

January 2020

DIGITAL CHALLENGES OF THE BULGARIAN BANKS 2020

INDUSTRY RESEARCH ABOUT THE
BIGGEST DIGITAL CHALLENGES IN THE
BANKING SECTOR IN BULGARIA

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Why we do this?

This is important for us...

As a FinTech provider, iRoboInvest operates globally. We have been operating in markets like London and Hong Kong. While bringing those good practices to Bulgaria, we revealed a big problem. There is a complete lack of information about the digital challenges of the banking sector in Bulgaria.

No one has done the hard work to analyse and present the biggest challenges that Bulgarian banks face, until now. iRoboInvest decided to change that. We are introducing the first of its kind nation-wide report about the “Digital challenges of the Bulgarian banks”.

To achieve this, we met with distinguished bankers from all major banks in Bulgaria. This report represents their opinion about the digital challenges they face daily. We want to sincerely thank everyone that took part in the creation of this report!



Summary

In this report you will find...

Bulgarian banks are undergoing an incredible digital transformation. Moving away from legacy systems creates a whole new spectrum of digital services banks can offer. Most banks in Bulgaria prioritize the digital transformation and put it on top of their agendas. However, the process is not easy. Banks face many challenges, most of which described below.

Navigating through the digital era is challenging by itself. That is why many banks collaborate with FinTech companies that have the technology already available. On that topic, we published earlier this year a “Robo-Advisory as-a-Service” White Paper.

In this report, you can find answers on which are the main digital challenges that Bulgarian banks are facing at the moment. Also, if you are a banker, you can see how others are doing it. We are addressing each of the challenges with potential solutions. Have a nice reading!

Next steps

We will not stop here. Our commitment is to accelerate the digital transformation process in Bulgaria by working together with banks and inform the public about the digital solutions available on the market. This is just the beginning of a series of reports on the topic.

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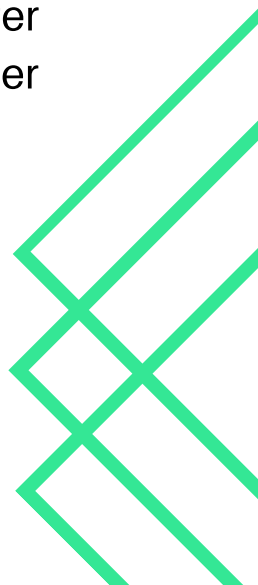
- Doing Business by the World Bank
 - World Competitiveness by the World Economic Forum
 - E-government readiness by the United Nations
 - IMD World Digital Competitiveness Ranking
- 

Banks going digital

Digitizing banking products – most traditional banks have legacy systems and IT infrastructure. Implementing the latest technology is a slow and expensive process. As a result, it is fair to say that most players offer their products only physically at their banking offices. One of the positive effects of product digitalization is to reach out to more retail clients.

Cost-efficient consulting – Financial consulting is an expensive process. It requires buildings, highly-educated staff, a variety of systems and instruments available. Moreover, traditional face-to-face consulting is costly as one financial consultant can reach out to only 8 clients a day. The financial consulting digitalization enables banks to cut advisory costs and inform clients about their products. That ultimately leads to a greater number of clients reached and a more loyal one.

Better digital solutions – banks can use digital solutions and automation not only for their external products to retail clients but also internally. For example, banks can make use of a system that can enable better internal management. Bank experts can have a portfolio of several hundred if not thousands of clients in front of them. The system could enable comparison and better clients' behavior understanding. Again, that leads to higher retention and better up-sale opportunities.



Banks going digital

....CONTINUES

Financial solutions for the Millennials – Millennials are a group of the population born between 1981 and 1996. Currently, it is the largest working-age population group in Bulgaria. It's also the group with the highest income growth. As most of them are digital-savvy, banks can reach out to that group only if user-friendly digital solutions are offered.

Acquiring new clients – most banking clients are depositors or consumer credit users. By digitalizing the banking product portfolio, banks could reach out to completely new (unserved) segments of the market.

Access to the fast-growing FinTech industry – Over the past couple of years, traditional banks invested billions in acquiring or funding FinTech companies. That boosted the industry growth. Everyone's attention is now on FinTechs because of the technological change they bring. This segment completely transforms the traditional finance industry. Each bank wants to be part of it and those that don't transform will be outcompeted.



CHALLENGES



Client deposits – a “lose-lose” situation for banks and clients

"Bulgarian banks are currently losing money from client deposits"

Believe it or not, Bulgarian banks are currently losing money from client deposits. Some of the largest banks in the country just introduced a negative interest on deposits over 50,000 Lev. Many other banks consider similar actions at the beginning of 2020.

As the top 3 banks have over-liquidity, they are having to pay for every additional client deposit they receive. With current interest levels close to 0%, banks can't profit or invest client's money and so they are stuck in no man's land. How to maintain their clients while introducing higher-earning products?

If there was only a way to move clients to other high-earning products, banks would make billions in profits. The banking palette of products is:

- Consumer credit
- Mortgage
- Overdraft
- Credit and debit cards
- Insurance and investments
- Deposits
- Others

The digitalization of all banking products, part of many 2020 banking strategies, could accelerate that transition. That is why banks are so eager to digitalize all their solutions and introduce clients into highly profitable products.

Upgrading the systems Evolving away from legacy applications – mission impossible?

The single most challenging transformation for any traditional bank is to evolve away from its legacy systems. Banking systems sometimes originate from the 90s. They are slow, heavy, and costly yet so much imbedded into their infrastructure of the banks that substitution cost is way too high. Year after year banks keep rolling those ancient banking systems which do not allow them to be highly competitive in the digital race.

