



THE ECONOMY AND THE BANKING SECTOR IN BULGARIA

THIRD QUARTER OF 2022



SOFIA



HIGHLIGHTS

- In Q2 2022 the Bulgarian economy grew by 3,9% on an annual basis, with a contribution of government and private consumption
- The inflation increased by 15,2% year-on-year in Q3 2022
- As of the end of September 2022 the unemployment in Bulgaria grew slightly to 4,6%
- The budget surplus was 0,6% of the GDP as of the end of Q3 2022
- As of the end of Q3 2022 the total assets of the banking system grew by 12,2% on an annual basis to the amount of BGN 148,88 billion (101% of the forecasted GDP)
- In Q3 2022 the net profit of the banking sector was BGN 1 449 million
- The financial result of the banking system is influenced by the lower impairment expenses, increase in business activity and lending, which affected positively the growth of the net interest income and the net income from fees and commissions, as well as the started increase in the interest rates on loans combined with the slower increase in the interest rates on deposits
- There are some one-off effects as dividend revenues for individual banks which also affect positively the financial result in the system
- In Q3 2022 the credit growth is maintained, both for households and firms
- In Q3 2022 there is an increase in the interest rates on the newly agreed loans and deposits for households and firms



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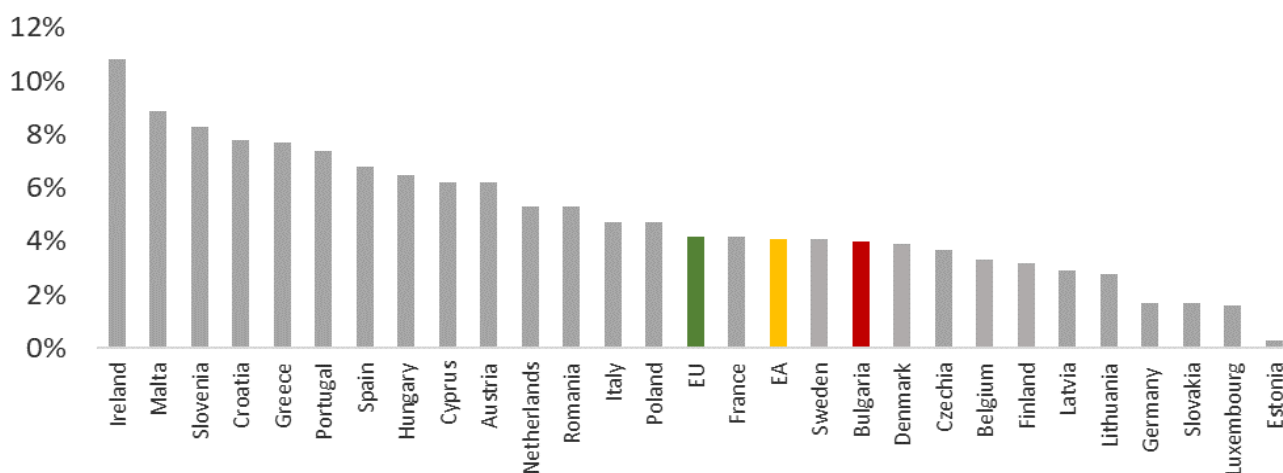


I. The Bulgarian economy

Economic growth

In Q2 2022 the Bulgarian real gross domestic product (GDP) grew by 3,9% on an annual basis, according to the preliminary seasonally and calendar adjusted data of Eurostat. The average pace of growth for the EU in the period April-June 2022 was by 4,2% year-on-year, and that of the euro area – by 4,1% on an annual basis.

Economic growth in the EU and in the euro area in Q2 2022



Source: Eurostat, Seasonally and calendar adjusted data

According to the preliminary data of Eurostat, the economic growth in Q2 2022 was driven by the increase of the government consumption and private consumption, while the gross fixed capital formation and net export had a negative contribution.

During the observed period the government consumption grew by 11,6% on an annual basis and contributed to the GDP growth by 2,1 percentage points (p.p.) compared to the positive contribution of 1,3 p.p. in the previous quarter. The growth of private consumption slowed down and it grew by 2,1% compared to 5,5% a quarter earlier as it contributed by 1,3% to the GDP growth in Q2 2022.

In Q2 2022 the drop of the gross fixed capital formation increased to 11,1% on an annual basis after a decline by 7,4% on an annual basis in the previous quarter. The net exports also recorded a negative year-on-year contribution in Q2 2022 by -2,5% compared to -4,5% a quarter earlier.

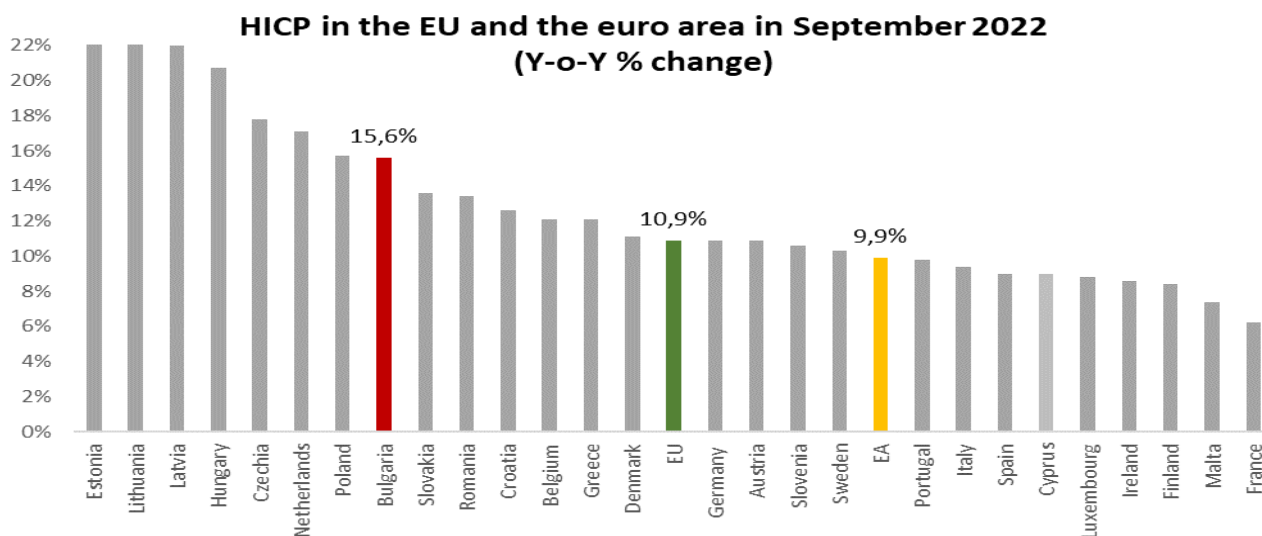
In Q2 2022 the export of goods and services increased its growth rate to 8,9% on an annual basis compared to 4,8% on an annual basis three months earlier. The import remained its growth by 12,3% on an annual basis after a decrease to 10,9% Y-o-Y in Q1 2022. The trade



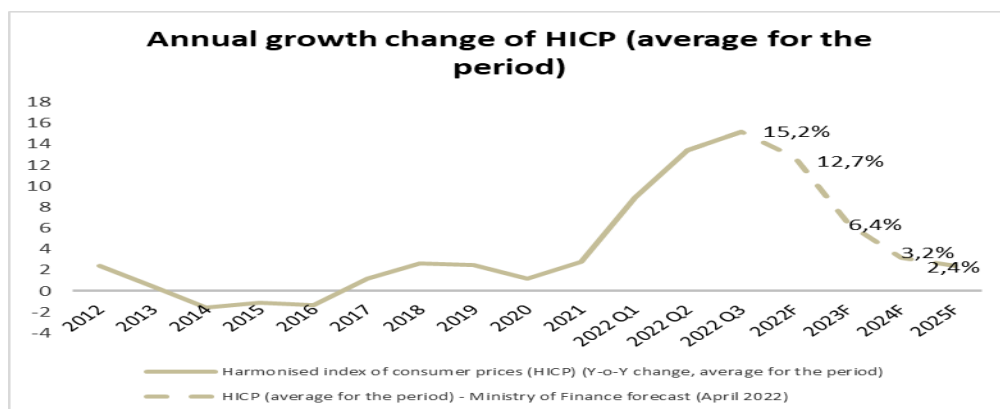
Inflation

In Q3 2022 the growth of the harmonized index of consumer prices (HICP) accelerated to 15,2% on an annual basis from 13,4% Y-o-Y in Q2 2022. In September 2022 the inflation in Bulgaria stood at 15,6% Y-o-Y compared to 10,9% in the EU and 9,9% in the euro area.

In its [Macroeconomic forecast](#) the BNB forecasts the annual inflation for 2022 to be 14.9% at the end of the year. The significant increase in the production expenses in the conditions of large growth of the prices in the basic foodstuffs and energy resources (electricity, gas and petrol) on the international markets as well as the forecasted high increase in the labor expenses for a unit of production and the higher rate of price growth of the imported production goods due to the inflationary processes of the main Bulgarian trade partners are going to contribute positively to the inflation increase compared to the end of 2021. The BNB forecasts the inflation to keep high during the year and to slow down to 4.1% at the end of 2023 as well as to ease further at the end of 2024 to 3.4%.



