FitchRatings

Non-Bank
Financial Institutions
Finance & Leasing Companies
Georgia

JSC TBC Leasing

Key Rating Drivers

Support Drives IDRs: JSC TBC Leasing's (TBCL) Issuer Default Ratings (IDRs) are driven by the support from its parent, TBC Bank (BB-/Negative). Fitch Ratings believes that the propensity and the ability of TBC Bank, Georgia's largest bank, to support TBCL are high. This reflects the high reputational implications of a subsidiary default, as well as full ownership, the size, integration, common branding and a record of capital and funding support. TBCL is the market leader in leasing and caters to a risky segment of clients, but has collateral available.

Reputational Risk Drives Support: TBCL's foreign lenders are the same International Financial Institutions (IFIs) and impact investors from which TBC Bank sources a material portion of its own wholesale funding. Fitch believes a failure to support TBCL would significantly damage the reputation of TBC Bank with its key wholesale lenders, undermining its business model and growth potential.

Extensive Record of Support: TBC Bank has provided both capital and funding in recent years to support TBCL's growth and ensure TBCL's covenants compliance. TBC Bank has approved an additional injection in the amount of GEL2.5 million (USD0.8 million), to be disbursed based on TBCL's needs. TBC Bank provides TBCL subordinated and senior loans as well as letters of support to enable third-party borrowing, and facilitates TBCL's bond placements.

Role in the Group: TBCL operates in Georgia, the group's domestic market. The company accounts for a modest 2% of group's assets, but its role in TBC Bank's products offering is increasing, following recent regulatory changes. Being 100% owned by TBC Bank, TBCL aligns its strategy and risk policies to those of the parent, while retaining a certain operational independence. TBCL shares TBC Bank's brand and it generates most of new leases through the parent's branches. Funding is largely coordinated by the parent for the whole group.

Weaker Standalone Profile: TBCL's standalone profile is constrained by its monoline business model and high leverage, as well as by high risk appetite and weaker asset quality. TBCL tightened underwriting in 2020, to mitigate the pandemic's impact, and has delayed the launch of higher-risk, higher-yielding products. Still, asset quality is weak (impaired leases were 14% of total at end-3Q20) and impairment costs eroded earnings in 9M20 (the annualised return on average assets was 0.4%). Net debt to tangible equity remained elevated at 7.3x at end-3Q20.

Secured Debt Equalised to IDR: TBCL's senior secured debt rating is equalised with the company's Long-Term IDR, notwithstanding the bond's secured nature and an outstanding buffer of contractually subordinated debt. This reflects high uncertainty about asset recoveries in a scenario where TBCL and TBC Bank would be in default, a scenario which would likely be accompanied by considerable macroeconomic stress in Georgia.

Rating Sensitivities

Parent's Rating: TBCL's negative outlook mirrors that of TBC Bank and its ratings would reflect changes in the bank's ratings.

Support Is Key: A material weakening in TBC Bank's propensity or ability to support TBCL might result in a notching differential from the parent. This could be driven by TBCL's weak performance, a greater risk of regulatory restrictions on support, or a reduction in TBCL's strategic importance.

Relative Ranking of Securities: Changes to TBCL's Long-Term IDR would be mirrored in the company's senior secured bond rating. The possible conversion of the bond to unsecured would not lead to a rating downgrade of the issue, provided that this is accompanied by a similar conversion of TBCL's other funding facilities.

