



PRESS RELEASE*

Condition of the Banking System as of March 2015¹

In the first quarter of 2015 the banking system reported asset growth and further strengthening of the liquidity position. During the period, liquid assets increased by BGN 2.5 billion to BGN 24.7 billion, and the liquidity ratio, as calculated under BNB Ordinance No. 11, increased by three percentage points to 33.17%. As of 31 March, the profit of the banking sector was BGN 285 million or by BGN 61 million more compared to the one reported for the first three months of the previous year. The improved profitability year-on-year reflects both the change in the banks' pricing strategies, and the reduced impairment costs. The accumulated impairment of loans and receivables in the statement of profit or loss as of 31 March 2015 was BGN 173 million (against BGN 192 million for the first three months of the previous year). The credit risk derived according to the data reported in Form 18 *Information on performing and non-performing exposures* refers to debt instruments, including loans and advances and debt securities². The gross carrying amount of *non-performing exposures* for the banking sector amounted to BGN 10.7 billion.

The *total assets* of the banking system as of the end of the reporting quarter amounted to BGN 86.1 billion, 54.4% of which belonged to the five largest banks. Compared to end-December 2014, the balance sheet total of the banking sector increased by BGN 1 billion (1.2%), driven by the growth of *financial liabilities measured at amortized cost* and of *equity*. No significant changes occurred in the credit institutions' balance sheet structure. At the end of March 2015, the item *cash and cash balances at central banks and other demand deposits*³ amounted to BGN 13.5 billion, i.e. 15.7% of the total assets in the system. During the reporting period investments in securities increased by BGN 2 billion (18.7%) mainly in Bulgarian government securities. As a result debt securities reached BGN 12.7 billion, 9.0 billion of which were issued by domestic sources (residents). Prevailing in the portfolio are instruments reported in the position *Central governments* – BGN 10.1 billion. The share of debt and capital instruments in the total amount of assets of the banking system increased to 15.1% (compared to 12.9% as of end-2014).

At the end of the first quarter, *gross loans and advances* amounted to BGN 62.3 billion, 93% of which were levs and euro denominated exposures. Gross loans to *non-financial corporations* were BGN 33.9 billion. Gross loans to *households* were BGN 18.2 billion, of which BGN 8.9 billion were *residential mortgage*

* Based on obtained data on an individual basis.

¹ Considered from 1.01.2015, BNB started publishing balance sheet statement and statement of profit or loss in accordance with the reporting templates implemented under Implementing Regulation (EU) No. 680/2014. With the implementation of the new European regulatory framework, Banking supervision reporting Form 40 (securities; loans and advances; attracted resources; information of asset quality and impairment) was canceled, and the last published data according to this form were as of end-2014. Data as of end-March 2015 were obtained using standard reporting template 18 *Information on performing and non-performing exposures* of the financial reporting framework (FINREP), and the new BNB macro-prudential reporting form MPF 1 *Debt securities, loans and advances and deposits*. As a result of the harmonization of concepts and definitions, no match should be sought between the method of reporting of these items in the old and the new reports (to the end of 2014 and from January 2015, respectively).

² Due to the differences in the definitions and scope of the new Standard Form 18 *Information on performing and non-performing exposures*, no comparability should be sought with the level of gross and net loans past due more than 90 days, as published by the BNB until the end of 2014.

³ As a result of the changes in the standard reporting forms, the balance sheet item *Cash* has a different scope in the balance sheet reported until the end of 2014 and the present balance sheet (see the attached aggregated balance sheet of the banking system). Direct comparison with the former item *loans and receivables (including financial leases)* should not be made due to changes in the scope of reported information.

loans and BGN 8.8 billion - *credit for consumption*. Receivables from *credit institutions* were BGN 7.8 billion, and those from *other financial corporations* – BGN 1.7 billion.

The total amount of *deposits*⁴ as of end-March amounted to BGN 73.1 billion, 91.3% of which were levs and euro denominated. The resident structure of deposits indicates that 86.4% of them were attracted from domestic sources. The deposits of *households* reached BGN 42.2 billion, or 57.8% of the deposit base of the banking system. The second important source of funding of banking activities are the deposits of *non-financial corporations* – BGN 17.3 billion, followed by the resources from *credit institutions* – BGN 7.8 billion.

As of the end of the quarter the item *total equity*⁵ in the banking system's balance sheet statement amounted to BGN 11.1 billion. Compared to the end of 2014 total equity increased by 2.8%, while the subcategory *paid-up capital* remained unchanged (BGN 3.7 billion).

⁴ Based on the BNB macro-prudential form *MPF 1*.

⁵ Data of regulatory capital adequacy as of 31.03.2015 are received from banks by 12 May. After the required verification and processing the data will be published on the BNB website in the respective period (March, 2015).