

**PRESS RELEASE**

**Condition of the Banking System as of end-September 2017<sup>1</sup>**

During the third quarter of 2017 the balance sheet total of the banking system increased. The growth was mainly in *cash balances at central banks, other demand deposits* and *loans and receivables*. Debt securities decreased due to maturity of bonds of the Bulgarian government in July. Attracted *deposits* increased and liquid assets also grew.

As of end-September liquid assets amounted to BGN 30.9 billion, with *cash and cash balances with the BNB* having the biggest share in their structure – 53.6% (compared to 51.8% as of end-June). The liquid assets ratio calculated under BNB Ordinance No. 11 reached 37.61%.

For the nine months of 2017, the profit of the banking system was BGN 872 million (compared to BGN 1,073 million for the same period of 2016<sup>2</sup>). The impairment costs on loans and receivables for the nine months of 2017 reached BGN 537 million (BGN 236 million as of end-June 2017 and BGN 567 million as of end-September 2016).

In the third quarter the banking system's total assets increased by 2.3% to BGN 95.1 billion. For the same period, the item *cash, cash balances at central banks and other demand deposits* reported a BGN 1.9 billion (10.7%) growth, and its share in the assets at the end of September 2017 reached 20.2% (18.6% at the end of June). The balance sheet amount of loans and advances increased by BGN 1.3 billion (2.3%) and its share in the assets amounted to 61.9% (61.8% at the end of the second quarter). Securities portfolios decreased by BGN 969 million (7.3%) to BGN 12.4 billion, and their share in the balance sheet at the end of the quarter was 13.0% (14.4% at the end of June).

The banking system's *gross loan portfolio* (excluding loans and advances to sectors *central banks* and *credit institutions*) increased in the period July-September 2017 by 1.0% (BGN 553 million) to BGN 56.1 billion. An increase was registered in the loans to *non-financial corporations* (by BGN 446 million, 1.3%) and in those to *households* (by BGN 249 million, 1.3%), with growth of both residential mortgage loans and credit for consumption. Loans to *other financial corporations* decreased (by BGN 142 million, 5.9%), and the amount of those to the *general governments* sector remained almost unchanged.

During the quarter the downward trend in the gross amount of non-performing loans and advances in the banking system continued and as of end-September they were BGN 9,305 million (compared to BGN 9,462 million at the end of June). Their share in the total gross amount of loans and advances decreased to 11.45% (12.11% in June). The net amount of non-performing loans and advances (with the deduction of the impairment for that classification category) decreased to BGN 4480 million or to 5.88% of the total net amount of loans and advances.

The *deposits* in the banking system registered a 2.8% growth to BGN 81.4 billion at the end of September. There was an increase in the deposits of *non-financial corporations* (by BGN 1,516 million, 7.0%), of

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<sup>1</sup> Based on individual (non-consolidated) data.

<sup>2</sup> The profit reported as of 30.09.2016 was impacted by the one-off effect of the transaction for the acquisition of *Visa Europe*.

*households* (by BGN 448 million, 0.9%) and of *other financial corporations* (by BGN 282 million, 8.3%). The deposits of the *general governments* sector decreased by BGN 54 million (2.8%). The total amount of deposits of *credit institutions* remained unchanged. At the end of the quarter, the deposits attracted from residents accounted for 90.8% of total deposits, the resources from households having the biggest contribution.

At the end of September the balance sheet total *equity*<sup>3</sup> of the banking system amounted to BGN 12.3 billion, with an increase of BGN 286 million (2.4%) during the period July – September, owing to the increase of *profit* and of *accumulated other comprehensive income*.

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<sup>3</sup> Regulatory capital and capital adequacy data as of 30 September 2017 are to be submitted by banks by 11 November 2017.