Source: Eurostat



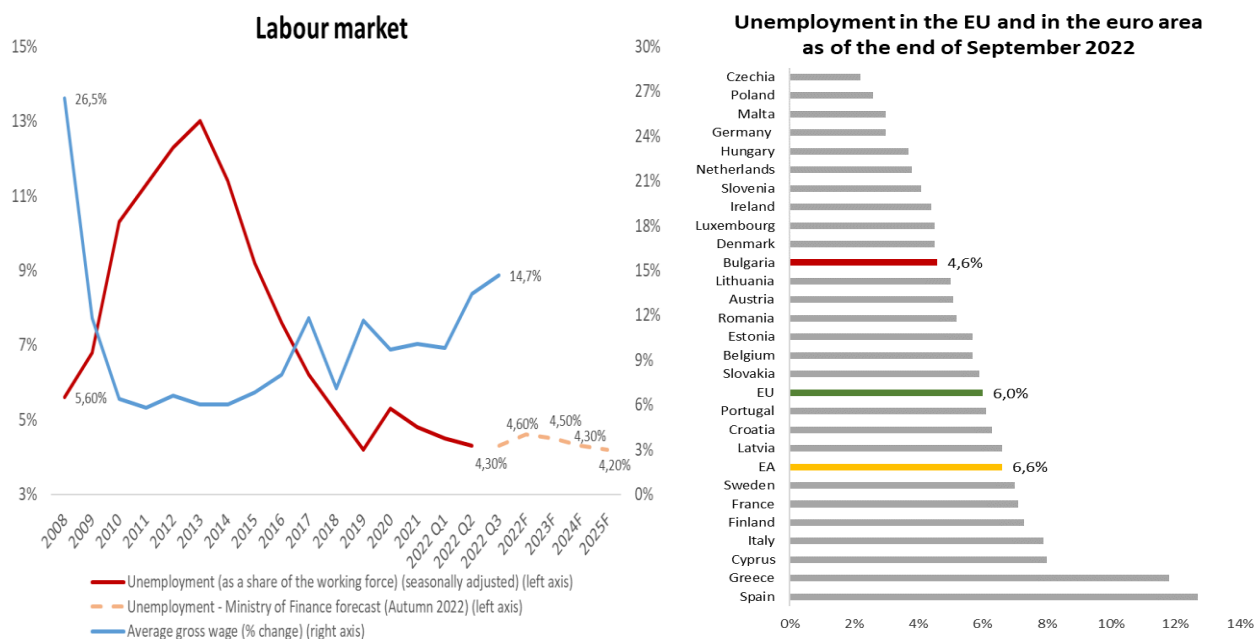
Source: NSI, Eurostat
Forecast: Ministry of Finance



Labour market

By the end of September 2022, the level of unemployment in Bulgaria, measured as a share of the working force, increased slightly to 4,6% from 4,3% at the end of Q2 2022. The unemployment in the country is lower than the EU average. In the period, Bulgaria ranked 11th amongst the EU Member States with the lowest unemployment rate and fifth amongst the countries in the Central and Eastern European (CEE) region. As of the end of September 2022 the number of people unemployed in Bulgaria increased to 151 thousand from 140 thousand as of the end of Q2 2022 and from 158 thousand as of the end of Q3 2021.

As of the end of September 2022 the level of the unemployed young people (under 25 years) increased to 14,1% from 12,2% as it was at the end of Q2 2022. At the end of September 2022, the average level of the youth unemployment in the EU was 14,6% as the largest share was observed in Spain, Greece and Italy.



Source: Eurostat, Ministry of Finance, NSI

Key indicators for the Bulgarian economy																
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021	March 2022	June 2022
Labour market																
Unemployment (as a share of the working force) (seasonally adjusted)	13,3	13,9	12,4	10,1	8,6	7,2	6,2	5,2	6,1	6	5,5	5	4,6	4,8	4,3	4,5
Employed (15+ years) (thousands)	2 934	2 934,9	2 981,4	3 031,9	3 016,8	3 150,3	3 152,7	3 233,1	3 121,7	3 028,7	3 062,2	3 134,4	3 080,5	3 076,5	3 068,3	3 121,0
Employed in "Finance and Insurance" sector (thousands), of which:	52,7	51,6	60,5	62,3	58,6	63,7	65,4	67,3	62,4	65,6	62,5	64,2	68,1	65,1	68,0	70,4
Employed in the banking sector (thousands)	33,5	32,8	31,7	30,7	30,4	30,1	29,9	28,2	27,4	-	-	-	-	-	-	-
Average monthly gross wage in "Finance and Insurance" sector	1 459	1 508	1 578	1 608	1 709	1 788	1 904	2 074	2 191	2 188	2 368	2 267	2 377	2 300	2 540	2 740

Source: Eurostat, Ministry of Finance, NSI, ECB



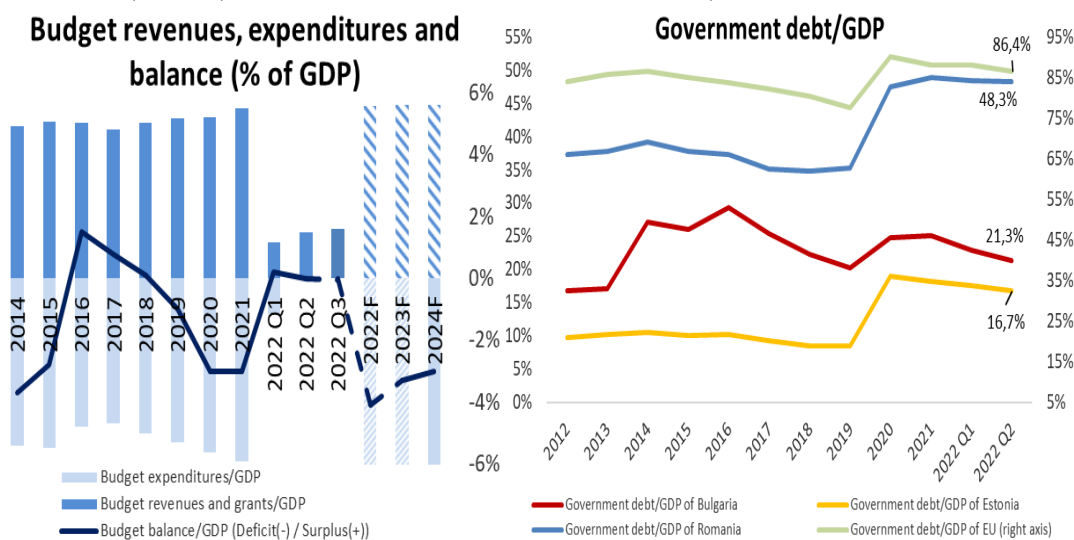
Public sector

According to the Ministry of Finance (MF) preliminary data, as of the end of September 2022 the state budget had a positive balance of BGN 989,2 million (0,6% from the projected GDP).

The amount of the budget revenues and grants on the Consolidated Fiscal Programme for the period July-September 2022 was BGN 16,75 bln. (11,4% of the forecasted GDP). Compared to the same period of the previous year the budget revenues as of September 2022 rose by BGN 3,7 billion.

In Q3 2022 budget expenditures (including the EU budget contribution of Bulgaria) amounted to BGN 16,97 bln. (11,4% of the forecasted GDP). For comparison, the amount of the expenditures on the Consolidated Fiscal Program (CFP) was BGN 12,13 bln. for the same period of 2021.

As of September 30, 2022, the fiscal reserve totaled BGN 13,2 bln.



As of the end of Q2 2022 the share of the Bulgarian consolidated debt to GDP was 21,3%. For comparison, that share for Estonia was 16,7% and for Luxembourg - 25,4%. This indicator for Bulgaria is above the EU average, which is 86,4% as of the end of Q2 2022.

The Long-term Interest Rate for Convergence Assessment Purposes (LTIR) rose to 1,85% from 1,77% as of the end of June 2022. For comparison, as of the end of September 2022 the LTIR in Romania was 8,07%, in Poland – 6,28%, in Hungary – 9,23%, in Croatia – 3,18%, and in the Czech Republic – 4,72%. The level of the LTIR in Bulgaria continued to be the lowest in comparison with the countries in the CEE region, members of the EU but not members of the euro area.



Capital market

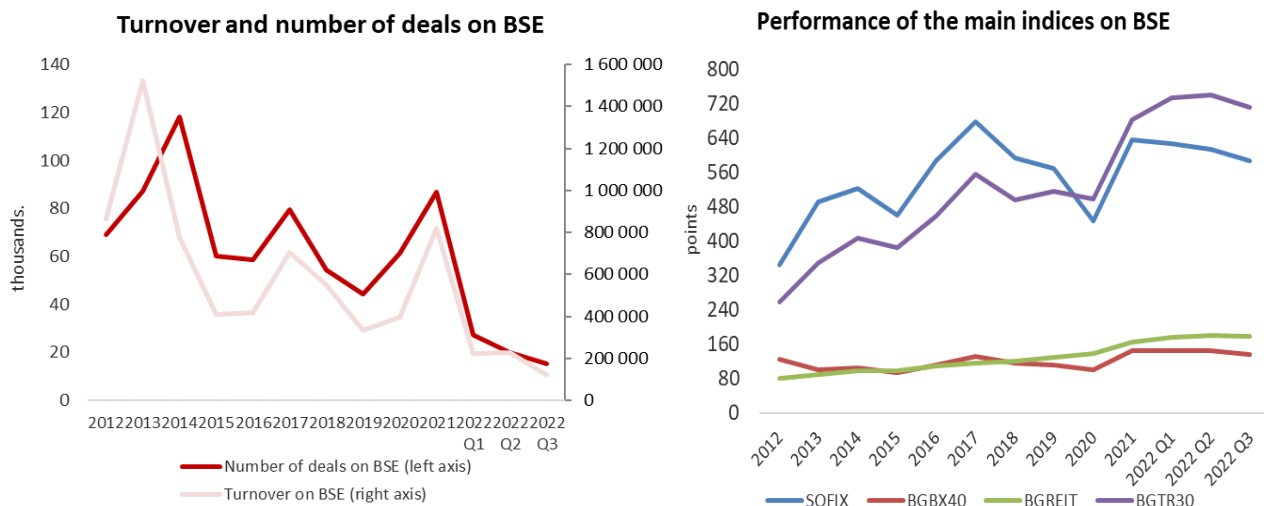
At the end of September 2022, the main indices on the Bulgarian Stock Exchange (BSE) performed as follows: SOFIX increased by 0,3%, BGBX40 dropped by 1,1%, BGREIT increased by 9,9%, and BGTR30 grew by 8% compared by Q3 2021.

