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TBI BANK EAD

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Rating Committee Date:	**08.07.2022**
Publication date:	**13.07.2022**
FINANCIAL STRENGTH RATING:	**Initial**
Long-term rating:	**BBB-**
Outlook:	**stable**
Short-term rating:	**A-3**
Long-term national-scale-rating	**A (BG)**
Outlook:	**stable**
Short-term national scale rating:	**A-1 (BG)**
BOND RATING (ISIN:BG2100004220)*:	**Initial**
Long-term rating:	**BBB-**
Outlook:	**stable**
Short-term rating:	**A-3**

** Bond in the process of issuance*
1) Prior to the present publication the credit rating and rating outlook was disclosed to the rated entity or related third party. Following that disclosure amendments in the credit rating and rating outlook have not been executed;
2) During the last two years, BCRA Credit Rating Agency AD has not provided ancillary services to the rated entity or a related third party.

BCRA – CREDIT RATING AGENCY (BCRA) is the third qualified rating agency in the EU, registered under Regulation (EC) No. 1060/2009 of the European Parliament and the Council. The credit ratings, assigned by BCRA, are recognized throughout the EU and are fully equal to the other ratings, recognized by European Securities and Markets Authority (ESMA), without any territorial or other limitations.

At a session of the Rating Committee of BCRA held on 08.07.2022, the report on the **initial financial strength rating and bond issue rating (in the process of issuance)** of **TBI Bank EAD** was discussed. The meeting was chaired by Kiril Grigorov, PhD in Economics, in his capacity as Chairman of the Rating Committee. After a discussion on the main rating factors, the members of the Rating Committee took the **following decision:**

"BCRA - Credit Rating Agency" (BCRA) assigns "TBI Bank" EAD:

- Long-term financial strength rating: **BBB- 'stable'** outlook and short-term rating **A-3**
- Long-term national scale rating: **A (BG)** "**stable**" outlook and short-term national scale rating **A-1 (BG)**
- Long-term AT1 bond - ISIN: **BG2100004220**: **BBB-** a '**stable**' outlook and a short-term rating of **A-3**,

Thereby expressing its opinion on the Bank's significant financial position, strong growth rates of attracted funds and assets, high profit margins maintained throughout the period of analysis, influencing distinctively high profitability and return indicators, improvement in the quality of the loan portfolio and non-performing loans over the last year, as well as maintaining stable levels of capital adequacy and liquidity, while establishing the Bank as one of the leading banks in terms of technology and innovation.

The officially adopted by BCRA Methodology for assigning a rating to a bank has been used: https://bcra.eu/files/bank_methodology_2018_en.pdf

The users of the rating can find information on the meaning of each rating category, including definitions of default in the published Global rating scale on the BCRA's website:

https://bcra.eu/files/global_scale_en.pdf

The report has been prepared and the rating - assigned, based on information made available by the rated bank, Bulgarian National Bank, BCRA's database, consultants and other public information source.

Operating Environment

Sovereign Risk

Due to the unprecedented crisis resulting from the global emergence of the COVID-19 pandemic, an "outbreak emergency" is in effect in Bulgaria from 13 May 2020 to 31 March 2022. At the end of 2021, a new government is formed, which is a four-party coalition led by the 'We Continue the Change' party, but which has only ruled the country for six months. At the time of writing, there is renewed political instability after one of the parties left the coalition and the parliament subsequently passed a successful vote of no confidence against the cabinet. The country's governance faces a number of challenges, with the highest degree of uncertainty for its development posed by the increased geopolitical risk stemming from the military conflict on the territory of Ukraine.

After the 4.4% decline in the crisis year 2020, the Bulgarian economy has quickly regained a semi-viable dynamics, reporting real growth of 4.2% in 2021 and 5% in the first quarter of 2022, with the main contribution of domestic demand. After the slowdown observed in the development of indicators for household consumption, credit and the external sector in the previous year, the processes in 2021 are generally in the direction of recovery. Labour market conditions are gradually normalising, with the economic activity rate remaining subdued and the unemployment rate (according to the LFS) reaching 5.3%. At the same time, inflation (as measured by the HICP) accelerated sharply from -0.3% in January 2021 to 13.4% in May 2022, limiting the growth of household disposable income. The upward dynamics were mainly driven by the direct and indirect effects of rising international energy and food prices, and in 2022 by the crisis in Ukraine.