Ratings

Foreign Currency	
Long-Term IDR	BB-
Short-Term IDR	B
Local Currency	
Long-Term IDR	BB-
Short-Term IDR	B
Support Rating	3
Sovereign Risk	
Long-Term Foreign-Currency IDR	BB
Long-Term Local-Currency IDR	BB
Country Ceiling	BBB-

Outlooks

Long-Term Foreign-Currency IDR	Negative
Long-Term Local-Currency IDR	Negative
Sovereign Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Local-Currency IDR	Negative

Applicable Criteria

Non-Bank Financial Institutions Rating Criteria (February 2020)

Country-Specific Treatment of Recovery Ratings Criteria (January 2021)

Related Research

Fitch Affirms TBC Leasing (January 2021)

TBC Bank (June 2020)

Fitch Ratings' Presentation – Leasing Sector in Russia and CIS (December 2020)

Fitch Ratings 2021 Outlook: Emerging Europe Finance and Leasing Companies (December 2020)

Fitch Ratings 2021 Outlook: CIS, Georgian and Ukrainian Banks (December 2020)

Analysts

Aslan Tavitov
+44 20 3530 1788
aslan.tavitov@fitchratings.com

Luca Vanzini
+49 69 768076 143
luca.vanzini@fitchratings.com

Debt Rating Classes

Rating level	Rating
Senior secured debt	BB-

Source: Fitch Ratings

Fitch has assigned a senior secured debt rating of 'BB-' to TBCL's GEL70 million bond issuance. The issue rating is equalised with TBCL's Long-Term Local-Currency IDR of 'BB-'. The absence of an uplift reflects the high uncertainty about asset recoveries in a scenario where TBCL and TBC Bank were in default, which would likely be accompanied by considerable macroeconomic stress in the country.

The bond issuance has a three-year maturity (March 2023) and is denominated in local currency. It is priced on a floating base (the three-month Tbilisi interbank interest rate, plus a spread). The bond is secured with a portfolio pledge by TBCL and ranks pari passu with all other senior secured lenders.

Additional Features of the Bond

TBCL's bond includes an option to release the portfolio pledge and turn the bond into an unsecured instrument. The option is triggered if all of TBCL's bilateral secured lenders (local banks and international impact investors) agree to release the portfolio pledges they received from TBCL. In this event, bondholders would be able to either put the bond or accept a higher coupon rate for its remaining maturity.

The conversion of all secured borrowings would not lead to an issue rating downgrade, provided that negative pledge covenants hold and the relative ranking of issued securities is unchanged. Fitch would then assign a new Senior Unsecured Debt Rating to the issue and withdraw the Senior Secured Debt Rating.

Ratings Navigator

Institutional Support			Value
Parent IDR			BB-
Total Adjustments (notches)			+0
Institutional Support:			**BB-**
Support Factors (negative)	**Equalised**	**1 Notch**	**2+ Notches**
Parent ability to support and subsidiary ability to use support			
Parent/group regulation		✓	
Relative size	✓		
Country risks	✓		
Parent Propensity to Support			
Role in group		✓	
Potential for disposal		✓	
Implication of subsidiary default	✓		
Integration		✓	
Size of ownership stake	✓		
Support track record	✓		
Subsidiary performance and prospects		✓	
Branding	✓		
Legal commitments		✓	
Cross-default clauses			✓

Support Matrix Legend

Tick Colors – Influence on final IDR

- Higher influence
- Moderate influence
- Lower influence

Significant Changes

Coronavirus Raises Uncertainty, Adds Operating Challenges

Fitch forecasts a sharp economic slowdown in Georgia with a GDP contraction of 4.8% in 2020 followed by a 4.5% recovery in 2021. The risks to this baseline forecast are tilted to the downside. We also expect a further weakening in Georgia's external finances due to a halt to inward tourism and lower inflows of remittance (current account deficit projected as 11% of GDP in 2020). However, concessional official borrowing should help to meet external financing needs (net external debt to GDP projected at 64% in 2020).

In mid-March 2020 Georgian banks and microfinance companies offered short (up to three months) payment holidays to all individuals and also companies in most affected industries, as recommended by the National Bank of Georgia (NBG). Leasing companies were not formally required to do so, but TBCL offered payment holidays on an ad hoc basis. Further extensions are available to customers who have lost their jobs.

