (7.8% in the first half of 2018). Additional effect on the assets growth has an increase in the balance of the long-term assets by BGN 430 thousand.

The period under review is marked by an additional and more considerable increase of the investments in subsidiaries, reaching an amount of BGN 5 269 thousand at the end of 2018 (BGN 5 464 thousand as of the end of June 2019), affected by the newly established subsidiaries in 2018.

The changes, the **assets structure** remains relatively the same, where loan portfolio dominates by above 78%, while the investments in

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subsidiaries increase their share to 14.0% as of the end of June 2019. In the period the cash decreases – by 3.6 p.p. to 4.1% as of the end of 2018 (4.2% as of June 2019) and as an absolute value (by 32.5% on an annual basis as of the end of 2018).

The gross amount of **loan portfolio** is increasing albeit at descending pace compared to the previous years. 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** and is relatively equal to the three of the five analysed companies.

The changes in liabilities, broken down by the constant increase in equity, led to an increase in the value of the **debt ratio** (to 0.47 from 0.37 a year earlier) by the end of 2017 and a decrease as of 30.06.2018 to 0.33. In 2017, Credissimo continues to hold a favourable position compared to the companies from the competitive group, maintaining the level of the indicator below the average of 1.39 and below of all other companies, except one. In 2017, in a comparative aspect, “Credissimo” EAD continues to have a favourable position compared to the companies in the competitive group below the average rate (1.39) and all companies, except one.

In the period under review, June 2017 – June 2018, the trend of **increase in assets** is preserved, reporting higher growth of 28% on an annual basis in '17/'16 compared to 11.4% and 31.0% in Q1'18/Q1'17 compared to 11.4%. The main reason for the growth is the expansion of the loan portfolio of the company - by 29.0% in 2017. (at 16.8% for 2016) and another 7.8% for the six months of 2018.

The structure of the assets remains dominated by the **net value of loans** (over 78%), as an additional effect of the increase has the growth in **investment** (by 139.4% - as a result of the established three new subsidiaries - Credissimo Super, Credissimo Polska and Credissimo Romania) and **the increase in cash and cash equivalents** (15.4%).

The gross amount of **loan portfolio** is growing, albeit at a deceleration pace compared to the previous years. The change is a result of the dynamics in consumer loans, more influenced by

the increase in item 'other business-related loans', which includes loans provided to subsidiaries (more than doubled).

The balance of the accrued **impairments** on the portfolio slightly grew in 2018 (by 2.8%, 9.3% registered in 2017), more significantly in the first half of 2019 when reached a share of 29.2% compared to gross loans, similar to the one as of the end of 2017 and close to the management target, preserved in the whole period of the analysis (30% in past 5 years).

The **net size** of the loan portfolio is increasing at the above-mentioned growth rates of 23.5% on an annual basis for 2018 (29.0% for 2017), adding another 5.7% in the first six months of 2019. At same growth rates are the dynamics in the past two years in three companies in the group, while lower growth rates and even reductions in portfolios reported other three companies. The rated company portfolio is second with respect to its size.

More detailed analysis of the consumer loan portfolio of Credissimo shows that in the period under review the ratio between loan applications and approved loans is preserved. The monthly average number of granted loans increases to 36.7% compared to the average of 33.6% of the previous 12 months. The change is due to the slight decrease of the total number of loan applications (2.7%, following another decline of 1.8% for the previous comparison period), growing total volume of the granted loans (by 16.9%) and increased average amount of the granted loans from BGN 788 to BGN 869. The portfolio dynamics remain smooth. As a traditional peak moment in lending remains month of December each year. The last three months of the reviewed period evidence a higher increase in the average amount of loans – up to BGN 934, compared to the average of the previous three months in the amount of BGN 826.

As of the end of 2019, the value of **net loans with no overdue** or 30 days maturity constitutes 70.2% of the total net loan portfolio, which is a level almost unchanged compared to the previous two periods (69.4% as of 30.06.2018 and 71.1% as of 30.06.2017).

The coverage of the portfolio by impairments remains nearly unchanged in the review period

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and is at about 30%. In the first six months of 2019, the currently accrued loan impairment has increased significantly, almost reaching the annual amounts of the previous two years. Thus, the level of coverage is unchanged but has an impact on the current financial result, which as of the end of June 2019 is considerably reduced compared to the first H of the previous year.

In the review period, in December 2018, one sale of receivables from the portfolio of the company (non-judicial, overdue for more than 180 days) was carried out, at an agreed price, corresponding to the ones in the previous transactions. The policy of the company for early withdrawal of non-judicial claims with a shorter overdue term from its patrimony, for which it obtains a higher price, is preserved.

