



A Next Generation Banker

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Credit Risk Director
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B2Holding buys a portfolio of EUR 800 million in Croatia

The Norwegian B2Holding, part of which is Debt Collection Agency (DCA), has acquired a non-performing loans portfolio of nearly EUR 800 million in Croatia. The seller is "HETA Asset Resolution". The buyer is a joint-venture partnership with equal participation of B2Holding and DDM Group. The unpaid receivables are secured corporate loans. The deal is expected to be finalised in the second quarter of the year the latest. The portfolio of non-performing loans will be processed by the joint venture of B2Holding and DDM Group, together with B2Kapital Croatia, the Croatian branch of the Norwegian company. The money for the acquisition has been provided from the free cash and the short-term bank financing reserves, which can be used when necessary.

The bad quick loans have decreased to 10%

The non-performing loans of the non-bank companies have fallen by almost 40% only for a year, according to data of BNB for 2018. This is strongly influenced by the sales of overdue payables as stated by the Central Bank. The data include all non-bank lending companies. At the end of December, they had only 8.6 % of non-performing loans. In terms of value, loans have fallen to BGN 210.5 million, which is almost two times less than at the end of 2016. Over the last year, receivables were sold for a total of BGN 94.5 million, out of which - 20% only in the fourth quarter of the year. Over BGN 1 billion of the loans granted by non-bank companies have a maturity of more than five years. The biggest decrease is in the loans with a term of between one and five years - in 2018 they dropped by nearly 16%. The loans for up to one year have also declined – 12% on annual basis.

B2Holding will invest €560 mln.

The Norwegian B2Holding, part of which is Debt Collection Agency (DCA), is ready to invest more than EUR 560 million to acquire portfolios of non-performing loans in 2019 and is well positioned to take advantage of market opportunities, as the company has stated after the publication of the results for the last quarter of 2018. Southeastern Europe (SEE), including Bulgaria, Romania, Greece and Cyprus, is the third most important business region for B2Holding in Central and Northern Europe. SEE has generated 18% of the Holding's operating profit for 2018, which is estimated to be about EUR 147 million, as well as about one quarter of the realized revenue from redeemed portfolios of non-performing loans. In SEE, the Norwegian Holding operates through DCA (Bulgaria, Romania) and B2Kapital (Romania, Greece, Cyprus). In October-December 2018, B2Holding invested nearly EUR 40 million in portfolio acquisition in SEE, with which the company's investments for receivables purchase in the region for the whole of 2018 exceeds EUR 145 million – twice more than in 2017.

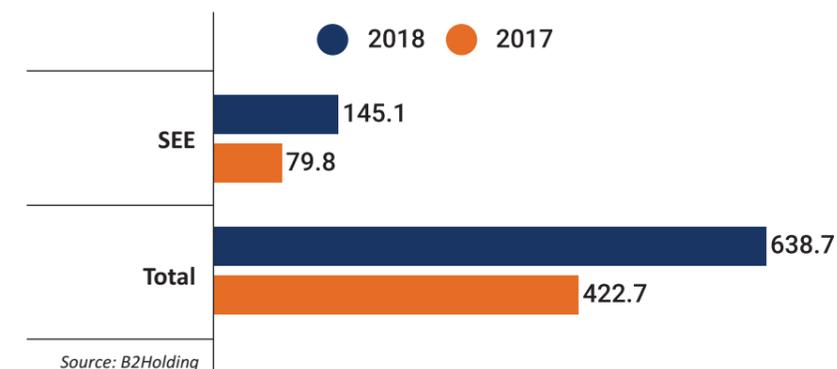
The B2Holding's business in Bulgaria, Romania, Greece and Cyprus has significantly improved its productivity. In the last quarter of 2018, B2Holding achieved a gross collection rate of SEE's redeemed portfolios

New IT system outputs DCA ahead in innovation

Debt Collection Agency (DCA) is implementing an innovative IT data analysis system. The company, which is part of the Norwegian B2Holding, specializes in buying and managing bad loans, and to enhance its main business is already using the Qlik Sense System, supplied by Balkan Services. A similar type of software, unified under the name "Business Intelligence" (BI), makes it easier to collect and visualize data. Information on the implementation of Qlik Sense in DCA has been disseminated even by the specialized media Cio.bg. Global BI market will reach USD 34.4 billion by 2022, according to forecasts.

The company has expanded so much that we have been generating tens of millions of different data, and we had to find a solution which

B2Holding investment in portfolios EUR million



of nearly EUR 17 million with collection costs of 35%. There is doubling as compared to the same period in 2017, when EUR 8.5 million were collected, and the cost was almost half of the collected. According to the management's assessment, the better results are due to the increased volumes of non-performing loans purchased, with which the Holding managed to achieve the gross collection rate of the Norwegian holding in SEE for the whole of 2018, reaching EUR 53.7 million - twice as much as for the previous year. The growth along this indicator is accompanied by improved efficiency - the proportion of debt collection costs dropped from over 47% in 2017 to 38% a year later.