In Q3 2022 the Bulgarian index SOFIX was with the third lowest decrease among the major stock market indices in the CEE region.

As of September 30, 2022, the market capitalization on the BSE decreased by 3,8% on a quarterly basis to BGN 29,63 billion (20,1% of the forecasted GDP) from BGN 30,76 billion (20,9% of GDP).

As of September 30, 2022 the turnover on the stock exchange decreased by 46,6% on a quarterly basis to BGN 120,55 million. A decrease of 7,7% was registered on an annual basis. In Q3 2022 the number of trades decreased by 24,1% on a quarterly basis and by 13,4% on an annual basis to 15 088 trades.

In Q3 2022 the banks members of the BSE performed 7,03% of the turnover and 3,08% of the total trades on the regulated market (the principle of double reporting). In the previous quarter the banks members of BSE executed 3,09% of all trades and 13,8% of the total turnover on the regulated market.



Source: BSE, own calculations



No	Country	Index	31 December 2021	30 June 2022	30 September 2022	Change in Q3 2022	Year to date change
1	Turkey	XU 100	1 857,65	2 405,36	3 179,99	32,20%	71,18%
2	Serbia	BELEX	1 711,57	1 690,07	1 716,95	1,59%	0,31%
3	Bulgaria	SOFIX	635,68	613,21	587,15	-4,25%	-7,63%
4	Croatia	CROBEX	2 079,35	2 012,13	1 906,28	-5,26%	-8,32%
5	North Macedonia	MBI 10	6 153,48	5 787,23	5 586,34	-3,47%	-9,22%
6	Greece	ASE	893,34	810,42	792,90	-2,16%	-11,24%
7	Slovakia	SAX	397,34	372,58	346,11	-7,10%	-12,89%
8	Romania	BET	13 061,32	12 294,26	10 639,41	-13,46%	-18,54%
9	Czech Republic	PSE	1 426,03	1 251,75	1 123,37	-10,26%	-21,22%
10	Slovenia	SBITOP	1 258,80	1 121,50	963,07	-14,13%	-23,49%
11	Hungary	BUX	50 720,71	39 240,53	37 838,30	-3,57%	-25,40%
12	Poland	WIG	69 296,26	53 573,42	45 970,64	-14,19%	-33,66%
13	Russia	MOEX	3 787,26	2 204,85	1 957,31	-11,23%	-48,32%

Source: BSE, Bloomberg, own calculations

Key indicators for the Bulgarian economy																	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021	2022 Q1	2022 Q2	2022 Q3
Capital market																	
Market capitalization/GDP	12,0%	12,2%	11,6%	9,6%	10,2%	24,2%	24,3%	23,2%	23,6%	22,0%	22,1%	22,8%	23,4%	23,2%	20,7%	20,9%	20,1%
SOFIX	345,46	491,52	522,1	460,9	586,43	677,45	594,46	568,14	447,53	502,28	557,69	585,36	635,68	635,68	626,76	613,21	587,15
BGBX40	125,11	100	104,61	92,82	111,3	132	115,91	111,83	101,38	113,15	123,71	135,54	143,68	143,68	145,38	144,13	136,97
BGREIT	79,62	88,66	98,75	97,03	108,11	116,1	121,07	130,03	137,69	147,43	154,04	162,2	163,98	163,98	175,04	181,38	178,28
BGTR30	257,87	349,03	407,5	383,82	459,19	555,98	496,14	516,28	499,17	538,57	592,78	658,05	682,96	682,96	734,44	740,93	710,57
Turnover on BSE (thousand BGN)	864 038	1 522 000	774 900	410 800	416 003	705 851	550 041	333 574	397 500	95 305	144 257	130 560	405 054	818 964	223 496	225 707	120 552
Number of deals on BSE	68 855	87 069	118 074	60 047	58 442	79 629	54 341	44 167	61 173	17 969	17 677	17 427	22 996	86 863	27 088	19 887	15 088

Source: BSE, Bloomberg, own calculations



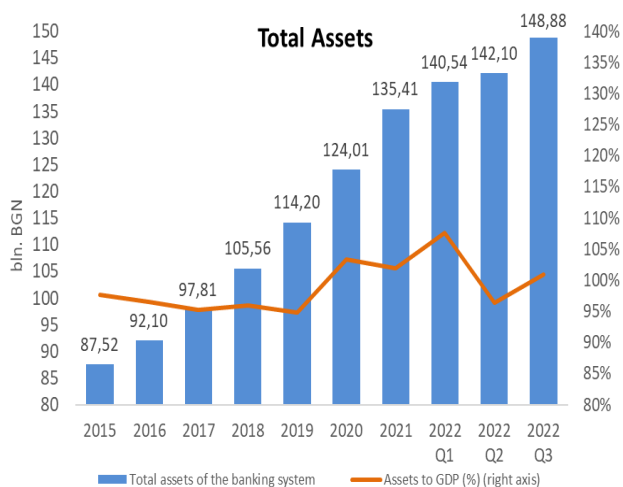
II. The banking sector in Bulgaria

In its quarterly publication [Banks in Bulgaria](#) the BNB stated that in Q2 2022 the banking sector performs its activities in conditions of rapid inflation and increased economic uncertainty. In the past quarter the dynamics of the internal demand and net export have a favorable influence on the economic activity but the risks for the environment continue to be sharp due to the effect of the significant increase of the prices of energy resources and the potential difficulties in the supply chains.

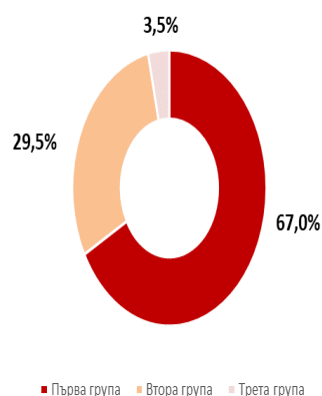
Balance sheet statement (Statement of financial position)

Assets

The growth of assets in the banking sector at the end of Q3 2022 was by 12,2% on an annual basis reaching BGN 148,88 billion (101% of the forecasted GDP).



Пазарен дял по размер на активите в края на третото тримесечие на 2022 г.



Source: BNB, Ministry of Finance, own calculations

As of the end of Q3 2022 the market share of the five biggest banks in terms of assets increased slightly to 67% from 66,7%, as it was at the end of Q2 2022. The market share of the banks from the second group decreased to 29,5% from 30,0% as the assets of the foreign banks' branches increased slightly to 3,5% from 3,2% at the end of Q2 2022.

As of September 30, 2022, 60,06% of the assets in the banking system were in the form of loans and receivables, BGN 89,41 billion in total. Cash balances amounted to BGN 30,34 billion and they made up 20,38% of the assets. The share of investments in financial instruments was 14,88% (BGN 22,16 billion). For comparison, as of the end of Q2 2022 the



share of loans and receivables was 60,74%, the share of the cash balances – 19,73%, and the investments in financial instruments – 15,22%.

Liabilities

The liabilities in the banking system (excluding equity) were at the amount of BGN 132,24 billion and rose by 13,7% on an annual basis. The banks in the first group comprised 66,9% of the liabilities (BGN 88,47 billion), the second group – 29,3% (BGN 38,75 billion), and the rest 3,8% (BGN 5,03 billion) to the banks included in the third group.

The growth of liabilities was driven mainly by the increase in deposits, which comprised 96,92% of their total amount (excluding equity). From the statement of financial position of the system it was evident that the amount of deposits grew by 13,1% on an annual basis to BGN 128,17 billion.

The share of the provisions which include unsettled legal issues and lawsuits, credit commitments, guarantees, pensions, etc., accounted for 0,4%, or BGN 491,95 million in absolute terms. The share of financial liabilities, held for trading and other liabilities were 0,3% and 0,7% respectively. The share of all other remaining liabilities is negligible, complementing the sum up to 100%.

Equity

The total equity in the banking system increased in Q3 2022 (by 319,8 mln. BGN, 2,0%) and at the end of September 2022 it stood at the amount of BGN 16,64 billion. At the end of June 2022, its amount was BGN 16,32 billion. As of the end of September 2022 the equity increased by 2,1% compared to the same period of the previous year. The equity of the banks in the first group amounted to BGN 11,31 billion, and that of the second group – BGN 5,1 billion.