The above-mentioned facts indicate for stable and well-planned portfolio management, retaining steady parameters and achieving uniform levels of prices for sale.

By type of products, the status quo is preserved, with a major share in the consumer loan portfolio being formed by a “Credissimo plus” – a share above over 96%, followed by a “Credissimo salary”, a share of about 3.5%, while the rest of the offered products remain minimal.

During the review period, there is a steady downward trend of the share of **new customers**, from level of 27.3% as of January 2017 and average for the year of 24.5%, the share declined to the average of 2018 and first H of 2019 of 21.7%, while for the last three months of the period decreased to 18.1%. The latter confirms the fulfilment of the goals stated by the management, the expansion of the loan portfolio to be beneficial for old (verified) clients, with a positive credit history and to a lesser extent to granting loans to new borrowers.

On the basis of the increased portfolio in the review period, and in 2018, Credissimo EAD generated a growth in **interest income** (analysed on the basis of an individual report), reaching 11.8%, which was lower than in the previous two years of growth - 22.4% for 2017 and 25.3% for 2016. The upward trend retained in the first half of 2019, with an increase of 19.9% compared to the first half of 2018. According to the consolidated report for 2018, the growth is slightly higher than that on an

individual basis (17.1%) reflecting the low impact of newly developed portfolios.

Due to the low level of the attracted funds, the interest expenses retain their extremely low values.

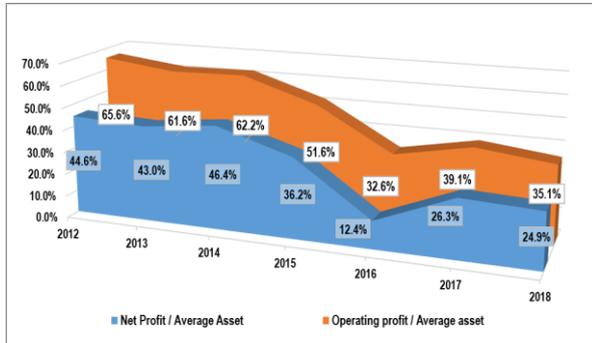
The rise of interest income is lagging slightly behind the increase of gross loans, which results in a reduction of the *interest income/gross loans* ratio on an average yearly basis in 2018 to 22.9%, after maintaining relatively equal levels in the last three years (24.5%, 24.9% and 24.3 %).

Interest income/annual average net value of loans ratio follows a similar dynamics, decreasing to 31.5% (35.4% in 2018 and 35.7% in 2016). The level of the indicator of the rated company remains the lowest compared to the companies from the reference group (with the lowest registered by Net Credit). Observed is a reduction of the value of the ratio for all companies in the group (except for “4Finance”).

The company steadily retains levels of *Interest spread* of above 20% in the last three years.

Total amount of the operating expenses increases outpacing the increase of assets, thus resulting in a higher level of the ratio *Operating Expenses/Assets (average)* - 42.6%, retaining a trend, similar to the trend in the previous year when the indicator increased to 41.6% (compared to 40.4% in 2016). The main driver for the increase of the operating expenses remain the steady growth in staff costs (by 28.6% for 2018, which is lower than reported rates in the previous two years 37.5% - 37.6%), followed by costs for advertising and marketing (9.0%), IT service (over four and a half times) and consultancy costs increased by 67.1%.

In the first half of 2019, the operating expenses accelerate the growth pace to 31.0% compared to the growth in the first half of 2018, while the operating and currents profits reduced compared to those in the first half of 2018.



Credissimo report a **net profit** for 2018 at the amount of BGN 8 366 thousand, which is 20% higher compared to the previous year and in turn becomes the highest in five-year retrospective plan (since the highest has been the result for the 2017 year). As mentioned above the profit increase is affected by the growth in income from signed agreements for guarantying the loans, while the influence of the increase of income from interests is low. The increase of net profit is in line with the sustainable growth of the operating profit and allows the company to retain the relatively high level of the accrued impairments in 2018.

The increase of assets does not allow the achieved higher financial result to result in an improvement in the level of *Return on Assets*, which for 2018 is 24.9%, down from 26.3% in the previous year, and remains at a much higher level than the levels reported by the other companies in the reference group (between 7 and 17%).