How would those legacy systems be changed? It requires approval from top management and bank-wide implementation. The right 3rd party provider must be engaged in developing and implementing the new applications. All employees that will be using the applications must be trained and qualified to use them appropriately – a cost that goes from tens to hundreds of million euros. Our tips and hints to banks are:

1. Get the top managers to approve the digital transformation strategy
2. Engage with FinTech players that have the technology to do it
3. Be open about the challenges so that providers can tailor the solution for you
4. Be patient – good things take time

*"Upgrading the systems is
single-handedly the
biggest challenge for most
Bulgarian banks."*



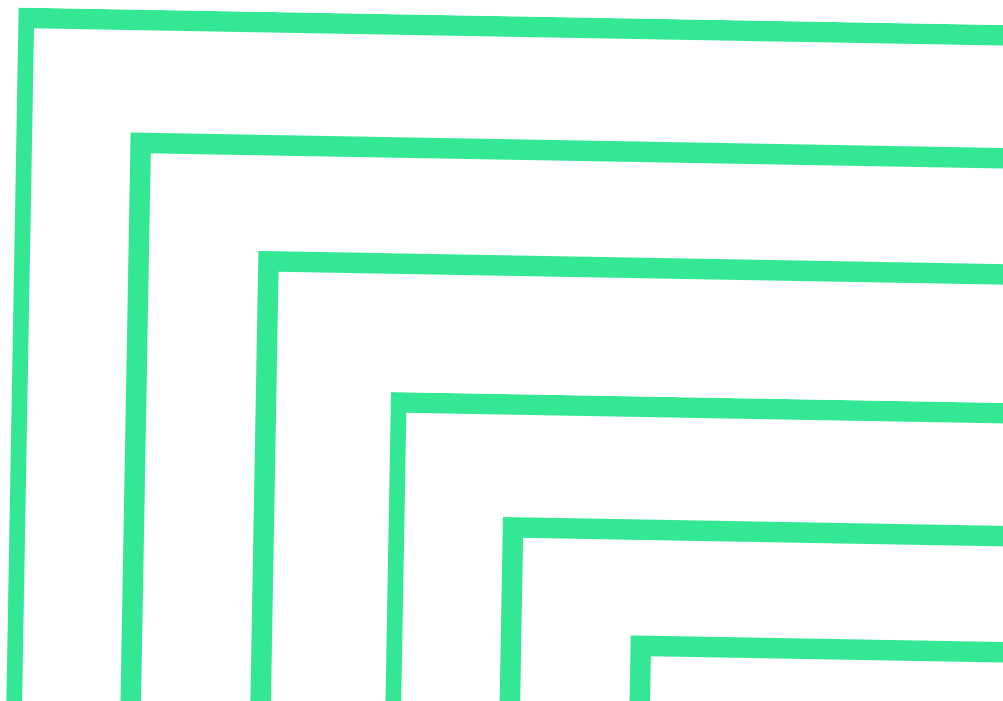
Automate
manual
process
and offer
only high-
value-
added
products
face-to-
face

*50% of banks costs
are for employees
and offices.*

A large fraction of all banking employees is to maintain simple operations for example tasks performed by the front-office employees. Banks want to change that.

Banks want to improve the overall expertise of their client-interacting employees. The reason? Rather than stamping documents and printing statements, banks want to qualify their front-office managers to be able to offer more sophisticated financial solutions such as insurance or investments.

Sooner or later all those manual processes will be automated so that front-staff is to support only the highly sophisticated banking products.



Use data analytics to understand your clients

Remember when earlier we talked about banks attempt to digitalise products in order to be able

to up-sell or cross-sale to clients?

Well, that creates a whole new need for the banks to get to know their clients better. CRM systems are in high demand. Banks are ready to pay and implement systems that allow them to know each of their client's better and even

predictive software

that tells them what to expect from them based on patterns from other existing clients. That is no different from the experience you get from websites like Amazon or Spotify, where based on your preferences you get personalized offerings that closely match your tastes. When it comes to money, personification is key too. Our experience with banks shows that they take very seriously the

attempt to understand their clients better.

For the first time terms as big data analytics and machine learning are on the table for discussion.



Brick and mortar, virtual, or both?

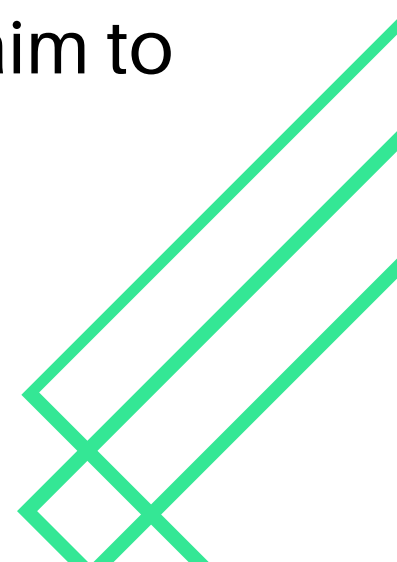
Between brick and mortar, virtual, or both. How ready are customers for 100% digital-only offerings? That is the question most Bulgarian banks ask themselves. Generally, for younger generations such as Millennials and Gen Z, being mobile-first is a prerequisite. However, most wealth in the country still comes from older generations which are not digitally savvy. More so, they have lost their money 2-3 times over the past 25 years, thus when it comes to investing they are very much conservative. Going back to the initial question, should the solutions be offered person face-to-face or be 100% digital?

Our practice shows that most

banks tend to offer hybrid
solutions, part face-to-face,
part digital

They want to keep the live interaction with clients, yet offer digital products. 2020 is to be a year of digital market validation for most Bulgarian banks. The trial and error approach is adopted and that is why they want to keep the clients in-reach. Most requests are for hybrid solutions that start digitally but get finalized physically.

Between brick and mortar, virtual, or
both, most Bulgarian banks aim to
offer both.



Keep the client within range - internal ecosystem is key

Banks are very careful and the products they offer because keeping the client in their ecosystem is vital. No one wants to spend money on client acquisition and then lose the client over to another supplier.