Statement of profit or loss

Net profit

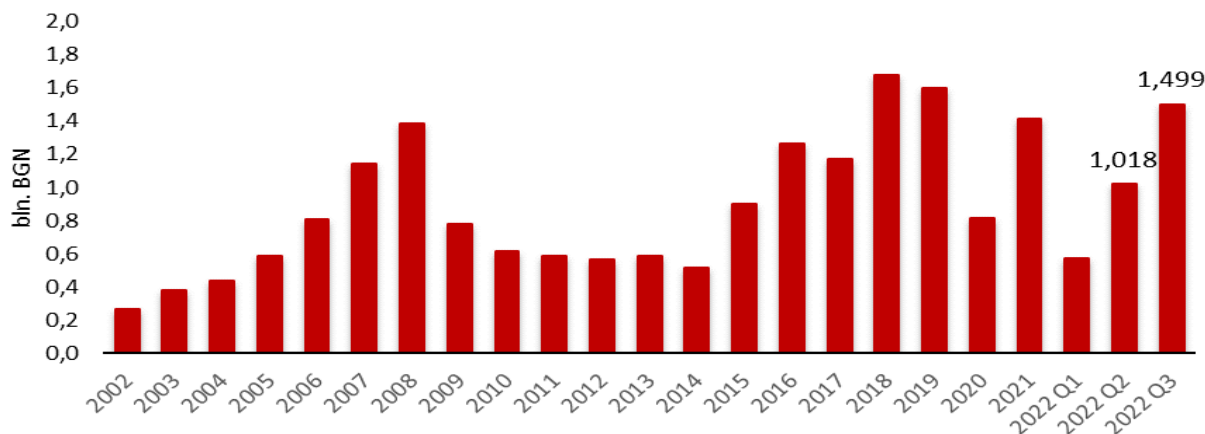
In Q3 2022 the banking sector registered an increase of the net profit by 37,4% on an annual basis to BGN 1 499 million. For comparison, in Q3 2021 the net profit of the banking sector was at the amount of BGN 1,091 million, while in Q2 2022 the net profit was BGN 1 018 million.

The financial result of the banking system is influenced despite the unfavorable conditions as the war in Ukraine and inflation by the increased lending and business activity as they affect a positive effect on the net interest income and net income on fees and commissions. There is also a positive effect by the increasing interest rates on loans compared to the slower growth of the interest rates on deposits, the decreasing expenses for impairments and dividend revenues which despite their one-off effect and in some banks registered a double increase in



2021.

Net profit of the banking system



Source: BNB

The first group of banks generated 70,5% of the net profit at the end of Q3 2022, the second group – 26,6%, and the third group – 2,8%. For comparison, as of the end of Q2 2022 the five biggest banks in terms of assets made up 70,1% of the net profit in the banking sector, the banks in the second group – by 26,4%, and the share of the third group was 3,6%.

Net interest income

As of the end of Q3 2022 the total net operating income of the banking system was at the amount of BGN 3,835 billion compared to BGN 3,283 billion as of the end of Q3 2021. It increased by 16,8% on an annual basis.

The net interest income of the banks increased by 12,1% (by 245,6 mln. BGN) on an annual basis and it is BGN 2,281 million as of the end of September 2022.

The net interest income is the difference between the interest income and the interest expenses. As of September 30, 2022, the interest income grew by 13% Y-o-Y to BGN 2 544 million. The interest expenses were at the amount of BGN 262,5 million, which was by 21,4% higher on an annual basis.

In its quarterly issue [Banks in Bulgaria](#) the BNB indicates that the activity on the credit market is high in all segments. The deposit increase, the stable liquid position and the desire of credit institutions for fast increase in the amounts as factors that determine the increased supply of credit resources in the banking sector.

In Q3 2022 the net interest income made up 59,5% of the net total operating income of the banking system. For comparison, in the EU the share of the net interest income was 55,1% of the total operating income, according to the EBA data as of the end of Q2 2022.

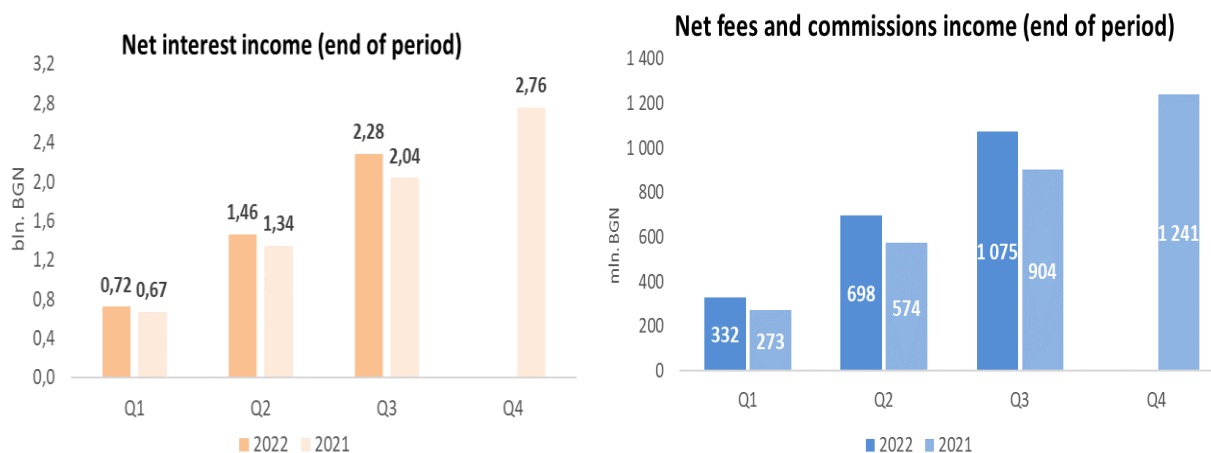


Net income from fees and commissions

As of the end of Q3 2022 the net income from fees and commissions increased by 18,9% on an annual basis to BGN 1 074 million.

As of the end of September 2022r. the revenues from fees and commissions increased by 55,1% compared to Q2 2022 as they were 1 304 million BGN as on an annual basis the statistics indicated an increase by 21%. The expenses from fees and commissions also have an increase by 61,2% on a quarterly basis and by 32% on an annual basis reaching BGN 230 million as of September 30, 2022.

The net income from fees and commissions made up 28% of the total net operating income of the system as the share of fees and commission was lower than the EU average, which was 31,3% according to the EBA data for the second quarter of 2022.

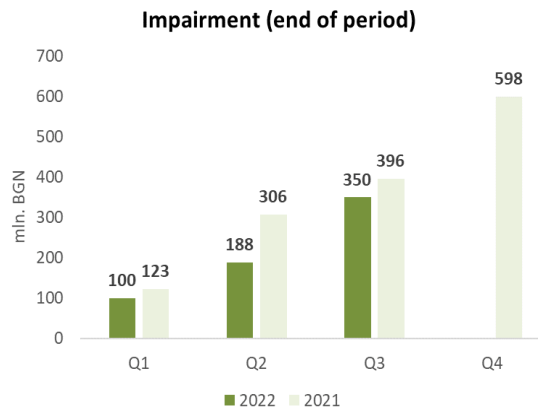
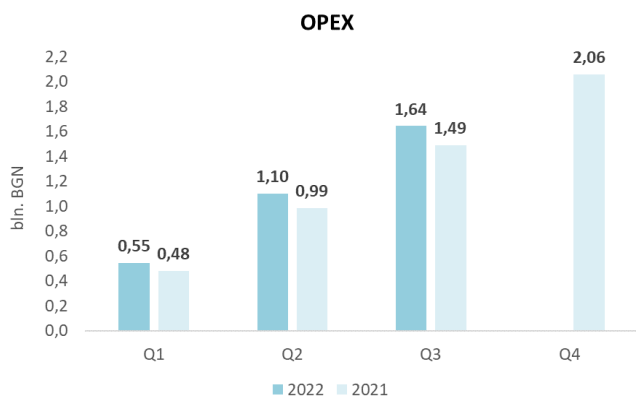


Source: BNB, own calculations

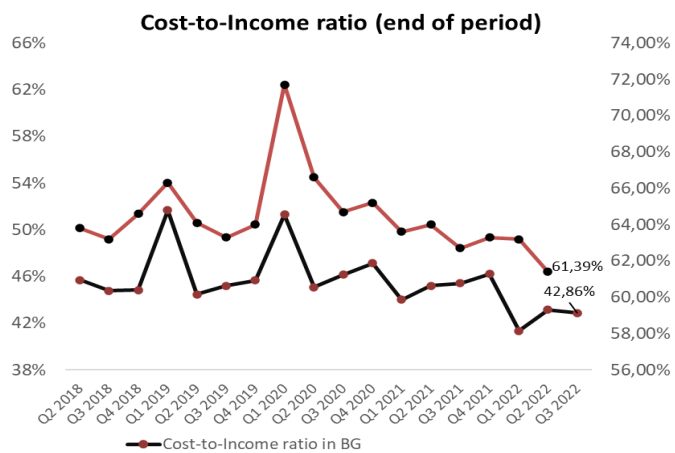
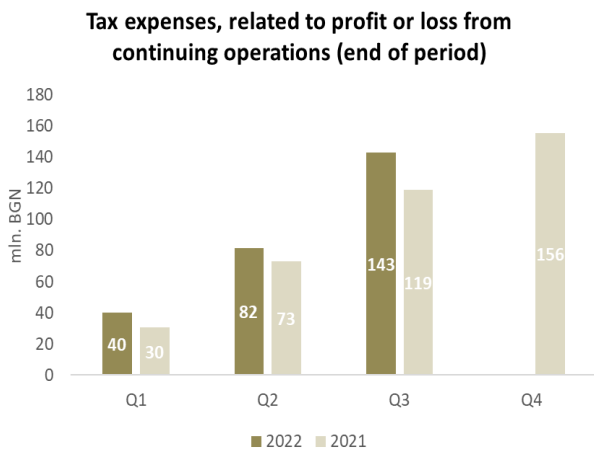
Operating expenses and impairments

As of the end of Q3 2022 the administrative expenses, which include overhead expenses, were by 11,3% higher (146,2 mln. BGN) compared to the same period of 2021 as they reached BGN 1 434 million. The total operating expenses, as a sum of the administrative expenses and depreciation, increased by 10,2% on an annual basis to BGN 1 643,7 million. The banking system made less impairments in comparison with the same period in the previous year. The impairments decreased to BGN 349,5 million from BGN 395,7 million a year earlier.

As of the end of Q3 2022 Cost-to-Income ratio for the banking system decreased to 42,8% from 43,1%, as it was at the end of Q2 2022. According to the EBA data, the average Cost-to-Income ratio in the EU was 61,4% as of the end of Q2 2022.