On a consolidated basis, a more significant impact on the accounts has the registered net results by:

- “I Trust” EOOD – a profit at the amount of BGN 2 296 thousand;
- Credissimo Skopje DOEEL – a profit of BGN 755 thousand, due to the increase of loan portfolio by 58.6% in 2018;
- Credissimo PLUS Sp.z.o.o., Poland – a loss at the amount of BGN 1 923 thousand in its first year of operations with a balance of the portfolio at the amount of BGN 3 231 thousand as of 31.12.2018, following the accrued impairments amounting to BGN 2 923;
- Credissimo Super AD – a loss of BGN 288 thousand in the first year of work on the development of the new product, namely

car leaseback and a leasing portfolio of BGN 478 thousand.

From the other subsidiaries, only the one in Columbia has launched its business as of the end of June 2019 (portfolio volume of BGN 900 thousand).

In conclusion, the company is capable to maintain high profitability of the developed business in the review period (above the average for the reference group), with some negative effects on a consolidated basis, related to the launch of the new business lines, including registered losses in some of them.

As of the end of 2017, since the registered decrease of the ratio *current assets to liabilities minus equity* for a second consecutive year, at the end of 2018, the value of the ratio increased to 2.87%. In the first half of 2019, as a result of the ongoing increase in current assets, the ratio reached a level of 3.38 (the highest since the end of 2015 with a recorded 4.14 value), outpacing that of the liabilities. In the liabilities structure, the share of those to related parties (mainly “I Trust”) remains high reaching 50.4% at the end of 2018. The trend of a steady increase of current assets (by 19.2% in 2018 and another 4.6% in the first half of 2019) remains largely due to the continued growth of the loan portfolio. The lag of the recent growth rates compared to the significant equity increase (due to the increased profits) results in a decline of the Net Loans to Equity ratio to 108.5% at the end of 2018 (from 115.6% at the end of 2017) and to 103.6% at the end of June 2019.

Credissimo EAD is positioned favourably by the level of both above-mentioned indicators compared to a major part of the companies in the reference group. With respect to the first indicator, only Net Credit and Sofia Commerce Credit Group have higher coverage of liabilities with current assets.

Over the review period, the increase in short-term assets exceeds the increase of current liabilities, thus resulting in a rise in the *current liquidity* to 2.87 at the end of 2018 2.77 at the end of the previous year) and to 3.38 at the end of June 2019. The retained value of the indicator is average

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compared to the companies in the reference group.

In a comparative aspect in the group of the eight companies Credissimo EAD moves forward to the second place in terms of the managed assets, outpacing Profi Credit Bulgaria, retains its position in terms of equity and ranks third in terms of revenues, significantly narrowing the gap with the position of Profi Credit Bulgaria EOOD, followed by

at a relatively short difference of City Cash OOD. By all three criteria, the first position in the group ranking is occupied by Easy Asset Management AD.

In negative aspect, the rating would be affected by the decrease in income, additional deterioration of the loan portfolio, respectively the continuing increase of costs for impairments and the considerable decline of the financial result.

Positive influence would have the sustainable improvement in financial indicators, increase in generated profit, improvement of portfolio quality and increase of the collection of receivables and improving and/or implementation of new systems for evaluation of loan applications.

Main Financial Indicators

	(BGN'000)	6.2019	2018	2017	2016	2015	2014
Balance Sum		39 059	37 553	29 762	23 250	20 880	15 189
Net Loans		30 592	28 940	33 081	26 995	21 392	18 162
Equity		29 520	26 682	20 262	16 938	16 193	10 970
Interest Spread		-	21.4%	22.7%	19.7%	13.0%	64.8%
Net Financial Result		2 839	8 366	6 974	2 745	6 523	5 166
Return on Assets (average annual)		-	24.9%	26.3%	12.4%	36.2%	46.4%
Current Liquidity Ratio		3.4	2.9	2.8	3.5	4.2	6.7

	CREDIT RATING „Credissimo“ EAD Long-term/Short-term Rating: BBB / A-3 (Outlook: stable) National-scale Rating: A+(BG) / A-1 (BG) (Outlook: stable) November 2019
	95, Evlogi Georgiev, fl. 1 1142 Sofia

**Rating history:*

CREDIT RATING	Update	Monitoring	Update	Update
Date of Rating Committee:	28.09.2016	16.05.2017	13.10.2017	31.10.2018
Long-term Rating:	BBB-	BBB-	BBB-	BBB-
Outlook:	negative	stable	stable	positive
Short-term Rating:	A-3	A-3	A-3	A-3
Long-term National-scale Rating:	A (BG)	A (BG)	A (BG)	A+ (BG)
Outlook:	stable	stable	stable	positive
Short-term National-scale Rating:	A-1 (BG)	A-1 (BG)	A-1 (BG)	A-1 (BG)

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 as from 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)