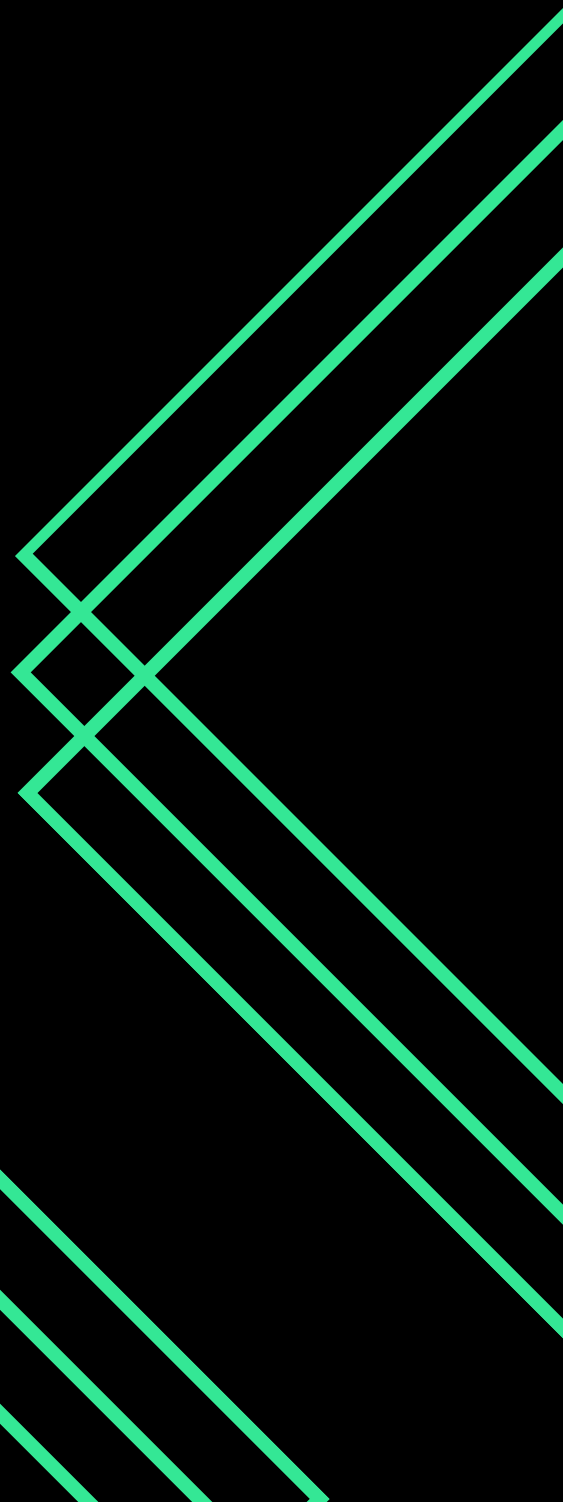
Therefore, it is reasonable that in most cases, banks tend to offer only products within their ecosystem. That could be good and bad but the reality is that rarely you will see insurance, investment or any other product not part of the bank group offerings. Keep the client close seems to be the main principle.



Investment advice. To be or not to be?

"Regulators are extremely restrictive."

The avoidance of proving investment advice is reasonable. No one in or outside Bulgaria wants to be liable for the provided investment advice to retail clients. As retail clients are the most vulnerable segment, regulators are extremely restrictive to those wanting to provide advice to them. However, the only way to provide meaningful banking applications to clients is through digital advice. Banks are going to have to make a choice: on one hand, they could have superior applications with the advisory risk involved. On another hand, they could remain to informative-purpose only applications by providing just the basic functionalities. Which one to offer is a matter of choice and strategy.



Revolut not a treat!

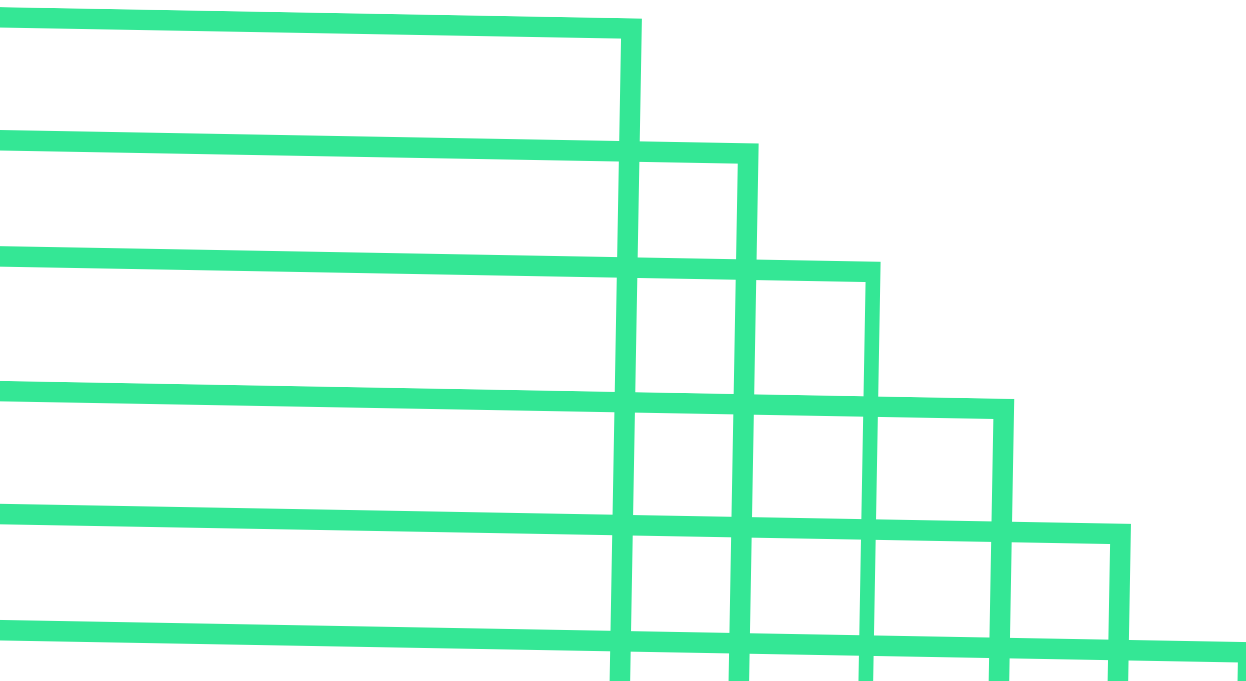
At least for now...