The economic developments in the country are analysed in detail by BCRA - Credit Rating Agency and are reflected in the unsolicited sovereign rating of the Republic of Bulgaria. The same applies to Romania, where the rated bank has a branch. Rationales of the current ratings assigned to Bulgaria and Romania are available on the official website of BCRA:

- Bulgaria: *https://bcra.eu/files/rating_republic_of_bulgaria_apr_2022_en.pdf*
- Romania: *https://bcra.eu/files/rating_Romania_Jun_2022_en.pdf*

Banking System

A year after Bulgaria became a member of the EU's banking union and the Bulgarian lev is officially part of ERM II, in July 2021 the National Plan for the introduction of the euro in Bulgaria was presented with a target date of 1 January 2024.

In the course of 2021, the banking sector remains resilient despite the economic turmoil. The sustained growth of the deposit base supports the solvency of the banking system, which also maintains high levels of total capital adequacy (22.6%) and liquidity (LCR of 274.1%) at the end of 2021. Credit growth in the non-financial sector is accelerating to 9.2% (4.8% in 2020), with higher activity of individual customers.

Accordingly, in 2021, the financial result of banks recovered its growth (+73.8%) and reached nominally 1.4 billion LCR after having contracted by half in 2020 on account of the impairments made. Both assets and equity maintained their moderate growth in 2021, resulting in profitability indicators rising respectively: ROA - to 1.09% (0.69% in 2020) and ROE - to 8.86% (5.49% in 2020).

TBI BANK EAD

Shareholders Structure and Management

The predecessor of TBI Bank EAD - "Banka Zapad - Iztok" AD was founded on 11.11.2002 with shareholders Activa Holding B.V. (Slovenia), Factor Banka d.d. (Slovenia) and LB Maxima d.o.o. (Slovenia). In the following years, the Bank changed its ownership several times and in 2006 97.01% of its capital was acquired by Nova Ljubljanska Banka and in 2011 the majority owner

(100%) became TBIF Financial Services B.V. (the Netherlands). Five years later, the Bank became owned by 4finance Group (Luxembourg) - one of the largest European groups specializing in consumer lending with a focus on digital technologies.

By the end of 2021, TBI Financial Services B.V. (Netherlands) is the sole owner of the Bank's capital. The ultimate parent company is Tirona Limited (Cyprus).

Currently, TBI Bank operates as a universal commercial bank with a full license from BNB, with a focus on individuals and small and medium-sized enterprises. From April 2022, it has also started operations in Greece based on the Single European Passport.

At the end of 2021. TBI Bank owns the following subsidiaries:

- TBI Money IFN S.A. (Romania) - provision of consumer loans;
- TBI Leasing S.A. (TBI Leasing IFN S.A. until 2021) (Romania) - leasing activity;
- TBI S.A. (Bulgaria) - software development and maintenance of electronic trading platforms and services;
- 4Finance EOOD (Bulgaria) (brand Vivus) - provision of consumer loans.

The management structure of TBI Bank is two-tier, consisting of a Management Board and a Supervisory Board. The **Management Board** has the following members:
- Pavels Gilodo (Latvia) - Senior Vice President Online Personal Lending;
- Nikolay Georgiev Spasov (Bulgaria) - Chief Operating Officer;
- Denis Viktorovich Gorbunov (Russian Federation) - Member of the Management Board and Executive Director of TBI Buy;
- Valentin Angelov Galabov (Bulgaria) - Chairman of the Board;
- Alexander Chavdarov Dimitrov (Bulgaria) - Chief Risk Officer.

The **Supervisory Board** currently consists of:

- Ariel Hasson (The Netherlands) - Chairman of the Supervisory Board;
- Gauthier Van Wiedingen (Belgium) - Vice-Chairman of the Supervisory Board;
- Kieran Patrick Donnelly (Ireland) - Member of the Supervisory Board (and Chairman of the Board of Directors of 4finance Holding S.A.).

Currently, TBI Bank is focused on providing purchase financing and general-purpose loans, striving to maintain very good asset quality with stable profitability and liquidity, as well as sufficient capital adequacy. It has adopted digitalisation of various banking processes and products and implementation of high-tech solutions of its operations.

