

METHODOLOGICAL NOTES

Interest Rate Statistics

The statistics of the interest rates applied by the banks, compiled by the BNB, is based on a harmonized methodology for the euro area countries specified in Regulation (EC) № 63/2002 of the European Central bank of 20 December 2001 (ECB/2001/18)¹. This statistics presents information about the interest rates, volumes of new business and outstanding amounts of deposits and loans of the *Non-financial Corporations* and *Households and NPISHs*² sectors. The classification by institutional sectors is in accordance with the requirements of the *European System of Accounts 1995* (ESA'95)³.

Data on the *Base Interest Rate*, the *LEONIA Plus* index, the interest rates on interbank deposits and the yield to maturity on *government securities* are published as well.

Loans and Deposits of the *Non-financial Corporations* and *Households and NPISHs* sectors

I. Types of interest rates and methods of calculation

The interest rates are effective annual rates. They are average weighted with the volumes of new business throughout the reporting period or the outstanding amounts as of the end of the reporting period. They include all interest payments on deposits and loans excluding other charges related to these instruments. The interest rate statistics also presents *Annual percentage rate of charge*, which is the total cost of the loan to the borrower expressed as an annual percentage of the amount of the extended loan.

The *Annual percentage rate of charge* comprises all interest payments on a loan, as well as all fees, commissions and other charges a client has to pay in order to obtain the loan. It is calculated for *consumer loans* and *loans for house purchases* only.

II. Interest rate statistics provides information on interest rates and volumes on new business and outstanding amounts

1. New business – every new agreement between the client and the reporting agent. New agreements are contracts that specify the interest rate, maturity and other conditions of the deposit, repurchase agreement or loan for the first time. A new agreement is also every renegotiation of the interest rate, maturity and/or other conditions of an existing contract when the possibility for this renegotiation has not been previously provided for in it, as well as the renegotiation of the maturity with the active involvement of the client.

¹ Regulation (EC) No 63/2002 of the European Central bank of 20 December 2001 concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (ECB/2001/18).

² Non-profit institutions serving households.

³ Detailed sectoral classification is available on the BNB website in section *Statistics/ Methodological Notes/ Institutional Sectors*.

2. Outstanding amounts – in accordance with the statistical reporting requirements of the ECB⁴ all liabilities of the reporting agents to their clients on deposits and repurchase agreements and all claims of the reporting agents on loans are included with the exception of restructured loans and non-performing loans. Non-performing⁵ are the loans meeting at least one of the criteria of Article 178 of *Regulation (EU) No 575/2013*⁶. The restructured exposures according to *Commission Implementing Regulation (EU) No 680/2014*⁷ are considered to be restructured loans⁵.

III. Breakdown by sector

The interest rate statistics covers loans and deposits of non-financial corporations, households and NPISHs residents of the Republic of Bulgaria.

1. *Non-financial corporations* sector (Sector S.11 by *ESA '95*) – consists of institutional units which are market producers and whose principal activity is the production of goods and/or non-financial services.

2. *Households and NPISHs* sector (Sectors S.14 and S.15 by *ESA '95*) includes the following subsectors:

– *Households* sector (Sector S.14) – individuals or groups of individuals as consumers and possibly also as entrepreneurs producing market goods and services (market producers), as well as producers of goods and non-financial services for exclusively own final use. The subsector also includes sole proprietorships and partnerships without independent legal status.

– *Non-profit institutions serving households* sector (Sector S.15) – separate legal entities, whose principal activity is connected to serving, supporting and assisting households. Their principal resources, apart from those received from occasional sales, are derived from voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by the *General government* sector and from property income. Trade unions, political parties, foundations, associations, churches or religious societies, social, cultural and sports clubs, etc. are included here.

IV. Breakdown by instrument

1. *Overnight deposits* – deposits without fixed maturity, which are immediately convertible in cash and/or transferable at demand by cheque, banker's order without any restriction or penalty. The instrument also

⁴ Regulation (EU) No 1071/2013 of the European central Bank of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (ECB/2013/33) and ⁴ Regulation (EU) No 1072/2013 of the European central Bank of 24 September 2013 concerning statistics on interest rates applied by monetary financial institutions (ECB/2013/34).

⁵ The current definitions of non-performing and restructured loans are applicable as of the February 2018 data. Previously non-performing and restructured loans were defined respectively as the non-performing loans past-due over 90 days and all restructured loans corresponding to the “non-performing exposures”, “loss” and “restructured loans” categories of repealed Ordinance No. 9 of the BNB of 3 April 2008 on the Evaluation and Classification of Risk Exposures of Banks and the Allocation of Specific Provisions for Credit Risk.

