

„Eurolease Auto” EAD

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CORPORATE CREDIT RATING	Initial rating 12/08	Non-solicited Update 12/09	Update 23/09/10	Update 23/12/11
Long-term Rating :	BBB+	BBB+ (ns)	BBB+	BBB
Outlook:	<i>Developing</i>	<i>Stable</i>	<i>Stable</i>	<i>Stable</i>
Short-term Rating :	A-2	A-2	A-2	A-3

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 assigns the long-term rating BBB (outlook: stable) and short-term rating A-3 to „Eurolease Auto” EAD. The officially adopted methodology for assignment of credit rating of a leasing company is used (http://www.bcra-bg.com/files/file_197.pdf).

To elaborate the credit report and to assign the credit rating, information is used from the assessed company, National Statistical Institute, BNB, database of BCRA, consultants and other sources of public information.

During the update period the economies in the world operated in conditions of overcoming the effects of the crisis. The main factors, determining the functional environment in which leasing companies operated are: a slow and uncertain recovery of economy, a poor investment activity and yet a fall of FDI, a high level of inter-company leverage, etc. The data analysis of BNB states that in 2010 and nine-month period of 2011 the leasing sector was characterized by the following more considerable features: a continuing decline in the value of the receivables from leasing companies in finance and operating leasing; slowing of decline in the size of new contracts concluded for leasing of light, semi-light and heavy vehicles in 2010 and registered growth as of the nine-month period of 2011 year on year, a decline of leasing penetration ratio in 2010 and followed growth in the nine-month period of 2011; a growth in the amount of non-performing receivables, etc.

During the period under review the shareholding capital of "Eurolease Auto" EAD raised at the expense of the undistributed profit. There were no changes in the ownership and participations of the rated company.

During the analyzed period the lease portfolio of "Eurolease Auto" EAD reduced year on year. The structure of the portfolio contains 98% vehicles, as cars dominate. The leasing portfolio of the company continued being characterized with a good diversification; consisted by a large number of clients in various economic sectors, as the max. exposure to a client does not exceed 5% of the total value under the leasing contracts. The company continues offering both financial and operational leasing as the first type of transactions was prioritized. Its activity includes transactions of the type "Buy-back". The biggest advantage of "Eurolease Auto" EAD compared to the other market competitors was still the affordable price of products due to the company's collaboration with major vehicle dealers and insurance company ZD "Euroins" AD, which are part of the holding group "Eurohold Bulgaria" AD. No considerable changes in the facilities and equipment.

During the update period the clients basis of the company continued being well diversified; among the partners with bigger turnovers there were companies which were not part of the group of the related companies to „Eurolease Auto” EAD. In 2010 the concentration of the receivables from clients decreased considerably and as of the nine-month period of 2011 remained low – 86% from the receivables were below 1.5% of the total size of the receivables from clients of the company. As of 31.12.2010 the total size of the receivables from clients decreased by 12.6% year on year, though as of the nine-month period of 2011 a growth of 35% was observed compared to the end of 2010. The concentration of suppliers continued being low. As of 30.09.2011 the liabilities to suppliers increased and amounted to 8.6% of the turnover. The payments to a supplier under a new contract are accepted to be made after the client receives the first installment in the transaction.

During the period under review the average number of employees decreased slightly – 47 people worked for the company in 2010, whereas in 2009 their number was 51. The average age of the employees is about 30 years. The company has the ambition to enhance the qualification of its employees continually.



CREDIT RATING OF LEASING COMPANY
"Eurolease Auto" EAD
BBB (outlook: stable)
Short-term: A-3
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The manager practices are maintained and improved. The efforts of the company continued being directed to an active management of the risks; a conservative method is adopted in the assignment of potential new clients of the company. A special department is created to pay attention and to be in touch with the corporate clients. A wide range of schemes for financing exist, as the products of the company are directed to the mass client.

The revenues of "Eurolease Auto" EAD were formed mainly from three sources - interest margin, processing fee and management fee and commissions from insurance brokerage. In 2010 the uptrend in interest incomes was terminated and a decline of 20.6% was reported year on year. The interest expenses also decreased - by 11.4% as a result of which the company realized a lower value of net incomes from interests compared to the past year. There was a growth of 40.1% year on year in net incomes from commissions. Net profit realized in 2010 by "Eurolease Auto" EAD was by 64.1% lower than the past year. Net investment in finance leasing of the company reduced gradually. In 2010 the principals under new leasing contracts increased considerably - by 82.04 compared to the end of 2009 and principals under maturity reported a slight decline of 7.76%, which is an indicator of growth in new company business with view of the observed downturn trend in the market in this direction and we assess it positively from a rating point of view. During the nine-month period of 2011 the

company realized 38.9% lower net incomes from interests compared to the same period of the past year. As of September 2011 a decline of 26.3% was observed year on year in net commission incomes from the rating company. The downturn trend of net investment in finance leasing, the decline held back to 15.4% year on year. At the end of the period the company realized a net loss, which was reviewed unfavorably from a rating point of view.

In 2010 the analyzed company registered a slight decline of Interest spread, the ratio of net profit to average assets also decreased. Due to the increase of equity the indicator Net profit / Equity underwent an unfavorable change on an average annual basis. Receivables from clients also decreased slightly compared to the previous year, as the overdue receivables were 6.13% of the company's lease portfolio compared to ~ 20% for the sector according to BNB data. In 2010 Leverage Ratio reported a downturn trend in line of reduction of the debts of the rating company's bond loans by 23.9% and to related parties by 26.3%. Coverage ratio of interest expenses also decreased.

In the nine-month period of 2011 the price of borrowed capital increased considerably, which led to a significant decline in average interest spread - 3.95% to 30.09.2011. Leverage Ratio and the ratio of Liabilities / Assets also continued to decrease year on year.

During the period under review „Eurolease Auto“ EAD is characterized with good creditability.

Main Financials:

Financial indicators, thousand BGN	9.2011	9.2010	2010	2009
Incomes from interests	7 993	8 840	12 159	15 306
Costs for interests	-6 116	-5 768	-7 669	8 654
Net incomes from interests	1 877	3 072	4 490	6 652
Net incomes from commissions	975	1 323	2 604	1 859
Accounting profit	-460	591	1 349	3 756
Net profit	-460	591	1 214	3 381
Assets	134 756	156 226	148 262	165 786
Equity	21 070	17 874	18 497	17 283
Net investment in financial lease	83 431	98 674	94 725	105 560
Gross investment in financial lease	95 198	113 682	108 515	122 531
Cash	898	2 163	2 975	1 857
Financial debts	90 898	114 702	112 690	125 089