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**PRESS RELEASE**

**31 July 2020**

**Condition of the Banking System as of end-June 2020<sup>1</sup>**

As of 30 June 2020 the assets of the banking system amounted to BGN 115.3 billion. In June they increased by BGN 407 million (0.4%), and compared to 31 March – by BGN 158 million (0.1%).

In the structure of balance sheet assets at end-June the share of '*Cash, cash balances at central banks and other demand deposits*' was 19.5%, that of securities portfolios – 14.5%, and the share of loans and advances was 61.3%.

The gross loan portfolio<sup>2</sup> of the banking system at the end of June amounted to BGN 67.0 billion, and compared to end-March 2020 registered a decrease of BGN 52 million (0.1%). The decrease was influenced by the impact of the loan sales made. In the quarter loans to non-financial corporations decreased (by BGN 415 million, 1.1%), while an increase was registered in those to households (by BGN 198 million, 0.8%), those to other financial corporations (by BGN 150 million, 3.3%) and those to sector '*general governments*' (by BGN 15 million, 1.5%).

The deposits in the banking system grew in the second quarter by BGN 263 million (0.3%) to BGN 97.8 billion as of end-June. Increase was registered in the resources from households (by BGN 937 million, 1.6%), from non-financial corporations (by BGN 440 million, 1.6%), and from sector '*general governments*' (by BGN 36 million, 1.2%); decrease was reported for the deposits of credit institutions (by BGN 885 million, 16.9%) and of other financial corporations (by BGN 265 million, 7.3%).

Total equity in the balance sheet of the banking system grew in the quarter by BGN 141 million (1.0%), thus amounting to BGN 14.7 billion as of end-June.

The liquidity coverage ratio of the banking system was 258.0% (compared to 261.0% three months earlier). At the end of June, the *liquidity buffer* amounted to BGN 30.5 billion, and the *net liquidity outflows* – to BGN 11.8 billion.

The profit of the banking system as of 30 June 2020 was BGN 515 million (compared to BGN 918 million for the first six months of 2019). The impairment costs on financial assets not measured at fair value through profit or loss were BGN 380 million at the end of June 2020, with an increase of BGN 197 million (107.8%) compared to those reported at the end of June 2019 (BGN 183 million).

Reporting with reference date 30 June 2020 has been amended and supplemented pursuant to Commission Implementing Regulation (EU) 2020/429 of the Commission of 14 February 2020 amending Implementing Regulation (EU) No 680/2014 on supervisory reporting of institutions. Part of the amendments refer to changes in the scope of the reported gross loans and advances. According to the amendments, unlike the period June 2015 – March 2020, '*cash balances at central banks and other demand deposits*' should not be included in the scope of the gross carrying amounts of loans and advances, but are reported

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

<sup>2</sup> The scope of the loan portfolio comprises sectors '*non-financial corporations*', '*households*', '*other financial corporations*' and '*general governments*'.

separately. As of 30 June 2020, their amount for the banking system was BGN 20.3 billion, and according to the new method of reporting the gross loans and advances were BGN 74.2 billion.

Although in case of comparable scope gross loans and advances would show a minimal increase by BGN 95 million in the second quarter of 2020 to BGN 94.5 billion as of end-June, the methodological change had its significant impact, reducing this item by 21.4%.

As a result, changes occurred also in the level of the ratio of the gross carrying amount of non-performing loans and advances. Calculated based on the new (narrower) scope<sup>3</sup> for loans and advances the ratio was 8.11% at the end of June 2020, compared to 8.00% at the end of March, owing to the unchanged gross carrying amount of non-performing loans and advances – BGN 6.017 billion as of end-June, compared to BGN 6.013 billion as of end-March.

If for the sake of comparability the indicator is calculated according to the previous scope and methodology, applicable in the period June 2015– March 2020<sup>4</sup>, it would be at the level of 6.37% both as of end-June and as of end-March 2020.

On 9 April 2020, by a decision, the Governing Council of the Bulgarian National Bank approved the draft submitted by the Association of Banks in Bulgaria (ABB) of a *Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries – Financial Institutions* in relation to the state of emergency enforced by the National Assembly on 13 March 2020. After its approval, the document constitutes a private moratorium within the meaning of the Guidelines of the European Banking Authority on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02). In this relation, a reporting form was approved for collection of information under the *Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries – Financial Institutions*. Aggregated data on banking system level, reported by banks in this reporting form, are first published on 31 July 2020 for the periods ending on 30.04.2020, 31.05.2020 and 30.06.2020. Data are with accumulation as of the end of the indicated period and are available under the same heading as the aggregated data of the banking system for the relevant period.

Under the *Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries – Financial Institutions*, as of 30 June 2020 a total of 118 584 applications were filed for liabilities with gross carrying amount of BGN 9772 million, of which 98 499 applications for BGN 8117 million were approved. Corporations applied for 15 068 applications amounting to BGN 7539 million, and 13 156 of them amounting to BGN 6207 million were approved. Households filed 103 516 applications for BGN 2233 million, of which 85 343 amounting to BGN 1910 million were approved. Compared to 30 April 2020, the total number of approved applications by corporations and households has increased by 61 288, and the gross amount of the approved liabilities under the private moratorium has increased by BGN 4689 million.

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<sup>3</sup> The calculation is made according to the amendments to Art. 9, paragraph 2, p. h ii of Commission Implementing Regulation (EU) No. 680/2014, implemented by [Commission Implementing Regulation \(EU\) 2020/429](#)

<sup>4</sup> The gross carrying amount of non-performing loans and advances and its ratio are calculated according to the methodology of the European Banking Authority for KRI AQT 3.2. More information for the methodology is available on: <https://eba.europa.eu/risk-analysis-and-data/guides-on-data>