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will help us process them and get the results for best management of the business. That's why we turned to the BI solution", said Mihail Georgiev, Head of the Credit Risk and Reporting Department In DCA. At the end of 2017, a pilot project was conducted to test the abilities of one of the main database reports, used daily. The Balkan Services provider offers new options that make it easier for DCA to operate and opens up new opportunities. As a result, a lot of time and resources have been saved, and the compilation of various reports is completely automatic.

The new system will also be implemented in the subsidiary of DCA in Romania. It will be a complete twin version of the Bulgarian variant, with only a few minor changes in the details in view of the differences in the markets of the two countries. Qlik Sense in Bulgaria and in Romania will be completely independent as IT support, as both systems have their own hardware. The employees of both companies are now able to track real-time business operations, goals achievement, the performance of the separate activities, and the entire collection process.

The credit expansion poses risks

The fast credit growth can create cyclical risks in the banking system of Bulgaria. This is pointed out in the BNB report on the state of the banks in the third quarter of 2018. According to the Central Bank, risks may arise in the event of a future interest rate rise or in case of weakening in the economic activities. These risks are the result from the growing tendency for banks to lend more and more. This tendency is stronger with household lending, while the housing loan growth leads to increase in property prices. Bulgaria's gross loan portfolio has risen by BGN 1.4 billion to reach BGN 60.3 billion. Household and business loans increased in the third quarter of last year as compared to the second. The increase in the loans to households is with BGN 375 million, and for non-financial enterprises – with BGN 537 million. About 97% of the loans granted in the last ten years have a fixed interest rate period of less than a year.

Bankers expect a slowdown in crediting

Banks in Bulgaria take advantage of the favourable time and intensely try to clean up their portfolios. This is what the Chairman of the Association of the Banks in Bulgaria (ABB) Petar Andronov has commented in the newsletter of the organization for the first quarter. A favorable moment is interpreted by Andronov as a period of economic growth above the average for Europe, combined with low unemployment, income growth and fiscal stability. The banker is not such an optimist about the current year and warns about a change in the interest cycle, accompanied by a slowdown in the economy. In his opinion, banks will continue to stick to their rigorous criteria when granting funds.

Martin Muranski,
Credit Risk Director
at TBI Bank:

“WITH THE HELP OF ARTIFICIAL INTELLIGENCE WE IMPROVE OUR SERVICES AND BETTER UNDERSTAND CUSTOMERS’ NEEDS”

Digitalization and accessibility at anytime are the future of all financial institutions, as stated by TBI Bank

A Next Generation Banker

What is it like to be a digital bank in Bulgaria and how is this managed with the help of modern technologies? The Slovak Martin Muranski, Credit Risk Director at TBI Bank, knows the answers. Our meeting with him is real - technologies have not yet replaced face-to-face contact. That's why the entire branch network of the bank was preserved even after 2016 when 4Finance Holding bought TBI Financial Services - the Dutch holding, which owns TBI Bank. TBI Bank is a classic bank in terms of license and servicing; it offers deposits and many types of loans. It has the ambition to be a next-generation financial institution with a wide choice of online and mobile solutions for personal and corporate financing. All this is part of the new strategy after it joined 4finance, Europe's largest online and mobile consumer credit group.

The big advantage of the digital bank is the possibility of uninterrupted customer access to services, literally 24 hours, seven days a week. The TBI brand has long been known to Bulgarian clients for its credit products. Even at present, the bank offers fast and commodity loans, but it also has deposits, issues credit cards, allows for the opening of current accounts and money transfers. The common feature of all services is that you can become a client and use products without ever having to go to a real office. The quick and direct relationship with clients is a prerequisite for quick response - including improvements to products and services.

For a short time after its acquisition, the transformation was almost completed and from a typical for the 1990s in structure bank, TBI Bank became a horizontal organization, offering multiple channel services. When we talk about online banking, it's been for a lot of time much more than just logging in through the personal computer. Digital banks are also a mobile application, and the ability to access any product by phone or whatever device you want, and to completely exclude the need for „going to the branch.“ According to Muranski, not only banks, but also other financial institutions will develop in this way. Bulgarians generally still prefer to have physical contact, Muranski admits, and for this reason TBI Bank has retained its large branch network up to now. The offices of the bank in Bulgaria are over 60, while in neighboring Romania there are only 6 of them. In both countries, services are transformed into online channels, and extra support is provided by the further developing AI. Artificial Intelligence does not replace employees, but helps them better understand their clients and respond quickly to their needs.

With its help, products improve towards the so-called “tailor made” or individual solutions. „We would like to improve our services and to better understand the needs of our customers. AI allows for combining, for the opportunity to get closer to clients and be useful and enjoyable to each other, Muranski commented. Artificial Intelligence is also helpful in managing overdue receivables. TBI Bank relies on specialised software and a strategy that helps determine the exact measures and efforts to collect any dues. With its help, the different groups of clients are divided and what will be most efficient is chosen. The basic principles for dealing with arrears are the usual

PROFILE OF TBI BANK

• Owner:	Finance Holding
• Revenue 2018:	BGN 149.4 million
• Profit 2018:	BGN 24 million
• Capital 2018:	BGN 81.6 million
• Employees:	1600

ones for any bank - one part is collected internally, other parts are assigned to a collector company.