⁶ Regulation (EU) No 575/2013 of The European Parliament and of The Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

⁷ Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

includes deposits up to 1 day. Interest rates and volumes on new business and on outstanding amounts for this instrument coincide.

2. *Deposits redeemable at notice* – non-transferable deposits without any agreed maturity, which cannot be paid in cash without a period of prior notice. The instrument includes non-transferable savings deposits without a fixed maturity, which serve as store of money belonging to the households against the issue of a personal savings book or similar document, as well as other deposits with similar characteristics. Interest rates and volumes on new business and on outstanding amounts for this instrument coincide.

3. *Deposits with agreed maturity* – deposits that are not immediately available as they have an agreed term or other restrictions on their withdrawal. These deposits cannot be used in settlements and they are not convertible in cash without any restrictions or penalties. *Time deposits* and other deposits with similar characteristics (margin deposits, amounts pledged as collateral, accumulation accounts, amounts blocked in relation to legal proceedings, etc.) as well as liabilities on loans are included here.

4. *Repos* – agreements for purchase of securities with a firm commitment for the buyer to sell the securities back to the initial seller at a fixed price on a specified future date. Repo liabilities of the reporting units are presented in a separate indicator, while claims on repurchase agreements are included in the indicator *loans other than overdraft*.

5. *Loans* – claims on funds lent by reporting agents to borrowers as well as claims transferred from third parties. Loan terms are set in a non-transferable document (contract) and earn income in the form of interest. Restructured and non-performing loans are not included in the scope of interest rate statistics. Loans are divided in two subcategories: *overdraft* and *loans other than overdraft*⁸:

– *Overdraft* – a debit balance on a current account. *Overdraft* also includes revolving loans, drawdowns on credit lines and credit card credit. Interest rates and volumes on new business and on outstanding amounts for *overdraft* coincide.

Credit card credit includes credit on cards with a delayed debit function and cards with a credit function. The delayed debit function allows cardholders to use funds up to a predefined limit. The debt incurred is settled in full by the end of a predefined period of time. The credit function allows cardholders to make purchases and in some cases draw cash up to a limit agreed in advance. The credit may be repaid in full by the end of a predetermined period of time or in several instalments.

Convenience credit card credit includes the outstanding amounts on cards with a delayed debit function and interest-free outstanding amounts on cards with a credit function.

Extended credit card credit includes interest-bearing outstanding amounts on cards with a credit function.

– *Loans, other than overdraft* – includes all loans which are not classified as *overdraft*.

⁸ Claims on repurchase agreements of the reporting agents are included in the instrument *loans other than overdraft*.

V. Breakdown by currency

BGN, EUR and USD presented in their BGN equivalent.

VI. Breakdown by purpose of loans (only for sector *Households and NPISHs*)

1. *Consumer loans* – loans granted for the purpose of personal use of the households in the consumption of goods and services.

2. *Loans for house purchases* – loans extended to households for the purpose of investing in housing for own use or rental including building and home improvements.

3. *Other loans* – all other loans extended to households, including loans for education and medical treatment. Loans for commercial or production purposes and loans to *NPISHs* are also included.

VII. Breakdown by agreed size of the loan (only for sector *Non-financial corporations*)

1. *Loans up to an amount of EUR 1 million* expressed as its BGN equivalent (the limit of EUR 1 million refers to every individual loan).

2. *Loans over an amount of EUR 1 million* expressed as its BGN equivalent (the limit of EUR 1 million refers to every individual loan).

VIII. Breakdown by agreed period

1. *Original maturity* – the initially agreed period of time during which the loan cannot be repaid and the deposit - redeemed without any kind of penalty.

2. *Period of initial rate fixation* – the predetermined period of time at the start of a loan contract during which the value of the agreed interest rate cannot change. All loans with variable interest rates are included in the shortest period of fixation category.

3. *Period of notice* – the period of time between the moment the holder gives notice of an intention to withdraw funds to the reporting unit and the date on which the holder is allowed to convert it in cash without incurring a penalty.

IX. Reporting period

The reporting period is one calendar month. End-of-month information is presented for the purpose of interest rate statistics on *outstanding amounts*. Interest rate statistics on *new business* includes data on all new agreements concluded during the reporting period.

X. Revision policy

In accordance with the requirements set out in the European Central Bank *Guideline ECB/2014/15*⁹ revisions of data may be:

- Monthly – revisions which refer only to data for the period preceding the last reporting period;
- Quarterly – revisions which refer to information for periods prior to the last reporting period.