Capital Adequacy

In the five-year period of analysis (2017-2021, and up to the date of preparation of this material) no changes were made in the subscribed share capital of TBI Bank EAD (amounting to BGN 81.6 million). Thus, the Bank's financial performance remains the main source of growth of **equity**, which reached BGN 253.3 million as at the end of March 2022 (compared to BGN 133.2 million as at the end of 2016), with a growth over the five-year period of 85.7% (or approximately 17% per annum on average).

The bank has maintained a **steady growth of the capital base**, with a cumulative total growth of 60.4% (12.2017-12.2021). At the end of 2020, the Bank's capital base consists solely of core Tier 1 capital, increases are driven by capitalized earnings, which are relatively high throughout the period. In 2021, the capital base also included **Tier 2 capital** (amounting to BGN 16.0 million as at the end of 2021 and BGN 17.6 million as at the end of March 2022), formed from part of the funds raised under a **bond issue** in July 2021 (**ISIN: BG2100007215**, amount of EUR 10 million, at an interest rate of 5.25% and a 10-year repayment term).

The steady growth of TBI Bank's loan portfolio also determines the overall sustained upward trend in the value of **risk-weighted assets** (RWAs) over the analysed period. An exception to this trend was noted in the last financial year (2021), when a 4.0% decrease in RWA was recorded. It was formed by a significant decrease in exposures for operational risk (by 76.8% year-on-year), with a continued increase in those for credit risk (by 20.8%, corresponding to the growth in the loan portfolio and its structure). Exposure to credit risk dominates the structure of the RPA, already exceeding 90% at the end of the period (after having been in the range of 75-77% in the previous four years).

Rises in the value of risk-weighted assets outpaced growth in the capital base at the end of 2019, forming two consecutive years of declines in the **capital adequacy** ratio (equally for total and Tier 1 capital) - to 21.0% at end-2018 and 17.2% at end-2019. In 2021, under the simultaneous impact of an increase in the capital base and a decrease in the RWA value, the Bank's capital adequacy ratio increased - to 21.2% for Tier 1 capital and to 23.2% for total capital. The dynamics over the same period for the banking system and the Group II banks were similar, and the level of total capital adequacy achieved by TBI Bank at the end of the period was ahead of the system and Group II bank averages. The capital adequacy levels achieved were significantly above regulatory requirements throughout the period.

After a negative increase in 2018 and 2019 in the level of the **ratio of non-performing exposures to the capital base** (reaching 46.5% at the end of 2019, compared to 27.9% at the end of 2017), a significant reversal is formed in 2020 and the level under consideration decreases to 34.8%, influenced by a significant increase in the capital base (+37.2% y-o-y) outpacing the slight increase in the amount of NPLs (by 2.6% y-o-y at the end of 2021). In 2021 and the first quarter of 2022, the positive downward trend in the value of the indicator has continued, and the level reached at end-March 2022 is 32.2% (32.6% at end-2021). On a comparative basis, the level of the indicator for the Bank, despite its positive change in the second half of the analysis period, remains significantly above the average levels for the banking system (9.0% as at end-2021) and Group 2 banks (7.9% as at end-2021).

Throughout the analysed period, TBI Bank maintained the level of **leverage for supervisory purposes** within a relatively small range of change, with a general downward trend from a level of 16.9% at end-2017 (the highest for the period), to 13.3% at end-March 2022 (the lowest). Notwithstanding this trend, the excess over the minimum required level (3.0%) remains significant.

Resources

Throughout the period (2017-2021), TBI Bank has maintained a well-defined trend of increase of attracted resources, with annual growth rates (in the range: 19-30%) in the last three years of the period, significantly exceeding the average for the banking system (in the range of 8.4-9.2%). The difference is even greater compared to the average changes reported by the banks II group (to which TBI Bank also belongs), where in the period 2018-2020 there were reported decreases (the most significant one is for 2020 - of 6.7%), and the achieved average growth for 2021 (8.9%) was significantly inferior to the one realized by the rated bank.