Source: BNB, own calculations



Source: BNB, EBA, own calculations

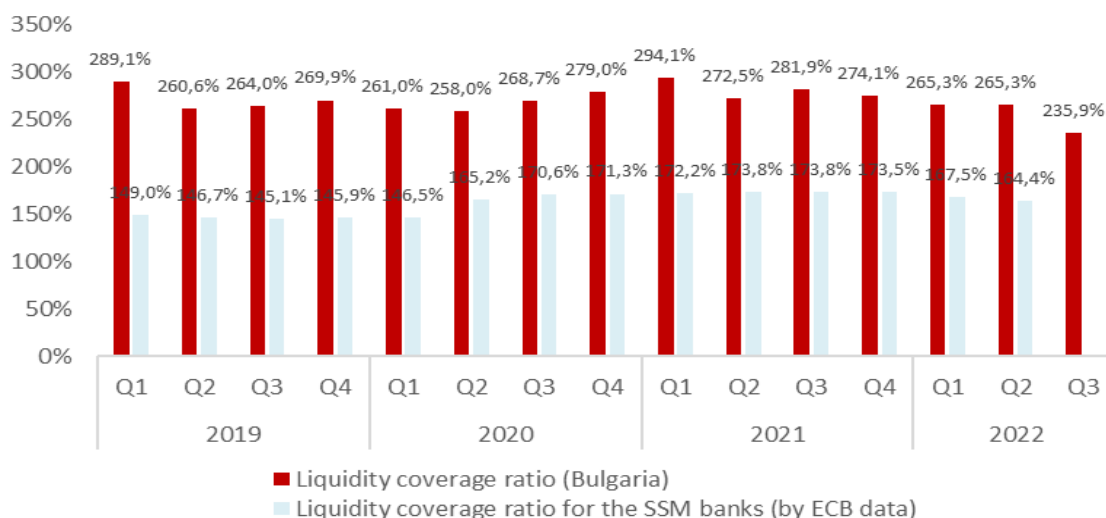


Financial indicators

Liquidity

As of the end of September 2022 the liquidity buffer and the net liquidity outflows were respectively BGN 41,7 billion and BGN 17,7 billion, according to the BNB data. The liquidity coverage ratio (LCR) was 235,9% compared to 265,3 as of the end of June 2022. According to the ECB data, as of the end of Q2 2022 the LCR for the banks in the Single Supervisory Mechanism was 164,4%.

Liquidity coverage ratio (LCR)



Source: BNB, ECB

Capital adequacy

The capital position of the banking sector continues to be marked by a significant capital surplus above the regulatory requirements for the capital adequacy.

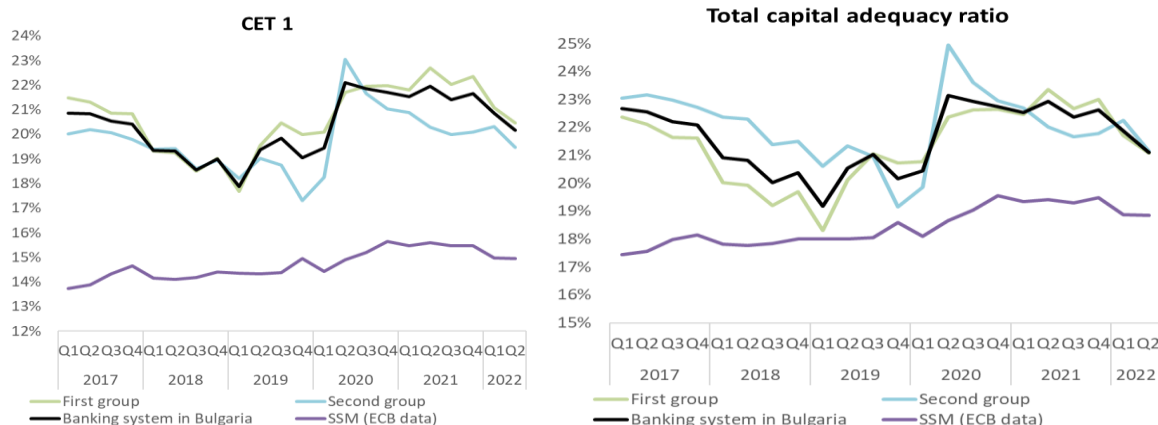
As of the end of Q2 2022 the common equity tier 1 (CET 1) of the whole banking system decreased to 20,16% from 20,86% as it was at the end of Q1 2022. For the first group of banks the level of the indicator decreased to 20,46% from 21,09%, and for the second group to 19,48% from 20,31%.

On a system level the total capital ratio for the Bulgarian banking system decreased to 21,09% from 21,88%. As of the end of June 2022 its level for the banks in the first group was 21,07% and 21,14% for the banks in the second group compared to 21,71% and 22,26% respectively, a quarter earlier.

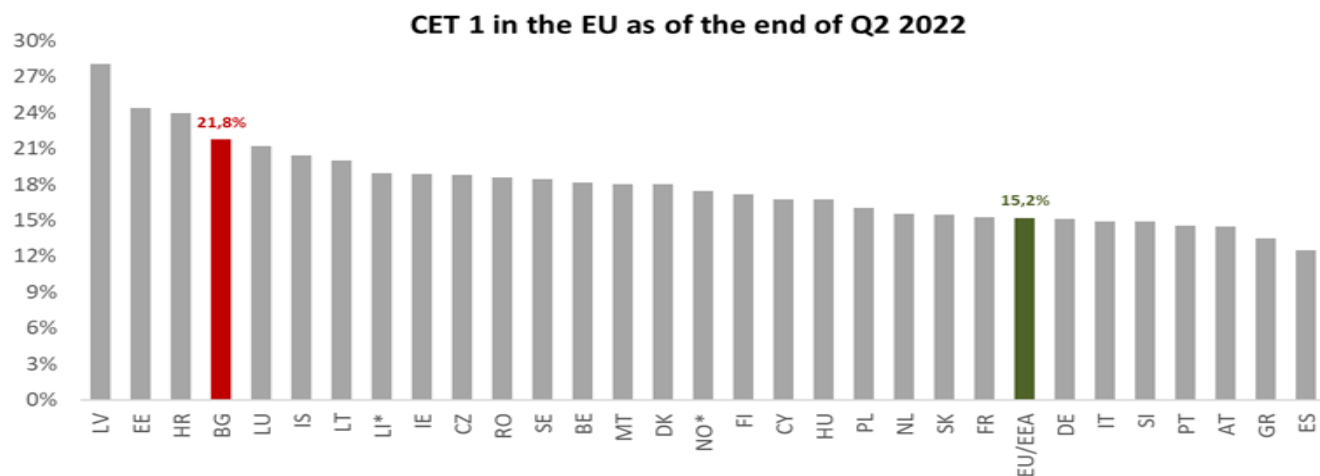
The levels of the indicators for the capital adequacy for the banks in Bulgaria are above the



average levels for the SSM banks, which according to the ECB data, as of the end of June 2022 were respectively for CET 1 – 14,96% and for the total capital ratio – 18,85%



Source: BNB, ECB



Source: EBA, Risk Dashboard, Q2 2022

Note: On the graphs, the data for Bulgaria is based on the information submitted to EBA by four banks, and do not refer to the entire banking system;

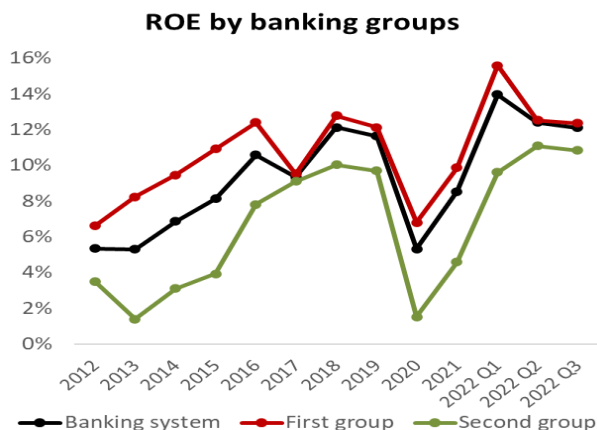
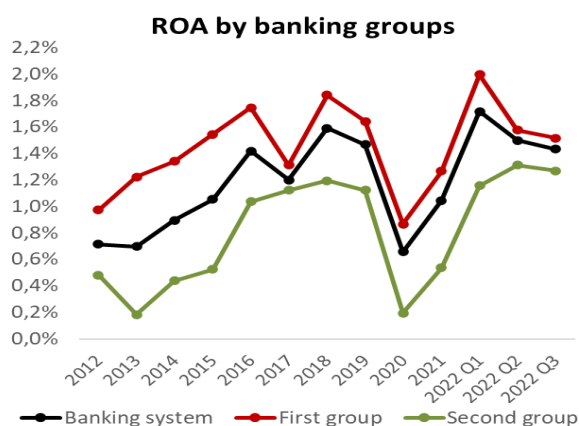
The BNB indicates that the amount of nonperforming exposures continues its downward tendency which is due to write-offs and credit sales but the sharp increase in the prices of the energy resources, the possible irregularities in their supply, worsening of the economic situation and the potential indirect effects on the economic slow down in the main Bulgarian trade partners could influence the situation of the real economy and the ability of the debtors to service their loans. The BNB also points that the solid capital position is a key factor for maintaining the stability of the banking sector in case of increasing the nonperforming exposures and impairments.