Quarterly revisions are made with the publication of the data for March, June, September, and December. Thus, consistency between monetary and interest rate statistics is ensured.

Revisions of published data are made in the following cases:

- Obtained additional information, incorrect classification, improved reporting procedures and correction of mistakes in the data submitted by reporting agents;
- Change in the methodological standards of monetary and interest rate statistics.

Revisions of the data as well as the periods affected are announced in the press release and the respective data tables.

XI. Data source

Reporting agents are all banks in Bulgaria, including branches of foreign banks.

Interbank market

I. Scope

1. *Base interest rate*¹⁰ (*BIR*) – the *BIR* for the current month equals the simple average of the values of the index *LEONIA Plus* for the business days of the preceding calendar month, and when this simple average amounts to a value less than zero, the *BIR* is set to a value equal to zero.

2. *LEONIA Plus* (*LEONIA Plus: LEv OverNight Interest Average Plus*) is a reference rate of concluded and effected BGN unsecured overnight deposit transactions in the interbank market in Bulgaria;

3. Interbank money market deposits – interest rates and amounts on deposit transactions (secured and unsecured) concluded and effected between banks. The deposits are broken down by agreed maturity and currency. Deposits in EUR and USD are presented as their BGN equivalent.

⁹ Guideline of the European Central Bank of 4 April 2014 on monetary and financial statistics (ECB/2014/15) as amended.

¹⁰ Effective as of 1 July 2017 *LEONIA* is replaced by the *LEONIA Plus* reference rate as the basis for the calculation of the *Base Interest Rate*. The Bulgarian national bank calculates the *base interest rate* according to the “Methodology for the Determination of the base interest rate”.

II. Data processing

- Monthly data on *the LEONIA Plus* index are calculated as simple averages of daily data¹¹.
- Interest rates on interbank deposits are calculated by weighing with the amounts of the deposit transactions concluded during the reporting period. They are presented as annual effective rates.

III. Reporting period

The reporting period is one calendar month.

IV. Data source

The data source for the *BIR*, the daily values of *LEONIA Plus* and the interbank deposits is the Methodology and Financial Markets Directorate of the BNB.

Yield to maturity on government securities. Long-term interest rate for convergence assessment purposes

I. Scope

1. *Primary and secondary market yield to maturity* on interest-bearing government securities.
2. *Long-term interest rate for convergence assessment purposes (LTIR)* is determined on the basis of the secondary market yield to maturity of a long-term government bond (benchmark bond) issued by the Ministry of Finance (*Central Government* sector) and denominated in the national currency. The *LTIR* is calculated in accordance with the requirements of the European Central Bank. Additional information regarding the *LTIR* is published on the web site of the BNB (*Statistics/Monetary and Interest Rate Statistics/ Interest Rate Statistics/Long-term Interest Rate for Convergence Assessment Purposes*).

II. Data processing

1. The yield to maturity of government securities is the average weighted effective yield to maturity achieved respectively on the primary and secondary market during the reporting period. The securities are grouped by their original maturity.
2. The monthly values of the *LTIR* are calculated as simple averages of its daily values.

III. Reporting period

The reporting period is one calendar month.

¹¹ The daily values of the index are calculated according to the “Methodology for calculation of the LEONIA PLUS reference rate of concluded overnight deposit transactions in Bulgarian leva on the interbank market”.

IV. Data source

The data source for the yield on government securities data is the Fiscal Services Directorate of the BNB.

Data Dissemination

The Bulgarian National Bank publishes press releases as well as monthly data on interest rate statistics organised as a set of data series in xls format on its website. An archive of interest rate statistics time series as of the date of publication for the respective reporting period is available on the website of the BNB in the *Interest Rate Statistics Archive* subsection.

Selected indicators, representative for the interest rate statistics and organised in tables are published in the BNB Report January – June and BNB Annual Report.

Interest statistics data are simultaneously released to all interested parties. The publication dates are announced in the *Statistical Data Release Calendar*¹².

Contacts

Should you have any questions on the data and the applied methodology, please do not hesitate to contact the press office of the Bulgarian National Bank (press_office@bnbank.org) or Ms. Nadya Aleksandrova, Head of Monetary and Banking Statistics Division (Aleksandrova.N@bnbank.org).

Last update as of 26 September 2019

¹² *The Statistical Data Release Calendar* is available on the BNB website in section *Press Office/ Calendar*.