Institutional Support Assessment

TBCL's Failure Would Jeopardise TBC Bank's Access to Funding

Fitch deems that TBC Bank has a strong propensity to support TBCL, because TBCL's failure would jeopardise TBC Bank's own access to international wholesale finance.

TBC Bank borrows a material portion of its wholesale funding from IFIs (35% at end-3Q20)and other impact investors.

IFIs and other impact investors provide 62% of TBCL's non-parental funding at end-3Q20 and have all received non-binding letters of support from TBC Bank. Fitch believes that a failure to support TBCL would significantly damage the reputation of TBC Bank with its wholesale lenders.

Long Support Record by TBC Bank

Capital injections have been chiefly required to ensure TBCL's compliance with its loans' covenants, as portfolio growth outpaced the internal capital generation. TBC Bank injected GEL6 million (19% of total capital) in 2019 and approved other GEL2.5 million which were not yet required due to TBCL's slow growth (2% in 9M20). TBCL also has a GEL2.4 million subordinated loan from TBC Bank, maturing in July 2023.

TBC Bank also provides funding to TBCL, with a USD30 million credit line (of which USD12 million had been drawn at end-3Q20). TBCL relies on the parent to attract third-party funding, through non-binding letters of support and the group's investment banking arm (TBC Kapital).

TBCL has usually met TBC Bank's ambitious financial targets (return on average equity above 20%, lease portfolio growth of above 30% per annum, a cost of risk of under 2% and a cost-to-income ratio of under 40%). A sustained weakening in TBCL's performance may reduce its strategic importance and so the availability of capital and funding support from TBC Bank.

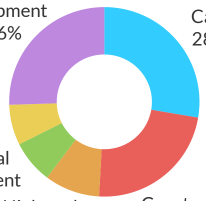
Company Summary

Dominant Market Position in Georgia's Leasing Industry

TBCL dominates Georgian leasing market with 70% share of total net investement in leases. Recent regulatory tightening of the banking and microcredit sectors have increased the potential for still-unregulated leasing companies. Fitch expects that in the medium term TBCL will remain the market leader but will gradually lose its market share as the competition stiffens upon the end of the pandemic.

TBCL's franchise benefits from the strong brand recognition of its parent, TBC Bank, which is Georgia's largest bank (about 40% of system's loans and deposits at end-3Q20). TBCL increasingly generates new business through referrals from TBC Bank's branch network, but it is operationally autonomous in its key functions (such as lease underwriting, risk management, IT systems). Fitch views positively the growing integration of TBCL into TBC Bank's MSME strategy and product offering (Micro, Small and Medium Enterprises), which should support volume growth.

Portfolio by Leased Assets at End-3Q20



Source: Fitch Ratings

Core SME Portfolio, with Growth Plans in Retail and Real Estate

TBCL is a monoline leasing company, focusing on SMEs (legal entities represented about 85% of the portfolio at end-3Q20) and providing financial leasing (about 95% of leasing income). TBCL's main products include automotive vehicles, construction equipment and medical equipment. The launch of real estate operational leases (such as office premises) have been postponed due to the pandemic, but TBCL expects demand for sale-and-lease-back products to materialise in 2021. We consider this a riskier segment, but the management plans to keep a limited total exposure to real estate.

Retail leasing amounted to 13% of the end-3Q20 portfolio, but we expect it to be the main growth driver after the end of the pandemic. This segment comprises mostly new and used cars (12% of the total portfolio), but in the medium term TBCL plans to introduce consumer goods leasing as an alternative to unsecured consumer loans (e.g. electronics, white goods).

Qualitative Assessment Factors

Operating Environment

Regulatory Changes Drive Leasing Growth in Georgia

Recent regulatory tightening aims at curbing fast credit growth and retail indebtedness. Banks and microfinance organisations are subject to maximum loan-to-value and payment-to-income ratios, tighter underwriting and higher capital requirements through risk-weighting. Leasing companies remain out of the scope of this regulation allowing them to cater to riskier, more leveraged clients. Leasing companies retain legal title of the leased assets for quick repossession and the leased assets do not count towards the lessee's total indebtedness.