The **structure of the Bank's deposit portfolio** has been strongly dominated by funds attracted from **households** throughout the period, with the share maintained at around 85% in the last three years and the remainder distributed in relatively similar proportions over the years, between deposits of non-financial corporations and other financial corporations (other than credit institutions). The share of the latter is minimal at the end of the period (March 2022).

In 2021, a new source of funding was used – a subordinated term debt formed from the first tranche of bonds issued by TBI Bank. The issue is a first for the Bank and is traded on the Bulgarian Stock Exchange (BSE) - **ISIN code of the issue: BG2100007215** (stock code: TBIA). The total nominal value of the Issue may reach up to EUR 30 million. The placed first tranche of the Issue is EUR 10 million, at an interest rate of 5.25% (determined according to the investors' proposals within the interest rate range proposed by the Issuer at the date of the offering) and the maturity date is 30.07.2031.

Characteristic of the Bank's deposit base is the maintenance of a relatively high share of **deposits of non-residents** - around and slightly above 1/3 of the deposit volume, with the lowest level for the period of 28.6% at the end of 2019, increasing subsequently to the highest at the end of the period (39.9% at the end of March 2022, after 38.2% at the end of 2021). This is due to the maintained high share of deposits attracted from non-resident households, through the Bank's Bucharest branch.

The presence of a high share of non-resident deposits also determines the heterogeneous **currency structure** of bank resources, which is not so common in Bulgarian credit institutions. In the last year of the period, a relative parity was established between deposits in BGN, in EUR and in total in other currencies (about 1/3 of the resource each). Euro deposits and funds in other currencies have a significantly higher growth rate in the last two years of the period (2020-2021).

Also constant and strongly pronounced is the dominant share of **term deposits** (ahead of those "on demand") - maintained at a level above 80%, with the lowest levels recorded at the end of the period - 82.7% at the end of 2021 and 80.7% at the end of March 2022. The "on demand" positions are mainly maintained from financial institutions, excluding banks, but supplemented by corporate deposits.

Another characteristic feature of TBI Bank's deposit portfolio is the **high share of guaranteed deposits** - over 80% in the last three years (2019-2021).

Based on data from deposits maturing in the last six quarters, a relatively **high share of renewed deposits** (about 80% by number and value) has been maintained, and the share of deposits of existing (not new) customers of the Bank is maintained at a level of over 80%, indicating customer confidence in the institution.

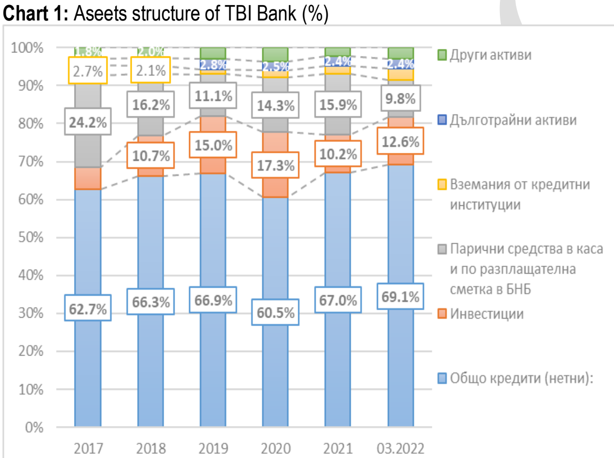
There is **no concentration** in the bank's resource coverage for any of the six attributes.

Assets Quality

The **amount of assets** of TBI Bank EAD has been recording significant annual growth, traditionally double-digit (except only in 2015 and 2018) in the range of 15%-20% on average. For 2021, asset growth was 27.1% and for the first quarter of 2022, 21.5% year-over-year. The Bank's cumulative asset growth over the last 5 years is 120.4%. compared to 47.0% for the banking system.

The **Bank's asset structure** is characterised by the following processes and features:

Chart 1: Aseets structure of TBI Bank (%)



- Increasing high relative share of *loans* in assets, with almost 70% share - fully in line with the business profile of the Bank specialized in the sector of lending to individuals (with consumer loans).

- Maintaining a relatively stable share of ***investments*** between 10% and 15%, very close now to the average for the banking system after lower values at the beginning of the analysed period.

