



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

PRESS RELEASE

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ECB concludes comprehensive assessment of six Bulgarian banks

- Comprehensive assessment follows Bulgaria's request for close cooperation with the ECB
- Asset quality review and stress test conducted
- Bulgarian authorities to follow up on findings

The European Central Bank (ECB) has today published the results of a comprehensive assessment of six Bulgarian banks, following Bulgaria's request to establish close cooperation between the ECB and Българска народна банка (the Bulgarian National Bank). A comprehensive assessment is required as part of the process of establishing close cooperation between the ECB and the national competent authority of an EU Member State whose currency is not the euro.

That comprehensive assessment covered UniCredit Bulbank AD, DSK Bank EAD, United Bulgarian Bank AD, First Investment Bank AD, Central Cooperative Bank AD and Investbank AD, all of which consented to the disclosure of the exercise's findings. The Bulgarian authorities will follow up on the findings.

The exercise comprised an asset quality review (AQR) and a stress test, both of which were based on the methodologies applied by ECB Banking Supervision in its regular comprehensive assessments of banks that have recently been classified as significant or could potentially become significant.

The AQR is a prudential exercise, rather than an accounting exercise, and provides the ECB with a point-in-time assessment of the carrying values of banks' assets on a particular date (31 December 2018 for the six Bulgarian banks). The AQR also determines whether there is a need to strengthen a bank's capital base. The AQR for the Bulgarian banks was carried out on the basis of the ECB's [updated AQR methodology](#), which was published in June 2018 and takes account of the impact of accounting standard IFRS 9.

The AQR was complemented by a stress test exercise, which looked at how the banks' capital positions would evolve under hypothetical baseline and adverse scenarios over the next three years (2019-21).

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That stress test was conducted using the methodology applied in the European Banking Authority's 2018 stress test.

Any need for further strengthening of capital positions was identified using the same threshold ratios that had been applied in previous exercises: a Common Equity Tier 1 (CET1) ratio of 8% for the AQR and the stress test's baseline scenario, and a CET1 ratio of 5.5% for the stress test's adverse scenario. The CET1 ratio is a key measure of a bank's financial soundness.

Four of the six banks covered by the comprehensive assessment – UniCredit Bulbank AD, DSK Bank EAD, United Bulgarian Bank AD and Central Cooperative Bank AD – do not face any capital shortfalls, as they did not fall below the relevant thresholds used in the AQR and the stress test. First Investment Bank AD, on the other hand, fell below the 8% CET1 ratio threshold for both the AQR and the stress test's baseline scenario, as well as falling below the 5.5% CET1 ratio threshold used in the stress test's adverse scenario. Meanwhile, Investbank AD fell below both the 8% CET1 ratio threshold used in the stress test's baseline scenario and the 5.5% CET1 ratio threshold used in the stress test's adverse scenario.

A summary of the results for the six participating banks can be found in Table 1 below.

Table 1: Evolution of CET1 ratios and resulting capital needs

Bank name	Initial CET1 ratio (1)	CET1 ratio post-AQR (1)	CET1 ratio in baseline scenario (2)	CET1 ratio in adverse scenario (2)	CET1 shortfall (3)
	(%)	(%)	(%)	(%)	(EUR millions)
UniCredit Bulbank AD	24.7%	23.1%	19.2%	14.3%	0
DSK Bank EAD	19.0%	18.6%	19.1%	12.3%	0
United Bulgarian Bank AD	21.5%	21.1%	20.2%	11.8%	0
First Investment Bank AD	15.7%	4.5%	4.1%	-2.0%	262.9
Central Cooperative Bank AD	16.4%	16.2%	15.7%	8.0%	0
Investbank AD	15.2%	10.0%	5.7%	-3.1%	51.8

- (1) CET1 ratio as at 31 December 2018.
- (2) Lowest CET1 ratio over the stress test's three-year horizon.
- (3) Bank's capital needs on the basis of the maximum shortfalls in the various components of the exercise.

Detailed results and information on the outcome of this exercise can be found on the ECB Banking Supervision website.

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