At the same time, Fitch expects that the NBG will increase its scrutiny of the leasing sector in the medium term. Prudential regulation of leasing companies is now limited to the general interest rate cap (of 50%) and to the requirement for all loans below GEL200,000 to be nominated in lari.

Risk Appetite

Heightened Risk Appetite, Mitigated by Collateral Availability

Fitch expects TBCL to progressively take over a riskier, but higher-yielding portion of TBC Bank's clients, owing to its unregulated status. Fitch considers that in the medium term TBCL will increase its exposure to subprime retail clients, through consumer leasing, and to residual value risk, through the operational leasing of real estate and construction machinery.

TBCL has limited direct exposure to market risk, but it is highly exposed to foreign-currency (FC)-induced credit risk. TBCL is willing to issue FC leases to unhedged borrowers, and about 50% of the lease portfolio is denominated in FC. TBCL also aims to issue most of the leases above GEL200,000 in FC, positively with higher downpayments compared to lari leases.

Financial Metrics

Asset Quality

High Impaired Exposures Reflect Risk Appetite

Total Stage 3 exposures deteriorated to 20% at end-3Q20 from 18% at end-2019. We define these as both leases and other receivables classified under Stage 3 in IFRS9. The latter include receivables from terminated leases and loans issued to lessees. Impaired leases increased to 14% of total at end-3Q20 from 10% at end-2019.

Reserve coverage improved to a still low 17% at end-3Q20 (9% at end-2019), reflecting reliance on collateral. Adequate collateral management results in limited write-offs and adequate impairment costs, amounting to about 2% of the average lease portfolio (2015-9M20).

Earnings & Profitability

High Risk, High Reward Model

Return on average assets (0.4% in 9M20) was negatively affected mainly by higher impairment costs (GEL7.2 million), but also by foreign-exchange net loss (GEL1.9 million in 9M20) and higher interest expenses. The latter reflect TBCL's decision to increase its on-balance liquidity during the pandemic (GEL81 million at end-3Q20, compared to GEL19 million at end-2019). Fitch expects profitability to recover in 2021.

TBCL's historically high profitability (return on average equity, ROAE, of 26% in 2015-2019) underpins TBCL's role in its parent's strategy. TBCL's ROAE is driven by its high portfolio yield (17% in 2015-2019), which leaves a sound margin (around 5%) after the cost of funding, impairments and insurance expenses. We expect TBCL's portfolio yield to remain solid in the medium term, despite competition from regulated lenders (i.e. banks and microfinance). Operating costs remained moderate, at 64% of net interest revenues in 2019 (after insurance expenses).

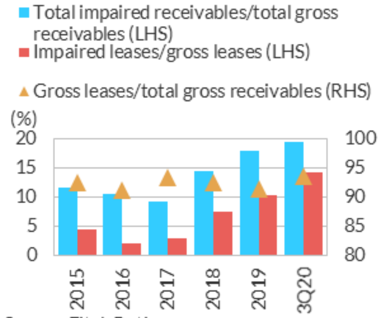
Capitalisation & Leverage

High Leverage, Capital Optimisation at Group Level

TBCL's leverage increased in 2020 (debt-to-tangible equity 9.5x at end-3Q20), as the company accumulated liquidity during the pandemic and drew additional credit lines. This was lower 7.3x net of liquid assets (6.8x at end-2019). Fitch includes TBCL's subordinated debt of GEL32 million (9.5% of total debt at the end-3Q20) to the debt quantum, because it matures in less than five years (mostly by January 2023).

