Nedelcho Nedelchev, Chief Executive Officer of Fibank: Loans Are Increasing Due to Good Economic Performance and Improving Business Environment

Thursday 12 July, 2018

- Mr. Nedelchev, what will Fibank's partnership with Erste Asset Management mean to Bulgarians? Which services of the Erste Group will be offered?

- The Austrian company Erste Asset Management is an international asset management company with leading positions in the Central and Eastern European region. It is a part of the Austrian financial group Erste Group Bank AG, specializing in the management of mutual, alternative and private funds.

As a partner of Erste Asset Management, Fibank will offer its clients the opportunity to invest in the funds managed by the Austrian financial institution. At present, our partnership focuses on offering mutual funds managed by Erste.

- You are saying that you will offer your customers new investment opportunities, aimed at achieving better returns. Is this not a competing product to the classic deposit products offered by your bank?

- In recent years, we have witnessed a gradual reduction in deposit rates across the globe, prompting more and more people to think about investing in other types of financial products. We have always tracked the pulse of the market so that we can offer adequate and customer-oriented products.

Through this partnership with Erste Asset Management, First Investment Bank will expand its clients' options to invest their savings, giving them the opportunity to invest in mutual funds managed by the Austrian financial institution.

These are four contractual funds denominated in euro that are registered in Bulgaria but managed by Erste. Depending on the risk tolerance of our clients, they can opt for a fund with a specific risk profile that has the potential to bring them higher returns in the long run than standard deposits.

- Please tell us briefly about Erste Asset Management products.

- I am proud to announce that we have achieved a strategic partnership with one of the pioneers in the asset management market in Europe. This is a company with over 50 years of history, very strong positions and experience in current products for socially responsible investment, as well as a number of other strategies.

Erste Asset Management are leaders in Austria in terms of assets under management, employing over 600 professionals.

The Erste funds offered in Bulgaria by Fibank are geared towards both retail and institutional investors.

The specific products to be launched first are a bond fund, a balanced fund with moderate risk, and two equity funds.

An important feature of investing in mutual funds is the liquidity of the investment: clients can sell back their units in the fund at any moment as opposed to a deposit, which has a fixed term.

- What was the reason for Erste to choose a partnership with Fibank?

- Through its partnership with Fibank, Erste Asset Management is entering the Bulgarian market for the first time and also for the first time it is using a bank that is not part of the Erste Group to offer its services. We are one of the largest banks in Bulgaria with a wide branch network of over 150 branches and offices throughout the country.

We have leading positions in both the retail and corporate banking segments. In the local market, we rank fourth in terms of assets, second by corporate loan portfolio size, and third by deposits of individuals and households.

The customer base of our bank exceeds 1 million people. These indicators, as well as our long history of

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introducing various innovations in the local market, have led Erste to choose us as their strategic partner.

- What does the credit market in Bulgaria look like? Is it facing any risks?

- The credit segment has done very well over the past year. Indicators have been improving and we have seen increased loan demand from both households and businesses. The level of bad loans in the system has dropped and is already under 10%. This in itself means we cannot talk of increased risks to banks, rather the opposite. The good macroeconomic indicators and the improving business environment provide prerequisites for reduced risks and higher returns.

- How about the BNB warnings to banks not to loosen their requirements to borrowers? Are they well justified?

- All banks in the country have gone through difficult years; they have drawn their conclusions, identified the mistakes made, and know very well what the negative consequences of excessive loosening of customer requirements can be. I am convinced there is no bank in the country that does not offer responsible banking to its clients.

Of course, the BNB as a supervisory institution has the right and responsibility to make recommendations and to monitor carefully both the market itself, and the status and activity of each particular bank. Banks on the other hand strictly comply with every recommendation and therefore the country enjoys a very stable banking system.

- What is the growth of lending in your bank?

- For several years now we have been working with the International Financial Corporation (IFC) and Bain & Co. on the development of good corporate governance and risk management. Together with Bain & Co., we developed a strategy of the bank that focuses on credit expansion in the SME and retail segment in the country.

This policy further diversified market risks and strengthened the bank's sound positions. The strategy is already bringing results.

Last year we had more new consumer loans granted than any of our competitors. Our portfolio grew by BGN 127.4 million. And for the first quarter of this year, our profit increased by 22.3%.

- What do Bulgarians borrow money for?

- For a variety of purposes, ranging from buying a home to repairs or investment. The stable economic environment in the country gives consumers increased confidence in their financial capacity. Banks, on the other hand, offer increasingly flexible credit products and attractive terms.

This year, First Investment Bank is celebrating its 25th anniversary. On the occasion of this quarter-century jubilee, the bank comes out with special offers for credit and deposit products for its clients.

The first series of such jubilee offers was already launched in the beginning of June.

- Is the proportion of bad loans increasing or decreasing? And if decreasing, does that mean the economic environment is improving and people are able to regularly repay their obligations?

- Bad loans have been steadily decreasing in recent years. At the end of March 2018 the gross amount of non-performing loans and advances in the banking system amounted to BGN 7,715 billion, and by the end of 2017 it was BGN 8,292 billion.

In percentage terms, their share decreased to 9.3% against 10.2% at the end of December 2017. Of course, the economic situation has had its beneficial impact, but we also need to mention the more active management of portfolios by banks themselves.

I am confident that in the coming years we will be getting ever closer to the average indicators reported in Europe.

- You have been in the executive power. What does Bulgaria look like now – in political and economic terms?

- Economically, the country is drawing more and more attention from the international investment

community. We have stable macroeconomic indicators and that makes us attractive. We have a potential for stable growth is not only in consumer demand, but also in industry, which is a prerequisite for more active investment in Bulgaria and the region. The forecasts of both the World Bank and the IMF for our economy indicate that this positive trend will continue.

To summarize, all data show that the economy not only of Bulgaria but also of the countries in the region is in an upward economic cycle. As for politics, I have never seen myself as a political person. Even when I was deputy minister, I did my job as an expert, not as a politician. I believe one must do what one is good at, and my strength is finance.

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