Are there emergent threats from non-financial institutions? Almost none of the Bulgarian banks are concerned about direct competition from FinTech incumbents. There are just not that many in the country yet, and even if they are they are banks can't feel the pain yet. There is no battle between Banks and FinTechs in Bulgaria. It is more collaboration and

findings ways to work on solving the digital challenges together.

However, in the long-run, banks are concerned about large tech players like Amazon, Google, Facebook. They have tech advantage, they have a large customer base so that they can leverage by offering financial solutions typically offered by traditional banks. Moreover, most respondents claim they

trust their tech providers more than their traditional bank.



Bureaucracy killing good ideas. The 80 people decision making process

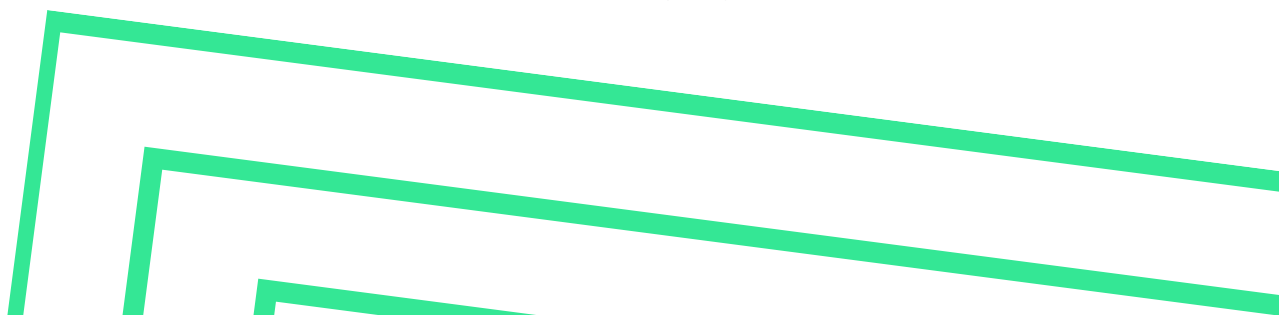
"A single product launch may take 80-100 people to approve it."

How is a new banking product launched? Any new product that banks want to launch needs months, if not years of development. Careful preparation before launching it to the public is vital. Internal barriers to launch such products are very serious, especially if banks don't have a clear internal structure and decision making process. Let us give you an example.

Imagine a bank that wants to introduce a digital wealth management solution to the market. The bank already offers that product person-to-person but the aim is to digitalize it to the public. How would this happen?

A single product launch may take 80-100 people to approve it. The bank needs to have cross-department project managers that work with all departments: compliance, asset management, marketing, payments, sales, and more. Head of each department must give a "green light" to the project and representatives from all those departments must be involved in the decision-making process. Sometimes those departments rarely work together. In many cases, formally established links across departments don't even exist.

To be successful in the digital transformation process, banks must have cross-department project managers to run those projects. Moreover, they have to have support from the top management. That is yet to be seen for most Bulgarian banks, yet good examples do exist.



PSD II – "wait and see" approach

PSD II creates a new challenge and opportunity in the banking industry. Opening APIs to 3rd party providers is a necessity for better collaboration. PSD II will enforce the technological development in the sector. Yet, most Bulgarian banks delay as much as possible this procedure. Everybody is in the

"wait and see" approach

and most banks even ready are afraid to be among the first on the market to open their APIs. Banks take system security seriously and that is a new page for most.



High commissions – yes, please!

Let's be honest, among the many reasons why not that many people invest is due to the high commissions. On average,

2.5% is the commission

from a mutual fund investment worldwide. That means that a 7% annual return will be deducted with 2.5%, leaving the client with

net return of mere 4.5%.

For many, that is not high enough to justify the risk associated with investing.

If there was only a way to push the commission down to 1%, many more retail investors will consider it worthwhile to redirect their savings into investments. Through digitalization, banks have the opportunity to push the fees down in pursue of greater mass-market penetration.