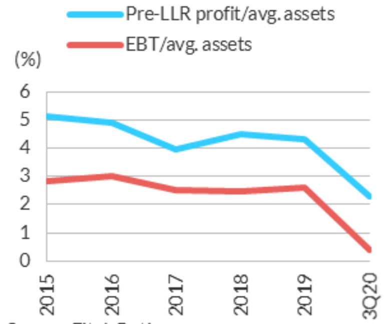
TBCL's leverage is considerably weaker than at independent peers resulting from TBC Bank's group-wide capital optimisation policy. This is aggravated by the weak asset quality, high risk appetite and asset concentration (ten largest exposures at 1.7x tangible equity at end-3Q20).

Asset Quality



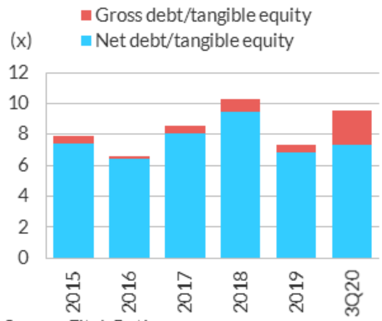
Source: Fitch Ratings

Profitability



Source: Fitch Ratings

Capitalisation & Leverage



Source: Fitch Ratings

Funding, Liquidity & Coverage

Secured Funding and Support from the Parent

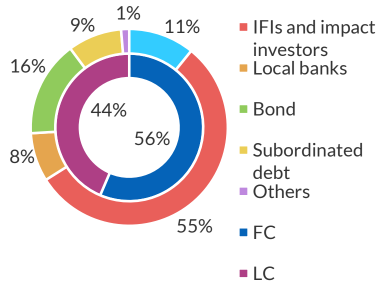
The vast majority of TBCL's funding (about 90%) is secured with its lease portfolio, to guarantee pari passu across TBCL's third-party senior lenders, some of which originally lent on a secured basis. In addition, NBG regulation mandates that all lending from TBC Bank to TBCL must be on a secured basis, as the latter is a related party outside of the regulatory perimeter. TBCL has already obtained the necessary consent to release the collateral from most of its bilateral lenders, conditional to all outstanding lenders accepting. The collateral could be released in the medium term, pending changes in NBG regulation.

TBCL's access to third-party funding is helped by the parental support. TBC Bank also provides a USD30 million funding line to TBCL, of which only USD18 million remain undisbursed at end-3Q20. The line size is constrained by regulatory requirements but we believe the NBG might waive restrictions in the event of a temporary extraordinary liquidity need.

High Liquid Assets Reduce Vulnerability to Shifting Market Appetite in the Pandemic

TBCL raised GEL255 million in 9M20 (including a GEL58 million senior secured bond) partly used to accumulate liquid assets: GEL81 million at end-3Q20, or sound 20% of total assets. TBCL plans to keep elevated liquidity buffer during 2021.

Debt Sources at End-3Q20
Inner ring: By currency
Outer ring: By lender



Source: Fitch Ratings

Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

JSC TBC Leasing has 5 ESG potential rating drivers

- JSC TBC Leasing has exposure to fair lending practices; pricing transparency; repossession/foreclosure/collection practices; consumer data protection; legal/regulatory fines stemming from any of the above but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	6	issues	2
	3	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	2	Regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc.	Operating Environment
Energy Management	2	Investments in or ownership of assets with below-average energy/fuel efficiency which could impact future valuation of these assets	Risk Appetite
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Asset Quality

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	n.a.	n.a.
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Fair lending practices; pricing transparency; repossession/foreclosure/collection practices; consumer data protection; legal/regulatory fines stemming from any of the above	Operating Environment; Risk Appetite; Asset Quality
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy; Earnings & Profitability; Capitalization & Leverage; Funding, Liquidity & Coverage
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core activities	Company Profile; Earnings & Profitability

S Scale: 5, 4, 3, 2, 1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Management & Strategy

G Scale: 5, 4, 3, 2, 1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. ESG issues are credit neutral or have only a minimal credit impact on TBCL, either due to their nature or the way in which they are being managed. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

As support-driven issuers have strong linkages to their support providers, the ESG Credit-Relevance Score assigned to the 'supported' subsidiaries often mirror those of their corporate and FI parents. This reflects our opinion that many of the ESG elements at the parent level are credit relevant for the subsidiary.