DCA – FRAMEWORK AGREEMENT PARTNER FOR REGULAR TRANSACTIONS

TBI Bank is among the banks that work through framework agreements in Bulgaria and Romania. According to Martin Muranski, this is of great help to both parties, and the effect is good - both in Bulgaria and in our northern neighbour. „That's how we plan what conditions to expect,“ said the Credit Risk Manager. Debt Collection Agency (DCA) is a TBI Bank partner under a framework agreement, and this greatly helps the bank with timely collection of overdue loans. The two parties have already built a quick mechanism for processing and repaying outstanding debt, with which the bank and the clients get the chance to become solvent again. In order to make partnerships with collectors, TBI Bank has organized tender procedures for the sale of overdue receivables for both framework and single portfolio sales.

„The sale of receivables is a very good practice and a typical example of how to improve performance by relying on external experts to deal with this,“ the manager says. In his assessment, the bank has a high-quality portfolio, with many secured and non-secured consumer and corporate loans. Business credits without collateral in tangible assets are one of the products with which the bank responds to the demand among small and medium-sized businesses. Bulgaria's good macroeconomic indicators also have a very beneficial influence on the ability of people to repay their debts on time,“ Muranski points out. Loan granting control is a very important part of managing bad debts. And here AI helps a lot – with its help, a client's risk profile is made, based on statistically developed models. Then comes the offer, individually prepared, depending on the potential likelihood of the client to overdue repayment. The bank combines different statistical methods and the information that it collects for its clients - their demographics, behavior, digital habits and other accessible databases. For a digital bank, the close cooperation with AI's many abilities predetermines the type of clients the bank targets. These are the more technologically oriented ones, as well as those that have so far not been clients of classic banks. But let us not talk about equality between youth and technology - such a limitation is not set by TBI Bank. Everyone is welcomed in the digital world.



Travelling along the Danube Bulgaria



The Danube and Northwestern Bulgaria are the new „stars“ among the travellers who are looking for something more than a holiday break. Having been for many years in the shadow of economic and demographic problems, today this region of the country has a lot to show and tell. The Valley of the Danube and its associated historical areas of Northwestern Bulgaria are suitable for almost all types of tourism - for adventure seekers and rock climbers, for cycling tours, gourmet and wine, urban, festival, historical and ecotourism. Tourist ideas for the region have been collected in the book „From the Balkan to the Danube“ of Ciela Publishing House. Its authors are Gavrail Gavrailov from “RuralBalkans.com” site, Vessela Nikolaeva from “Severozapazenabg.com” site and the professional tour guide Mihail Mihov. Danubian Bulgaria and its nearby Western Balkan region, with a few exceptions, are far way from the typical mass tourist flow and organized trips.

HEART OF THE CULTURE

Spring is the beginning of the season and for most places it is the perfect time to go visit. CULTURAL AMBASSADORS. Travelling from Vidin to Silistra, with a stopover at all of the most important sights, takes about a week. You can prolong the journey by going in further from the river banks. The Danubian cities have been for centuries centres of culture and novelties, coming from Western and Central Europe. It is not accidental that Rouse has been called the Little Vienna, and Vidin, Svishtov and Oryahovo do not fall behind. The preserved old architecture is in line with the numerous cultural events such as the March Music Days in Rouse (marchmusicdays.eu) and the performance calendar of

the Rouse Opera. The theatrical life in all of the bigger cities is rich and the theater in Vidin has been gaining more and more popularity and recognition in recent years. There is located also the first building in Bulgaria, built specifically for a theater ground.

FESTIVALS OF THE NORTH

In summer, Vidin and Belogradchik are open air stages for opera festivals. The dates for the „Opera at the Peaks“ in the mountainous town have already been announced (operasofia.bg) and we advise you to start early with buying tickets and booking overnights.

With the coming of spring, a historical revival of the traditions from the Roman Empire begins. Among the most remarkable ones is the „Eagle of the Danube“ Festival in Svishtov, which takes place in June. Tutrakan with its Fisherman’s quarter and the still alive community of fishermen is a destination for culinary tourism. In the nearby Srebarna Reserve, as well as in Persina near Belene, bird-watching is organized of rare birds and protected species. In Vratsa, there is a very special village - Bardarski geran, called the capital of the Banat Bulgarians. In August, there is a ball with Austro-Hungarian dances held there. Banat Bulgarians are part of the ethnographic groups that represent the unique character of Northern Bulgaria. Kapantsi, Vlachs, Turlatas - all of them have original traditions and are increasingly open to tourists. Wine lovers will also be fascinated by the numerous wine cellars in the region, offering wine-tasting on spot. All you have to do is just choose a destination and set off!