- *The sum of the weight of loans and investments as an income earning part of the asset gradually increases from below 70% at the beginning (2017) to over 80% at the end of March 2022 (77.2% at the end of 2021). This is on average around and above 10 p.p. above the banking system average*, which is also an important part of the Bank's high profitability performance.

- Gradual reduction to a significant low total share of *Cash and Receivables from Credit Institutions* - from 15%-20% for most years in the period, to 12.8% at its end, with the potential for pressure on the Bank's liquidity.

Internally, *debt securities* dominate the **investment** structure, accounting for around and over 80% of the investment portfolio in recent years. Leading among them are *Government securities* with an increased weight up to 90% in debt instruments for the last year 2021 and early 2022. Stronger domination was marked (42.7%) of *corporate securities* only at the end of 2020. Investments in subsidiaries amounted to 20.8 million BGN (11.9% of investments) at the end of the period, in the above mentioned subsidiaries

The very high growth rates of gross loans portfolio are the main driver of the said asset growth. For the last year alone, this growth reached 34.0%, with a 9.2% growth for the banking system as a whole and 11.0% for the banks of the Second Group. At the end of March 2022, their volume already exceeds BGN 1 billion (BGN 1,041.5 million).

Structurally, in accordance with the established profile of the Bank, the dominance of retail exposures is increasing (over 70% of the loans for the entire period, and already over 80% for the last year of 2021 and the beginning of 2022). Also specific to the Bank's profiling and observed trough the entire period from 2012 onwards is that loans granted to individuals are entirely consumer loans.

Another main characteristic of the Bank's activity and credit portfolio is that it is realized not only on the local market, but also in neighboring Romania, with increasing growth rates. In Romania, the Bank operates through its branch and subsidiaries complementing the range of services offered in a country with a target market over two and a half times larger than the local.

Exposures to non-residents (mainly in Romania) represent over 60% (61.4%) of all loans, compared to 50% in the starting for the analysis year, 2017. This share is much higher for corporate loans (90.9%, March 2022, compared to 65.7% for 2017) than for individuals (respectively 55.7% and 65.7%), given the specific positioning of the Bank in business lending in the sector of construction entrepreneurship and investment in real estate. This predetermines the leading position of the *Real Estate Operations sector* in the ***sector structure*** of the Bank's business loans portfolio - with a 53.9% relative share in it.

TBI has recorded significant improvement in the level of ***non-performing loans*** over the last period. After a process of gradual increase during the years 2018-2020, both the amount of these loans and their relative share in the loan portfolio reaching up to 17.4% for 2020, the positive processes of improvement in the quality in the last completed year, 2021 resulted in the reversal of this unfavorable trend to a reduction of the amount of the non-perfoming exposures by 12.4% for the year, and a significant decrease of their share in the Bank's gross loans by 6.0 p.p. to 11.4% - the lowest level of the indicator recorded so far. Despite this reduction, its value remains at about 5 p.p. higher level in an unfavorable comparative relation to the reference groups - for the banking system at 6.1% and at 5.2% for the banks from the Second Group at the end of the period. *The analysis of this indicator also takes into account the specific profile of the Bank in lending - with prevailing uncollateralized medium-term consumer loans with quick decision making process, where, in view of the strong competition in this market niche, it is normal to register a higher level of loan deterioration compared to universal type of banks or to the averages for banking system. In the context of this distinction, the increased opportunities to offset the indicated impact of the risk from credit deterioration through the high yield of this portfolio are considered and accepted*. In accordance with the above noted improvement in the quality of the loan portfolio for the last period, a trend in a positive direction also recorded for the traditionally studied indicators reflecting its structural characteristics - *gross and net ratio* of *delinquency and non-performance* are generated, as well as the impairments coverage of the loan portfolio. Despite its decrease over the last year, (due to the reduced total amount of impairments and the strong growth of loan portfolio), the coverage of *the gross loan portfolio from impairments* remains about twice the average of the banking system and the referent Second Group Banks. The coverage of non-performing loans also maintains relatively high values.

The share of the 15 largest credit exposures amounts to 6.18% of the gross credit portfolio, which is a very low value, not only in comparative terms, but also as it is a sign of a complete lack of concentration by loan amount, unlike banks with a similar smaller size and predominantly corporate credit portfolios.