TBCL's scores are mostly aligned with those of its parent, TBC Bank. We score TBCL differently from TBC Bank on "GHG Emissions" and "Energy Management" at '2'. This reflects that these two topics are irrelevant for TBCL, but relevant for the broader leasing sector.

Income Statement

(GEL 000)	3Q20	1H20	2019	2018	2017	2016	2015
Revenues							
Interest income	40,416	25,620	52,296	41,391	22,805	16,767	15,242
Interest expense	-18,610	-11,897	-20,680	-15,356	-9,345	-7,357	-6,209
Net Interest income	**21,806**	**13,723**	**31,616**	**26,035**	**13,460**	**9,410**	**9,033**
Operating expenses	-13,140	-4,534	-10,371	-9,110	-5,692	-3,619	-4,653
thereof: Insurance costs	n.a.	n.a.	-4,468	-3,476	-1,875	-1,615	-1,061
Other income, net	222	902	-54	537	1,787	1,872	875
Gain (loss) on repossessed and other assets	-197	-214	196	-789	71	480	-650
Impairment expenses	-7,206	-4,899	-5,520	-4,886	-2,256	-2,139	-2,037
Pre-tax income	**1,486**	**4,978**	**15,867**	**11,787**	**7,370**	**6,004**	**2,569**
Income tax	0	0	0	0	0	-166	-502
Net income	**1,486**	**4,978**	**15,867**	**11,787**	**7,370**	**5,838**	**2,066**
Other comprehensive income	-1,039	0	162	0	0	0	0
Total comprehensive net income	**447**	**4,978**	**16,029**	**11,787**	**7,370**	**5,838**	**2,066**

Source: Fitch Ratings, JSC TBC Leasing

TBCL publishes yearly IFRS audited financials and interim semi-annual unaudited financials. Fitch used management accounts for 3Q20 according to IFRS.

Balance Sheet

(GEL 000)	3Q20	1H20	2019	2018	2017	2016	2015
Assets							
Cash & equivalents	81,270	32,612	19,357	18,639	7,829	2,636	5,283
Due from banks & restricted cash	0	10,000	0	0	4,468	2,641	5,557
Gross lease receivables	**297,548**	**300,047**	**290,541**	**242,232**	**170,994**	**105,977**	**85,794**
Memo: Impaired lease receivables included above	42,198	0	29,924	18,372	5,161	2,227	3,947
Less: Lease receivable loss allowances	-7,438	-5,618	-2,731	-2,457	-1,459	-1,292	-800
Net lease receivables	**290,110**	**294,429**	**287,810**	**239,775**	**169,535**	**104,685**	**84,994**
Gross other financial receivables	32,537	28,257	27,286	19,544	12,003	n.a.	n.a.
Less: Receivable loss allowances	-19,315	-18,978	-17,175	-12,218	-7,956	n.a.	n.a.
Other financial receivables, net	**13,222**	**9,279**	**10,111**	**7,326**	**4,047**	**4,151**	**2,402**
Prepayments	3,230	2,246	3,552	2,490	3,013	1,028	1,075
Financial derivatives	4,345	1,529	0	0	0	0	0
Goodwill and intangible assets	2,080	1,995	1,725	1,160	717	508	87
Tax assets	1,596	2,042	2,974	1,019	2,463	764	2,048
Repossessed collateral	6,246	6,512	6,129	7,805	3,328	2,573	4,463
Fixed & other assets	15,273	10,105	10,660	11,470	5,429	2,559	141
Total assets	**417,373**	**370,749**	**342,318**	**289,684**	**200,829**	**121,545**	**106,051**
Liabilities							
Advances from customers	13,386	16,960	18,836	17,726	12,907	7,044	6,699
Secured debt from financial institutions	262,312	219,766	242,196	204,369	135,782	68,236	66,056
Issue securities	58,055	58,083	0	8,094	7,798	13,261	4,798
Subordinated debt	35,497	33,138	31,227	29,247	15,685	15,834	15,073
Other liabilities	8,633	4,004	11,014	5,531	9,257	1,855	2,502
Total liabilities	**377,882**	**331,951**	**303,273**	**264,967**	**181,429**	**106,229**	**95,128**
Total equity	**39,490**	**38,798**	**39,045**	**24,717**	**19,401**	**15,316**	**10,924**
Total liabilities and equity	**417,373**	**370,749**	**342,318**	**289,684**	**200,830**	**121,545**	**106,051**