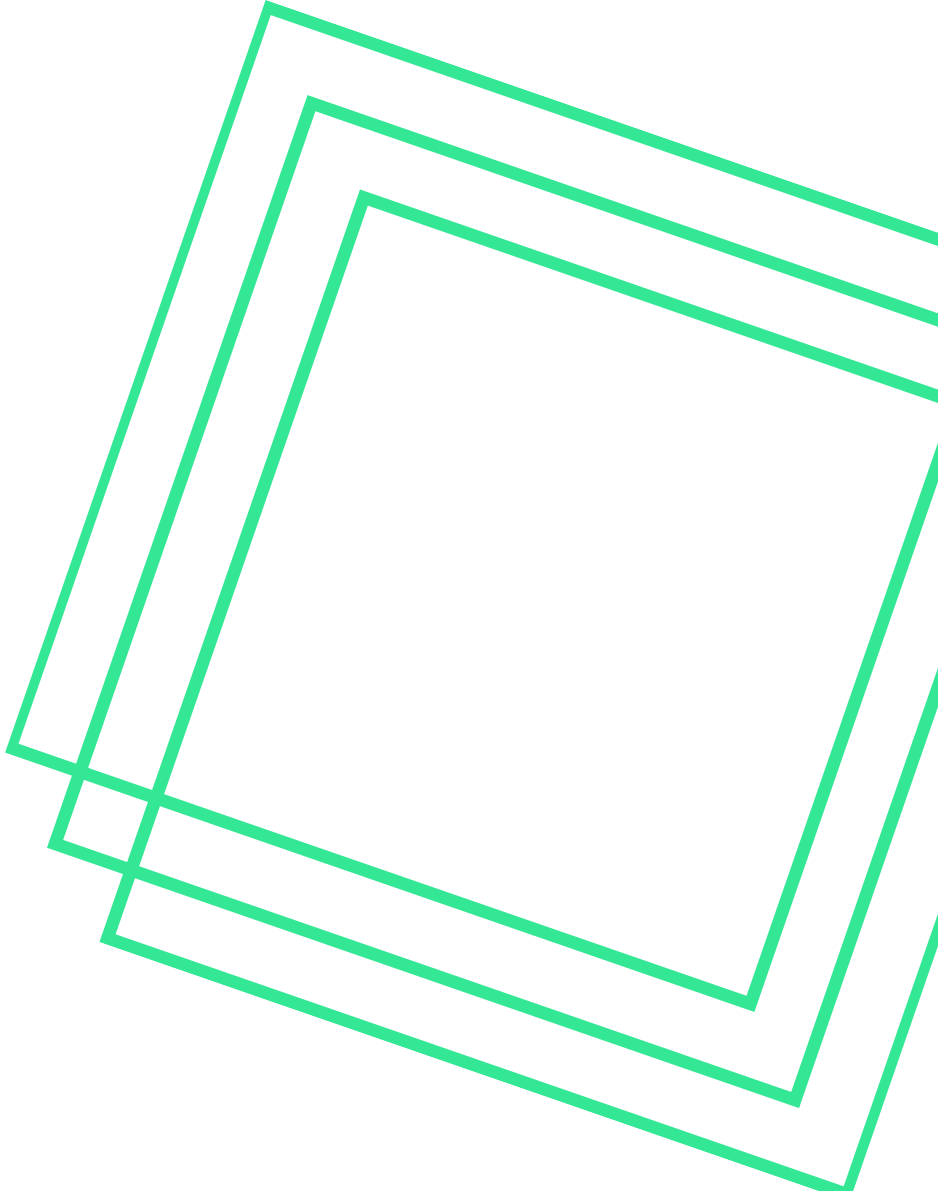
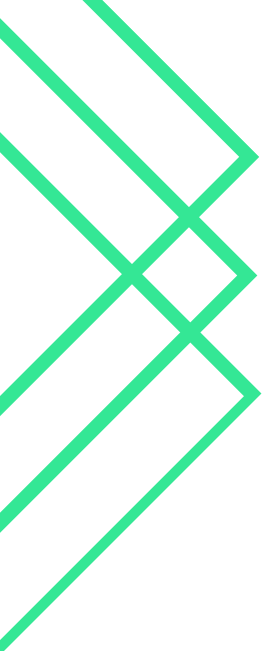
However, banks are considerate not to cannibalize their main business. We have seen examples of how great product offerings were dismissed due to potential product cannibalization effects.

New era for the distribution channels – it's all digital now, or is it?

Digital distribution channels are key for fast product adoption. Banks have started investing, some even have whole new digital distribution channel departments. Let's be honest, the old digital banking user-journey are not good enough.

Over 50% of the clients are
dissatisfied with their banking apps.

The reason is that for most of the banking services a visit to the physical office is required.



Currently, just a handful of product offerings are completely digitalized. That improves the user-experience but most clients have also increasing needs and expectations from their banking apps. Still, less than 30% of bank products are accessible digitally.

Have you ever experienced this? You want to register for a new banking service. After filling in all the required information online, you are asked to visit the banking office to complete your registration. Instant turn-off!

Ideally, within a few years, we could expect banking offerings that do not require any physical participation. Everything will be done online through the web or mobile app.

Educate the client – thea “public” good to invest in

93% of
younger
generation
does not
have financial
literacy

The result,
uninformed
retail clients
who don't
understand
simple
financial
terms

That means that the majority of the retail client cannot invest themselves. To be honest, they don't have to. Many have different occupations not necessarily related to finance. The problem is that banks have to educate that 93%!

Marketing materials, video tutorials, educational events, or published reports are such some of the ways banks can use to achieve that goal. However, as it is in most so-called “public goods” no one wins directly from that education. So, no one is incentivized to spend money on it whatsoever. It's like a situation of “everyone wins from it as a group but no one wants to invest in it as an individual”.

such as simple interest rate, investment return, or risk. Many banks acknowledge the problem and sometimes we see actions to address it.

On the positive side, through digitalization banking products can be explained much more interactively and understandable. That fuels the need for higher and faster digitalization efforts. If you can inform a client about the benefits of a new product, you can convert this client much easier. That on the agenda for many banks.

When it comes to IT, outsource to 3rd party providers

Current status: Many argue that banks lack the technology in-house but also they are yet to develop proper FinTech partnership departments and structures. That can be all changed.

Considering how expensive it is to maintain proper IT departments, many Bulgarian banks prefer not to hold the technology in-house. Based on our practice, banks generally prefer to work with 3rd party providers on their mobile apps, new digital solutions, or even internal IT systems. Banks don't have the technology, nor do they have the IT staff to perform that transformation in-house. If they do, usually, that is a bottle-neck for further development as there are not enough IT experts to facilitate that process. That creates a good playing ground for banks to seek collaboration with FinTech companies.

In Bulgaria, only a handful of players have real FinTech partnership programs.

...Raiffeisen bank, for example, has the Elevator Lab, which aims to select and promote promising technologies to the bank...

Not many other Bulgarian banks can testify of having such well-developed Fintech partnership programs.