Profitability

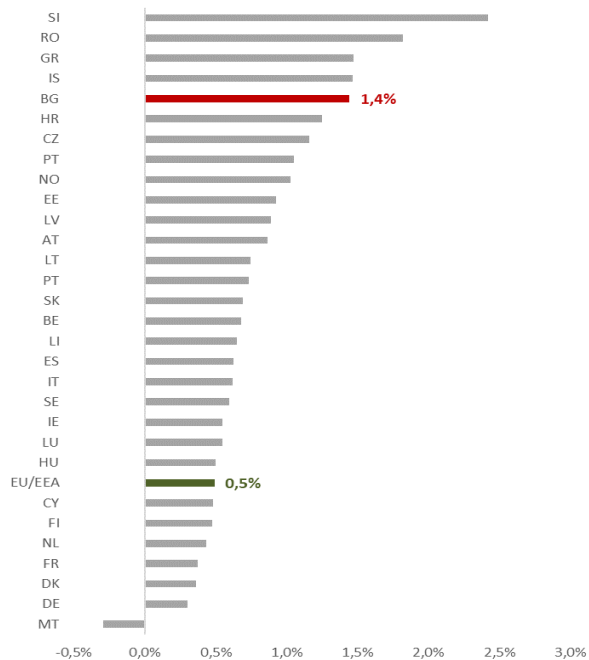
As of September 30, 2022, the average Return on Assets (ROA) for the Bulgarian banking system was 1,43%, compared to 1,5%, which was recorded as of the end of June 2022 (the average for the European banks was 0,46% according to the ECB data for Q2 2022). The value of the indicator was 1,51% for the banks in the first group and 1,27% for the banks in the second group as of the end of September 2022.

The average Return on Equity (ROE) for the Bulgarian banking system was 12,09% as of the end of Q3 2022 compared to 12,40% a quarter earlier (according to the ECB data the average ROE for the European banks was 7,62% as of the end of Q2 2022). For the first group of banks in Bulgaria the ratio was 12,35%, and for the second group – 10,84% as of the end of Q3 2022.

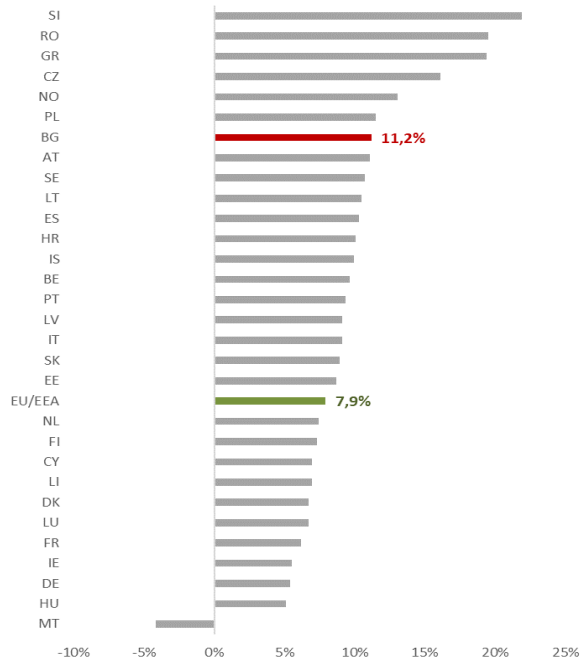




ROA in the EU as of the end of Q2 2022



ROE in the EU as of the end of Q2 2022



Source: BNB, own calculations
Source: EBA Risk Dashboard, Q2 2022

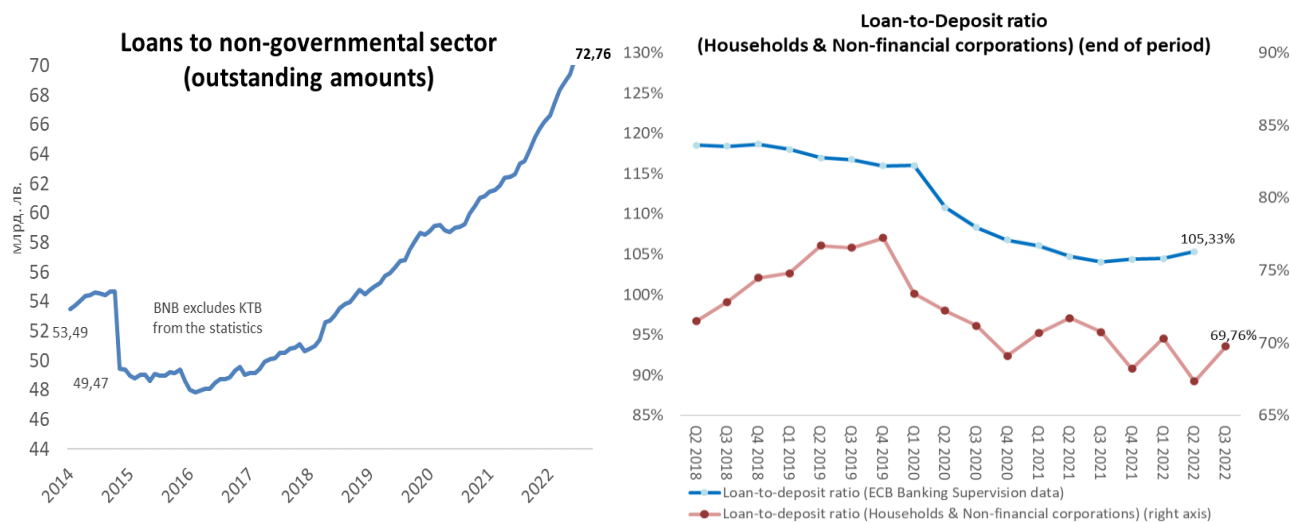
Note: On the graphs, the data for Bulgaria is based on the information submitted to EBA by four banks, and do not refer to the entire banking system;



Loans and deposits

In its [Macroeconomic forecast](#) the BNB forecasts that due to the cycle of increasing interest rates as well as the market expectations for tightening the monetary conditions in the euro area interest rates on loans and deposits in Bulgaria are going to increase significantly compared to the currently historically loan interest rate levels as the BNB expects the highest increase to take place in the fourth quarter of 2022 and the first half of 2023. The BNB forecasts that in the current year credit to the nongovernment sector to keep its comparatively high level.

As of the end of September 2022, according to the BNB monetary statistics data, the total outstanding amount of loans to the non-government sector (non-financial corporations and households) grew by 13,09% on an annual basis to BGN 72,76 billion compared with BGN 70,42 billion as it was at the end of June 2022.



As of the end of Q3 2022 the amount of non-performing loans (past due more than 90 days; excluding Central Banks and Credit Institutions) slightly grew to BGN 2,871 billion from BGN 2,771 billion a quarter earlier. The share of non-performing loans to total loans in the banking system remained unchanged - 3,42% as it was in Q2 2022, according to the calculations based on the data of the BNB Banking Supervision Department.

The share of non-performing loans to non-financial corporations slightly grew to 3,84%, compared to 3,74% at the end of Q2 2022. For the same period the ratio in the segment of housing loans decreased to 1,18% from 1,38%. The share of non-performing consumer loans dropped insignificantly to 5,40% from 5,42% (taking into account the increased amounts of consumer loans compared to the previous quarter).

At the end of September 2022, the amount of non-performing loans to non-financial corporations increased to BGN 1,685 billion from BGN 1,597 billion three months earlier. In

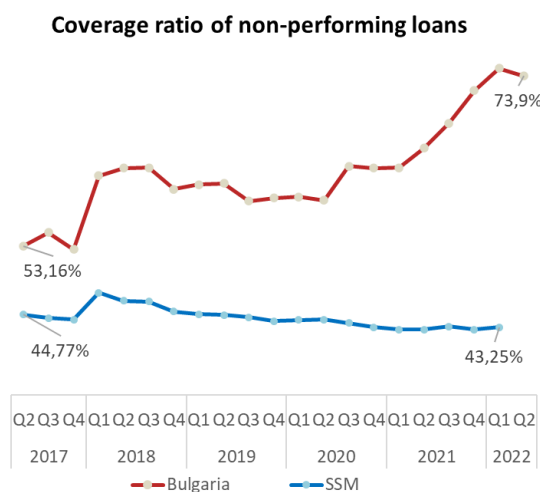
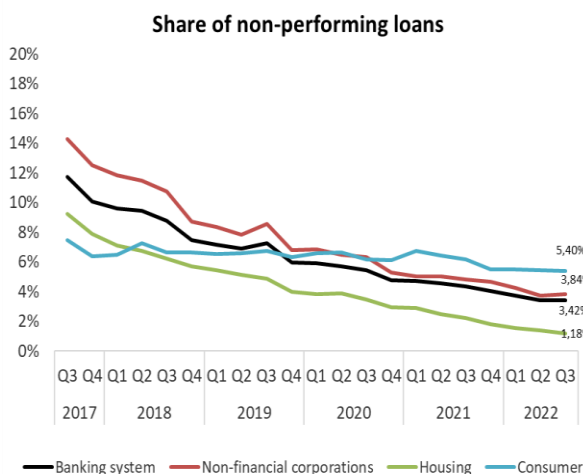


the segment of housing loans, the amount decreased to BGN 208,82 million from BGN 233,96 million compared to a quarter earlier. The non-performing consumer loans were at the amount of BGN 867,31 million compared to BGN 835,94 million a quarter ago.

The level of non-performing gross loans reported by the banks in the first group dropped to 3,25% as of the end of the third quarter of 2022 compared to 3,31% as of the end of Q2 2022. For the banks in the second group the level increased to 3,92% from 2,96%.

Despite the higher level of non-performing loans compared with the average EU level, the coverage for gross non-performing loans by provisions in Bulgaria is higher compared with the average level of the EU countries.