Income quality

The main studied indicators of the quality of income of TBI Bank are significantly higher than the average for the banking system in the country and the referent Second Group Banks, which is largely due to the specific business model on which the Bank operates and which differs from the traditional for the Bulgarian market universal type of banking. TBI Bank specializes in the higher income segment of retail banking.

However, in terms of return on assets and interest rate spreads, the trends observed both in the system and at the assessed bank have been unidirectional (downward) since 2019.

Accordingly, the **main source of income of the assessed Bank is the net interest income**, which has maintained high growth rates on the basis of rapidly increasing interest income and despite the outpacing growth rate of interest expenses in the last three years (2019 - 2021). The dynamics of net fee and commission income is similar, reaching very high growth levels in 2017-2018 in line with the rapid development of the Bank, as well as towards the end of March 2022, when the effects of the Covid crisis have been overcome.

The year 2020 is more special in the development of the Bank, which corresponds to the general economic deterioration as a result of the outbreak of the Covid pandemic and the effect of the credit moratorium, thanks to which borrowers in both Bulgaria and Romania had the opportunity to reschedule repayments on obligations to the local banks. A slowdown in net interest income and a significant drop in net fee and commission income and a respective contraction of the operating profit (to BGN 66.7 million) were noted.

On the contrary, the operating profit reported for 2021 (amounting to BGN 78.1 million) is the highest achieved by the Bank, in accordance with the record high net interest income and net fee and commission income, which also offset the greatly increased operating expenses (+35.8%).

The generated annual growth amounts to 17.2% after the 11.4% decrease from 2020, and the observed trends are maintained in the first quarter of 2022. At the same time, the mentioned considerable growth of operating expenses follows the trend observed in each of the previous years.

The net financial result has changed volatilely over the last decade, which is in line with the stage of the Bank's development. Since 2013, it has realized profits, the highest of which was recorded in 2019 and amounted to BGN 37.8 million. After shrinking twice during the crisis year 2020 (to BGN 16.3 million), in 2021 net profit regains its positive dynamics with a growth of 75.4% to BGN 28,518 thousand, based on the increased operating profits and the decrease in non-operating expenses

The current net financial result of March 2022 represents a profit that is 75.8% higher compared to the same period of the previous year and supports the relatively high return on assets of 2.67%, as well as the interest-bearing part of them (18.61%) separately

Liquidity

Of the traditionally studied liquidity indicators, the *Share of the equity* in *total liabilities indicator* retains a downward trend from very high levels (from over 20% at the beginning of the period, 2017) to 18.3% at the last reporting date in the analysis. This results from the outpacing growth of total liabilities despite the high growth of equity. These indicator levels remain much higher relative to the average for the banking system throughout the period, despite that for the assessed Bank it decreased. Regarding the other indicators concerning the amount of current assets to attracted funds, loan-to-deposit ratio, average gross amount of loans to average amount of assets, significant differences are reported compared to the averages for the system, determined by the already mentioned specific characteristics of the Bank in relation to these indicators without affecting threshold levels in a negative for liquidity aspect.

The values of the *liquidity coverage ratio calculated for supervisory purposes* have been increasing over the past three years, from slightly lower levels in the initial (2017-2018) years (remaining well above its minimum required level), as the *liquidity coverage ratio* is over 3 times above it.

Size and systems

TBI Bank EAD is part of the Second Group Banks, according to the segmentation applied by the BNB.

The bank occupies the 15th position in the banking system (First and Second Group Banks) in terms of assets at the end of the last year, 2021, as well as for the previous year, 2020. In this ranking far behind TBI Bank remain the two smallest banks, Texim Bank and Tokuda Bank, and thanks to the strong growth of assets of the assessed Bank, it is already at a minimal distance behind the first in this ranking, Targovska Banka D - less than BGN 100 million at the end of 2021 and only at BGN 6.5 million at the end of March 2022.

In the arrangement by the *size of the loan portfolio*, the Bank gained two positions ahead in the last three years alone. As a result of the very strong growth of the loan portfolio during these years, as well as its relatively high share in the asset structure, TBI Bank occupies the **11th position** in this ranking (from 14th in 2019), ahead of four banks with larger assets than it – Investbank, Targovska Banka D, International Asset Bank and Municipal Bank.