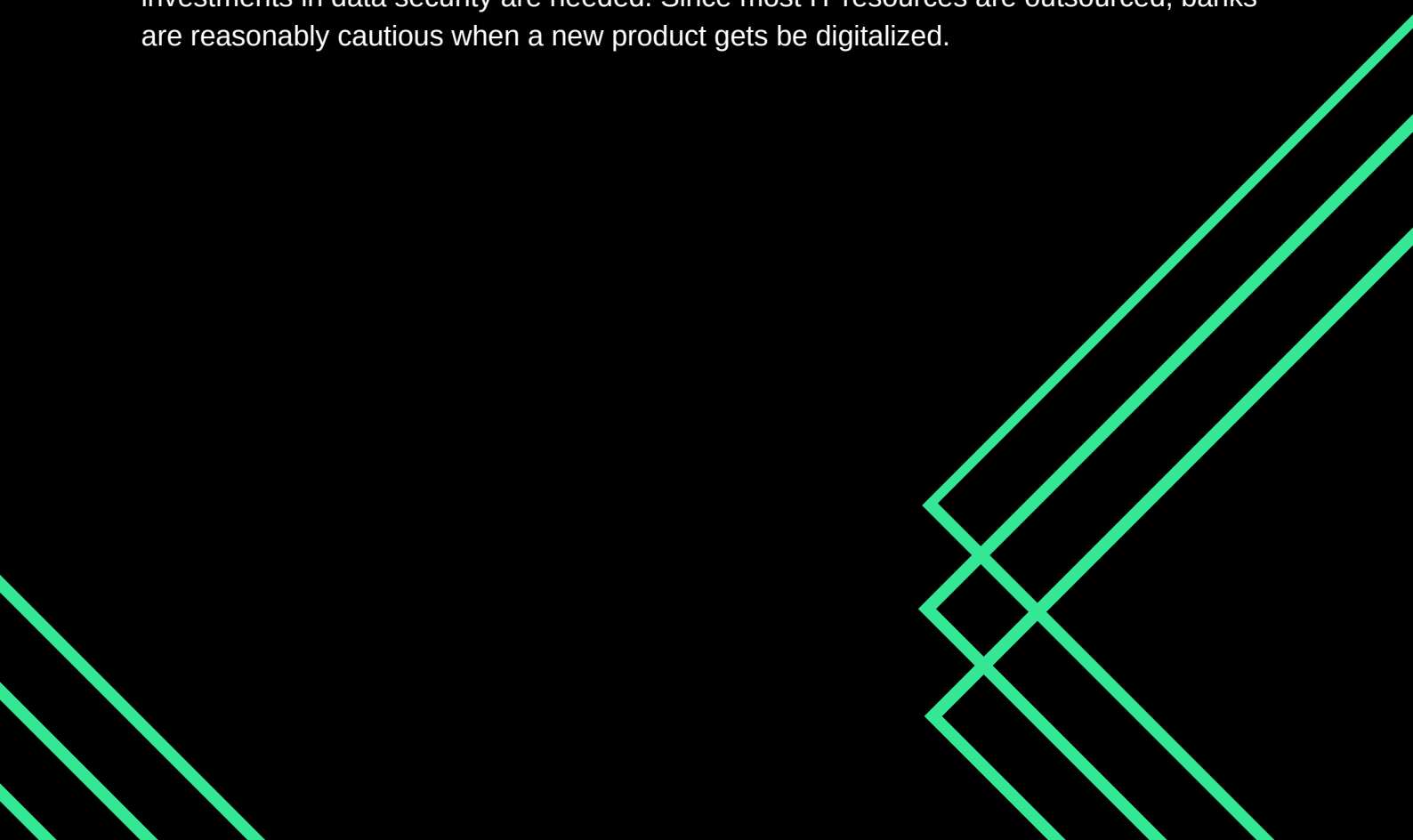
Last but not least, banks don't have internal structures to promote internal technology implementations. When new practices are found, based on our knowledge, only 2-3 banks in Bulgaria have well-structured programs for in-house i.e. employee-initiated digital transformation projects.

IT security – shall we use paper instead?

In 2019 the Bulgarian National Revenue Agency was hacked. As a result, data of hundreds of thousand copies for residents and companies leaked. That event caused a nation-wide debate whether digitalization is, indeed, the right way going forward. To address that debate, we stay firm behind our position, that digitalization is the only way going forward and any arguments

“To keep everything in paper because it cannot be hacked” are unjustified .

The banking system in Bulgaria continues its digital transformation process. Rather than keeping processes manual and in a paper for the sake of protecting data, massive investments in data security are needed. Since most IT resources are outsourced, banks are reasonably cautious when a new product gets be digitalized.



Difference between digital banking in developed and emerging markets

Emerging markets, such as Bulgaria, have different dynamics compared to the developed world.

- Low income and financial literacy levels,
- Low penetration of digital products,
- Underdeveloped Banking-Fintech partnership practices

M-pesa in Kenya facilitated mobile payments that account for 50% of Kenya's GDP. AliPay and Wechat pay account for 92% of mobile payments in China. These are a great example of an underdeveloped ecosystem that over-jumped debit cards to adopt the latest mobile payment technology altogether. Yet, such examples are scarce. In most cases, as it is the case in Bulgaria, emerging markets are lagging behind developed economies.

It takes 3-to-5 years for a new technology to reach the Bulgarian market.

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MACRO CHALLENGES

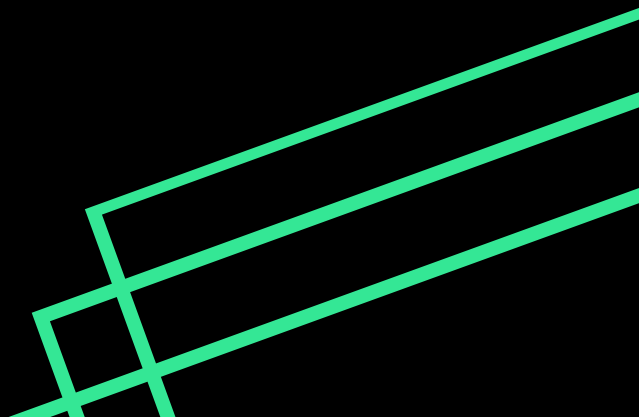


Bulgarians invest 6 times less than Central Europeans

Only 2.7% of Bulgarian savings are invested vs 16.7% in Central and Eastern Europe.

Still, over 97.3% of Bulgarian money are held as deposits. Why Bulgarians do not invest:

1. **Lack of financial literacy** - 93% of the young generation does not have financial literacy. That means that for most financial operations they need an advisory.
2. **Bad previous practices** - how many times did Bulgarians lost their savings during the past 25 years? 1989 - fall of the communism, 1994 - hyperinflation, the 90s failed privatization and corporate stocks/bonds depreciation, bankrupted retail banks such as Corporate Commercial Bank (KTБ). To be honest, no one who has witnessed all these events would trust the existing regime. That is why many believe only the youngest generation of Millennials and Gen Z will be one to start investing in Bulgaria. Many argue that past generations are completely lost as investors for life.