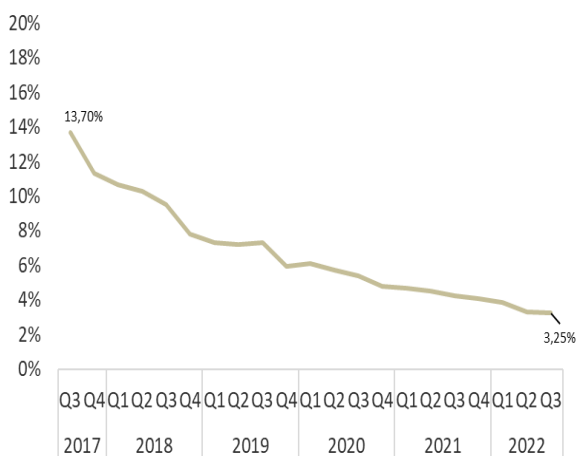
The impairment coverage ratio of gross non-performing loans in the Bulgarian banking system was 75,53% as of the end of Q3 2022 compared to 73,9% a quarter earlier. For comparison, the coverage ratio for the European banks according to the ECB data for Q2 2022 was 42,54%.



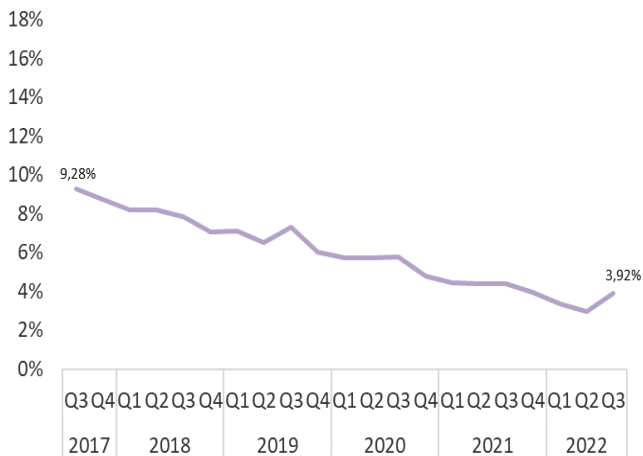
Source: BNB, ECB, own calculations



Share of non-performing loans in first group of banks



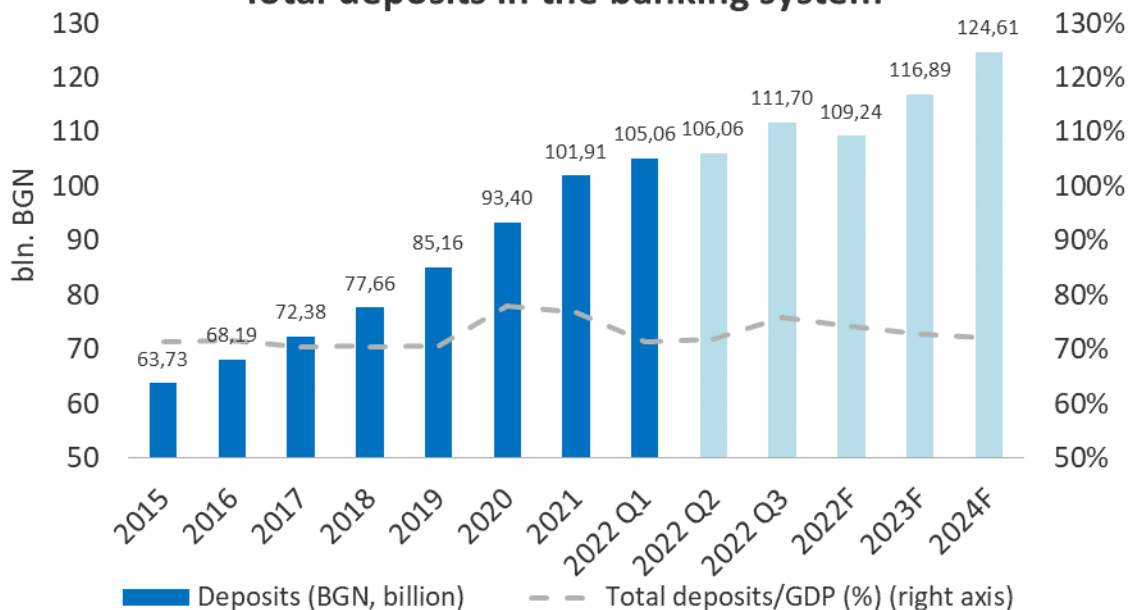
Share of non-performing loans in second group of banks



Source: BNB, own calculations

Deposits attracted by the banks continued to grow. As of the end of September 2022 the total amount of outstanding deposits in the banking system reached BGN 111,70 billion as an annual growth of 11,3% was recorded despite the still low interest rate levels. The deposits' growth was higher compared to the growth of 9,6% which was reported at the end of the previous quarter.

Total deposits in the banking system



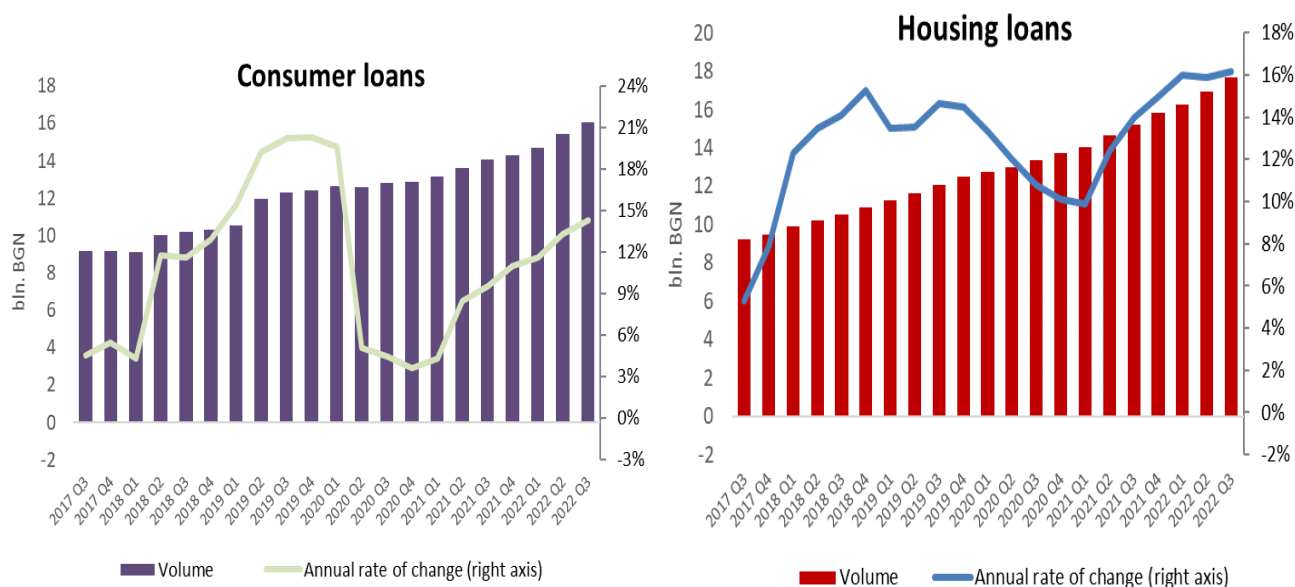
Source: BNB, own calculations
Forecast: BNB, Ministry of Finance



Loans and deposits to households

As of the end of Q3 2022, according to the data of the BNB Banking Supervision Department, the amount of consumer loans was BGN 16,05 billion compared to BGN 15,43 billion a quarter earlier and BGN 14,04 billion a year earlier. In Q3 2022 the amount of consumer loans grew by 4,0% on a quarterly basis and increased by 14,3% on an annual basis (according to the data from the BNB Banking Supervision Department).

The amount of housing loans, according to the data of the BNB Banking Supervision Department, equaled to BGN 17,65 billion compared to BGN 16,95 billion as of the end of Q2 2022 and BGN 15,2 billion as of the end of the third quarter of the previous year. The quarterly increase was by 4,1% and by 16% on an annual basis.



Source: BNB, Banking Supervision Department, own calculations

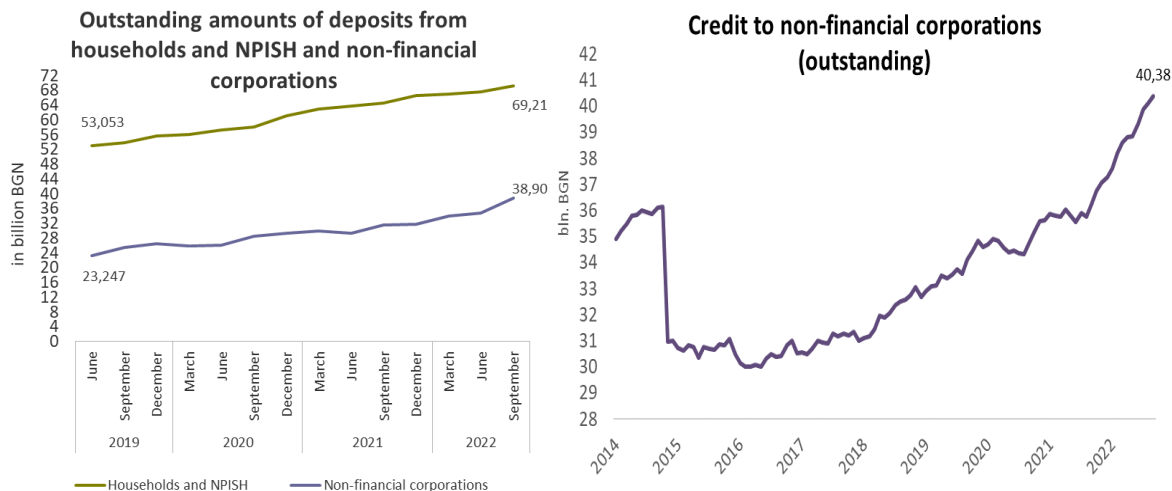
As of the end of Q3 2022 the total amount of deposits to households and NPISH grew by 7,3% compared to 6,0% at the end of June 2022. Deposits from households were BGN 69,21 billion (47% of the forecasted GDP). The share of the household sector in the total amount of deposits in the banking system was 62%.