Source: Fitch Ratings, JSC TBC Leasing

Other financial receivables include terminated leases and loans issued to lessees. At end-2019 they were all classified under Stage 3 in IFRS 9.

Summary Analytics

	3Q20	1H20	2019	2018	2017	2016	2015
Asset quality metrics							
Impaired receivables/gross receivables (%)	19.6	n.a.	18.0	14.5	9.4	10.6	11.7
Receivable loss allowances/impaired receivables (%)	43.1	n.a.	34.8	38.7	54.9	58.8	48.7
Impaired receivables less loss allowances/ tangible equity	94.5	n.a.	100.0	98.7	41.5	34.3	51.2
Receivables impairment charges/average gross receivables (%)	2.3	1.5	1.9	2.2	1.5	2.0	2.5
Growth of gross receivables (%)	-0.1	-5.6	21.4	43.0	57.6	25.3	32.9
Impaired receivables generation (%)	6.5	n.a.	11.2	16.1	7.0	5.1	11.3
Lease portfolio dollarisation (%)	n.a.	n.a.	46.8	66.2	75.9	90.1	87.6
Earnings and profitability metrics							
Pre-tax income/average assets (%)	0.4	0.1	2.6	2.5	2.5	3.0	2.8
Pre-tax income/average equity (%)	3.8	1.3	25.6	27.6	23.5	26.2	28.2
Operating expenses less insurance costs/net revenues (%)	n.a.	n.a.	29.2	31.4	42.0	35.7	39.8
Insurance costs/net revenues (%)	n.a.	n.a.	14.1	13.4	13.9	17.2	11.7
Impairment charges/pre-impairment op. profit (%)	82.9	90.3	40.3	44.5	35.6	38.3	44.2
Interest income/average gross receivables (%)	16.5	15.6	17.0	17.6	15.1	16.1	18.8
Interest expense/average debt (%)	7.9	8.1	8.0	7.7	7.3	8.0	8.7
Net interest income less insurance and loss allowances/average gross receivables (%)	n.a.	n.a.	5.5	6.2	5.0	4.4	6.2
Capitalisation and leverage metrics							
Debt/tangible equity (x)	9.5	8.5	7.3	10.3	8.5	6.6	7.9
Debt/tangible equity plus subordinated debt (x)	4.9	4.4	4.0	4.6	4.6	3.2	3.3
Tangible equity/tangible assets (%)	9.0	10.0	11.0	8.2	9.3	12.2	10.2
Impaired receivables less loss allowances/ tangible equity (%)	94.5	n.a.	100.0	98.7	41.5	34.3	51.2
Funding and liquidity metrics							
Unsecured debt/total debt (%)	10.0	10.7	11.4	12.1	9.8	16.3	17.5
Short-term debt/total debt (%)	27.7	32.8	64.2	48.0	41.9	26.9	29.4
Debt in FX/total debt (%)	58.8	n.a.	66.2	65.9	75.8	87.0	89.7
Liquid assets/total assets (%)	19.5	8.8	5.7	6.4	3.9	2.2	5.0
Aggregate maturity gap/tangible equity (%)	n.a.	n.a.	37.5	3.3	9.1	51.3	29.1

Source: Fitch Ratings, JSC TBC Leasing

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.