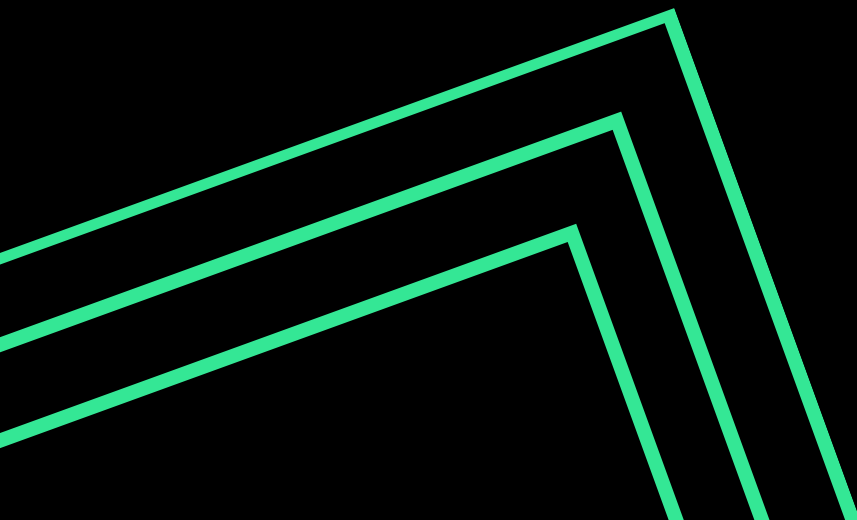
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3. Income is moderately increasing

China is a great example of an emerging market that benefits from fast-growing income and thus middle-class high purchasing power. Chinese can afford to spend on education, real estate, merchandise, investing. Having a high growing disposable income creates a high demand for those new products. China is a success story. Can we say the same thing about Bulgaria? Partially yes, the IT industry is booming and with it the salaries in the sector. As most IT specialists earn between 3 and 8 thousand leva per month, their purchasing power is significant. Apart from that industry, however, similar examples are scarce. Bulgaria's GDP growth and disposable income are correlated with the demand for banking products. With a 3-4% growth per year, the economic growth is considered stable.

4. Aged population structure

The percentage of people below 35 years old is only 36% in Bulgaria. Due to the aging population, a significant part of Bulgarian wealth is held by the elders. To serve them most of the banking solutions should be trivial such as term and saving deposits. The upbringing group of 20-40 years old have higher requirements. They demand a variety of banking products to serve their distinctive financing needs. They are also the most digital-savvy and have high expectations from the banking solutions. To attract that new segment, banks need to adjust their portfolio. After all, the 20-40 years old are those with the highest income growth but also those with the highest digital requirements.



Regulatory cut on CFD's margin trading could wipe many FX brokers

Bulgarian brokers face no easy market environment at the moment. A new EU-wide regulation decreased the percentage of leverage allowed for CFD trading. With that brokers lost one of their main revenue streams. As interest in leverage decreased, many brokers are faced with a challenge to find new revenue streams.

Will brokers increase fees and commission to survive? Most probably, yes! We are yet to see a widespread consolidation in the sector, mergers and acquisitions are expected in pursuit of economies of scale.

Bulgarian brokers that are well-diversified may be better positioned to remain profitable. However, a large amount of the typical Bulgarian investment intermediates is solely focused on providing CFDs (contract for difference) leverage trading. If they are not able to expand internationally or diversify their businesses, many will fail to remain profitable and some inevitably bankrupt over the next couple of years.

The new regulation is a great example of how a whole segment can be transformed due to policymakers.

"To see a wide-spread consolidation in the sector, mergers and acquisitions are expected."



Financial Supervision

Commission – play it safe!

When a new EU-wide regulation is voted the local financial regulatory bodies have the chance to adapt the regulations, either ease or harden them, according to the local needs. Many Bulgarian brokers complained that the Financial Supervision Commission could do more in that area to protect them.

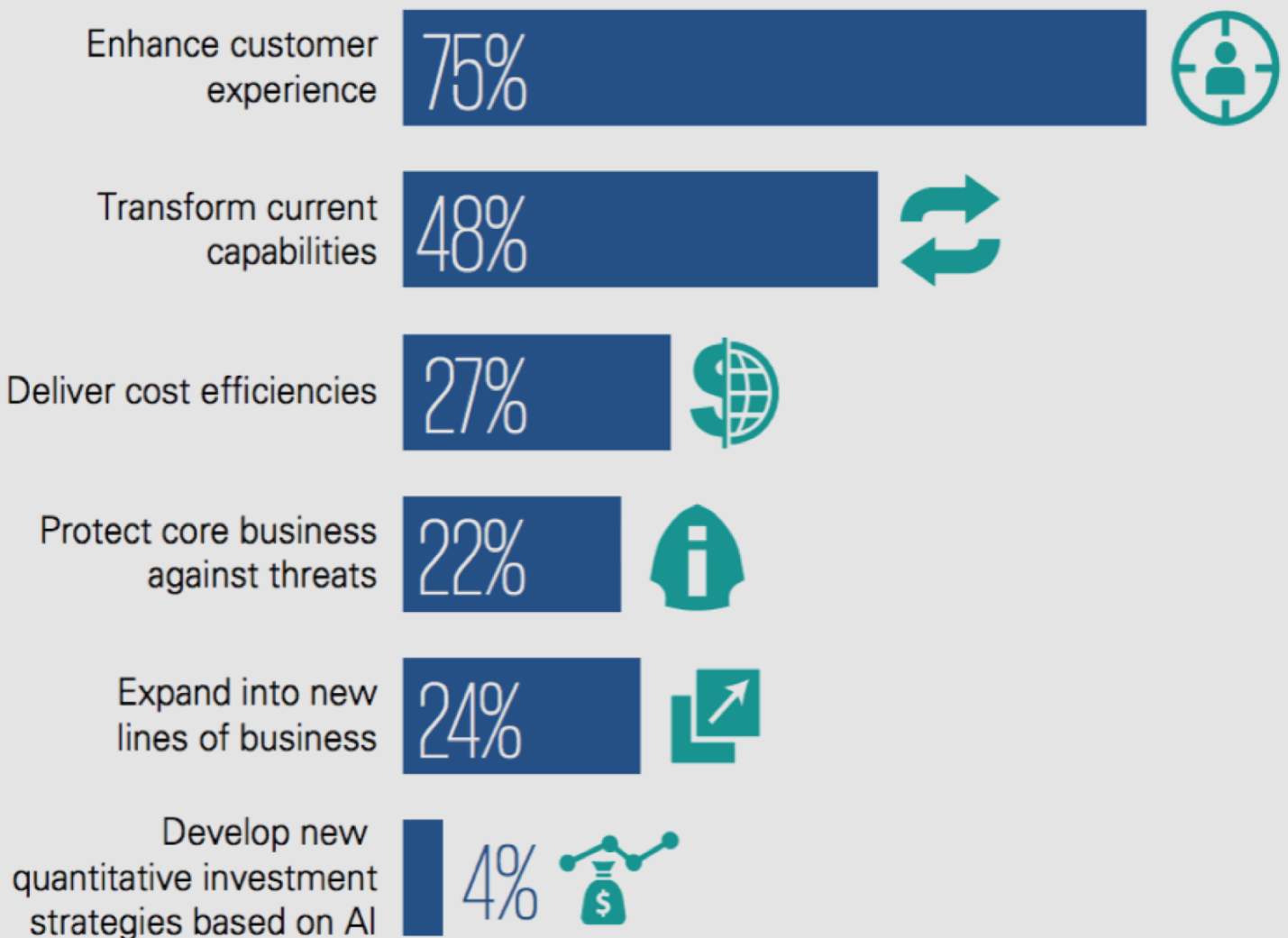
The constant complain is that FSC additionally complicates the regulations and by doing this makes local players uncompetitive to brokers regulated in other countries.