Loans and deposits of non-financial corporations

As of September 30, 2022, the outstanding deposits from non-financial corporations increased by 23,1% Y-o-Y after an annual increase of 18,6% a quarter earlier amounting to BGN 38,90 billion (26,4% of the forecasted GDP). The outstanding amount on loans to non-financial corporations grew by 11,4% Y-o-Y to BGN 40,38 billion at the end of Q3 2022. The



increase of loans to non-financial corporations increased by 2,7% on a quarterly basis.



Source: BNB, Monetary statistics

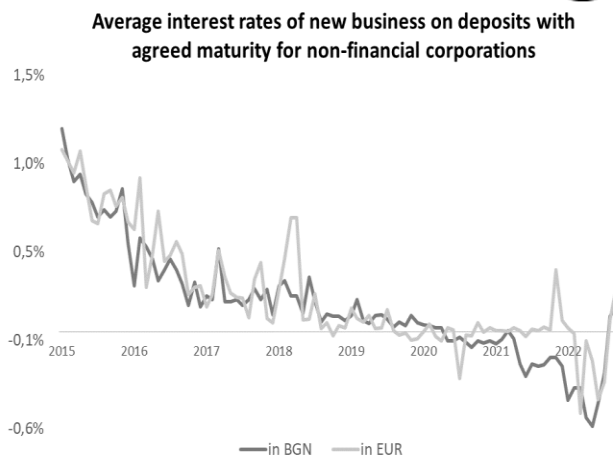
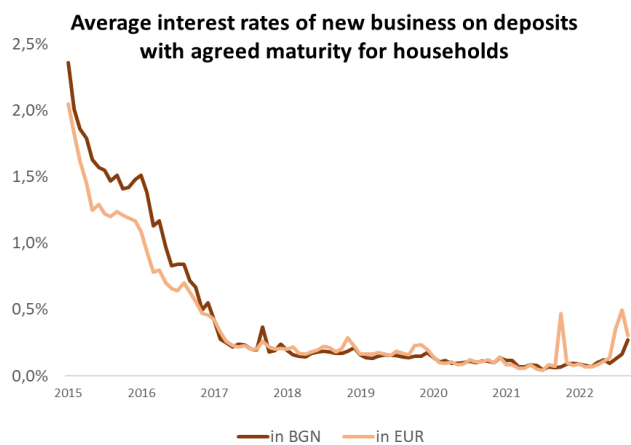
Interest rates

In Q3 2022 there was an increase in the interest rates on newly contracted loans deposits to households and non-financial corporations in BGN and EUR.

Interest rates on deposits

As of the end of September 2022 the average interest rates on deposits with agreed maturity on new business in BGN to households slightly increased on a quarterly basis to 0,27% compared to 0,10% at the end of June 2022. The interest rate levels on deposits with agreed maturity on new business in EUR registered more significant increase to 0,3% from 0,14% compared to the end of Q2 2022.

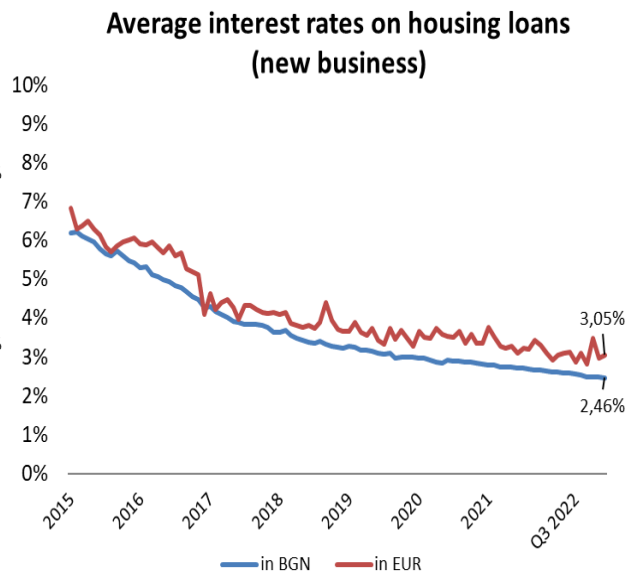
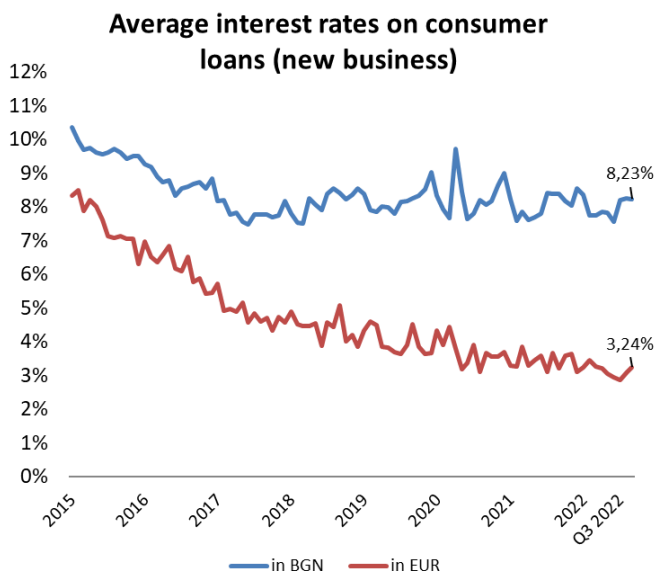
As of the end of Q3 2022 the average interest rates on new business deposits with agreed maturity of non-financial corporations in BGN increased to 0,14% from -0,40 as it was at the end of June 2022 and for deposits agreed in EUR there was an increase to 0,25% from - 0,38%, as it was at the end of June 2022.



Source: BNB

Interest rates on loans

As of the end of Q3 2022 the average interest rates on housing loans fell slightly to 2,46%, from 2,49% for the loans agreed in BGN compared with a quarter earlier. For the same period the average interest rates on housing loans in EUR increased to 3,05% from 2,81% at the end of the second quarter of 2022.



Source: BNB

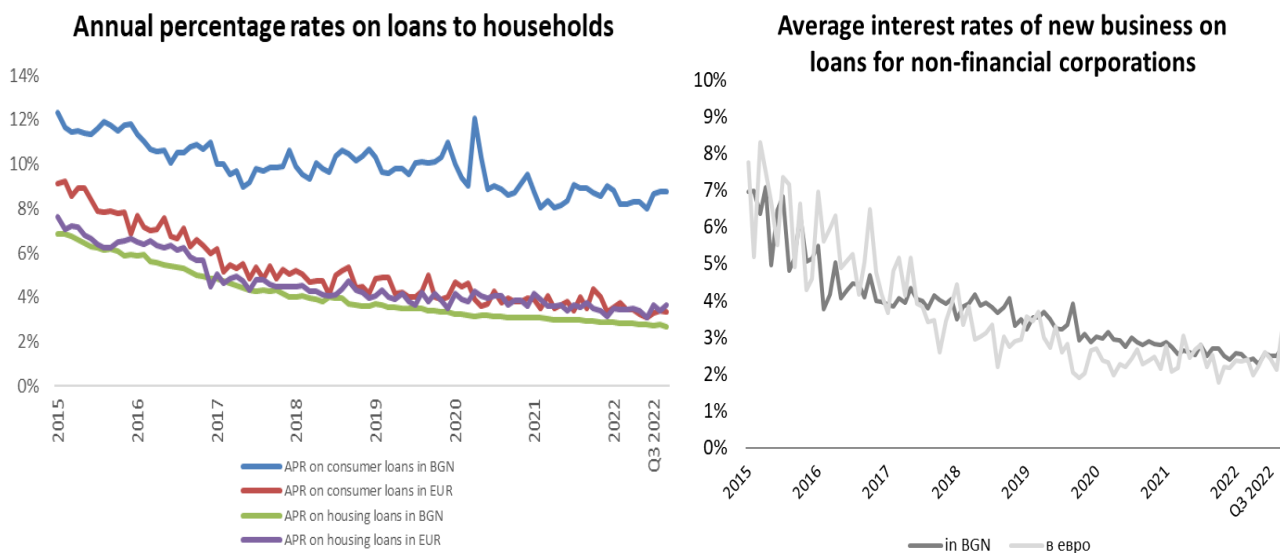
As of the end of September 2022 the average interest rates on consumer loans agreed in BGN increased to 8,23% compared to 7,56% at the end of Q2 2022. The interest rates on consumer loans agreed in EUR increased to 3,24% as of the end of September 2022 in



comparison with 2,94% three months earlier.

As of the end of September 2022 the annual percentage rate (APR), which includes the interest rate component and the component of all other fees and commissions, dropped to 2,66% from 2,79% for housing loans in BGN, and for loans agreed in EUR there was an increase to 3,65% from 3,10% a quarter earlier. The level of the APR on consumer loans increased to 8,76% from 8% for those in BGN and to 3,36% from 3,08% in the previous quarter for the loans in EUR.

Compared to the Q2 of 2022 the average interest rates (average IR) on new business loans to non-financial corporations in BGN increased to 2,71% compared to 2,57% as of the end of June 2022, as an increase of average IR on loans agreed in EUR was also registered in Q3 2022 (by 3,20% from 2,58%). The interest rate on loans to non-financial corporations agreed in USD increased to 4,64% from 2,43% as it was a quarter earlier.



Source: BNB



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All historical rates, statistical data and graphs are up to date, up to and including November 28, 2022, unless otherwise stated.

The views provided are those prevailing as of November 28, 2022.