In terms of the *deposit portfolio size*, TBI Bank occupies the 15th position, with only the already mentioned two smallest banks remaining behind it.

Rating bond issue:
ISIN:BG2100004220

TBI Bank **plans** to issue a bond issue and has submitted an Initial Public Offering Prospectus to the Financial Supervision Commission for approval. **The parameters of the forthcoming issue** are as follows:

- Total nominal amount offered **up to EUR 20 million**, with a minimum amount of funds raised for the issue to be considered successful - EUR 5 million.

- **Nominal and issue value per bond** - EUR 100 thousand. EUR, with a total number of bonds offered - up to 200.

- **Type of bonds** - ordinary interest-bearing, registered, book-entry non-convertible, subordinated, non-cumulative, unsecured, perpetual, **structured to meet the additional tier 1 capital requirements** of Regulation (EU) No 575/2013. on prudential requirements.

The bond issue is **open-ended**, and the funds raised will be used to improve the Bank's capital structure in order to develop the Bank's business, including consumer and business lending, with priority given to consumer lending. Following the successful issue, permission will be sought from the BNB to recognise the proceeds of the Issue as an element of the Bank's additional Tier 1 capital.

Yield - a fixed interest rate for the first five years representing the interest rate determined in accordance with the procedure described in the Prospectus, by submitting and ranking in ascending order the applications with a proposed interest rate therein.

The BCRA Rating Committee, having considered the following:

- The comprehensive analysis of the Bank's performance in connection with the assignment of a long-term financial strength rating to TBI Bank;

- The financial forecast prepared for the next three years, with parameters assessed as realistic and feasible, in view of the analysis of past performance;

- The parameters of the issue within the above mentioned framework, and that the proceeds of the issue will be used to support the capital base and expansion of the business within the Bank's usual structural framework, with no change in this respect and no use for special lines or projects that would potentially increase the risk assessment,

took the following decision:

to assign **a long-term rating to the said bond issue** (**ISIN:BG2100004220 - in the process of issuance**) equal to that of the issuing bank, TBI Bank, or: **BBB-** with a "**stable**" outlook and a short-term rating of **A-3**.

BCRA performs ongoing monitoring as part of its regular annual reviews (updates) of the ratings assigned and any change directly affecting the bank's rating would also affect that of the bond issue.

*During the period under review, **TBI Bank EAD** reported sustainability by maintaining high performance, with increased growth rates of attracted funds and assets. In a year of recovery from the subdued performance of the country's banks impacted by the previous year's global pandemic impact, strong operating results were achieved, a process of improvement in the quality of the loan book was initiated and the Bank's significant comparative advantage in most earnings quality and return metrics was consolidated.*

*The rating of TBI Bank can be **positively impacted** by the continued process of portfolio quality improvement, the Bank's continued high growth rates, and financial performance, while maintaining strong levels of capital adequacy and liquidity.*

The rating could be negatively affected by a possible deterioration in the quality of the loan portfolio as a result of the impact of the COVID-19 pandemic and the armed conflict in Ukraine on the economic environment in general and the financial position of the Bank's customers in particular.

Key Indicators

(BGN' 000)	*03.2022*	*2021*	*2020*	*2019*	*2018*	*2017*
Balance Sum	1 383 528	1 309 017	1 029 984	876 035	745 072	688 306
Gross Loans	1 041 456	958 728	715 265	658 011	558 474	463 701
Equity	253 291	247 458	220 479	202 338	185 798	164 075
Net Interest Income	51 128	176 703	155 122	147 487	121 269	80 744
Net Financial result	10 893	28 518	16 261	37 800	25 407	30 517
Total Capital Adequacy	21.23%	23.17%	19.78%	17.18%	21.03%	24.03%
Net Interest Margin	17.29%	17.29%	18.64%	20.70%	22.98%	18.72%
RoA	2.67%	2.43%	1.71%	4.68%	3.46%	4.68%
Gross classified Exposures / Total Loans	10.51%	11.37%	17.40%	16.28%	16.20%	12.12%
Net coefficient of generation of due payments	0.05%	-2.61%	3.15%	3.82%	9.03%	-
Liquidity coverage ratio	270%	319%	283%	243%	232%	268%