What's the main reason for the FinTech growth?

The FinTech companies do have a distinct technological edge over traditional financial players. A KPMG research reveals that the main merit of Fintech players is, indeed, **better user-experience.**

Ranking of fintech strategy objectives — all respondents

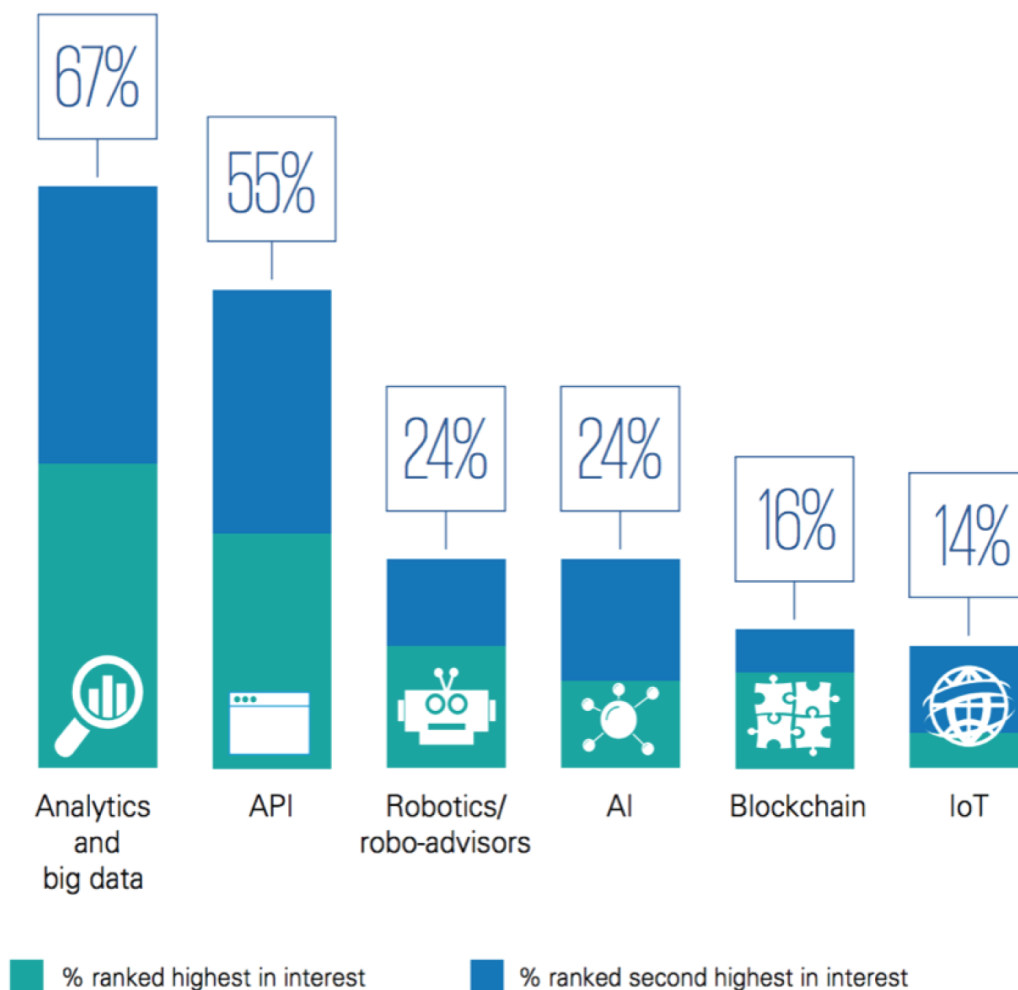


#Big data, #API, #Robo #AI

The same KPMG report underlines some of the key trendy technologies. Big data enables banks to better understand their clients' behavior. PSD II urges the need for open banking through accessible APIs. Robo-advisory and AI use the latest machine learning technology to automate investment advisory.

Our findings show that Bulgarian banks are on an "I am interested" phase. Many are yet to initiate such initiatives.

Emerging fintech technologies of most interest, next 3 years — all respondents



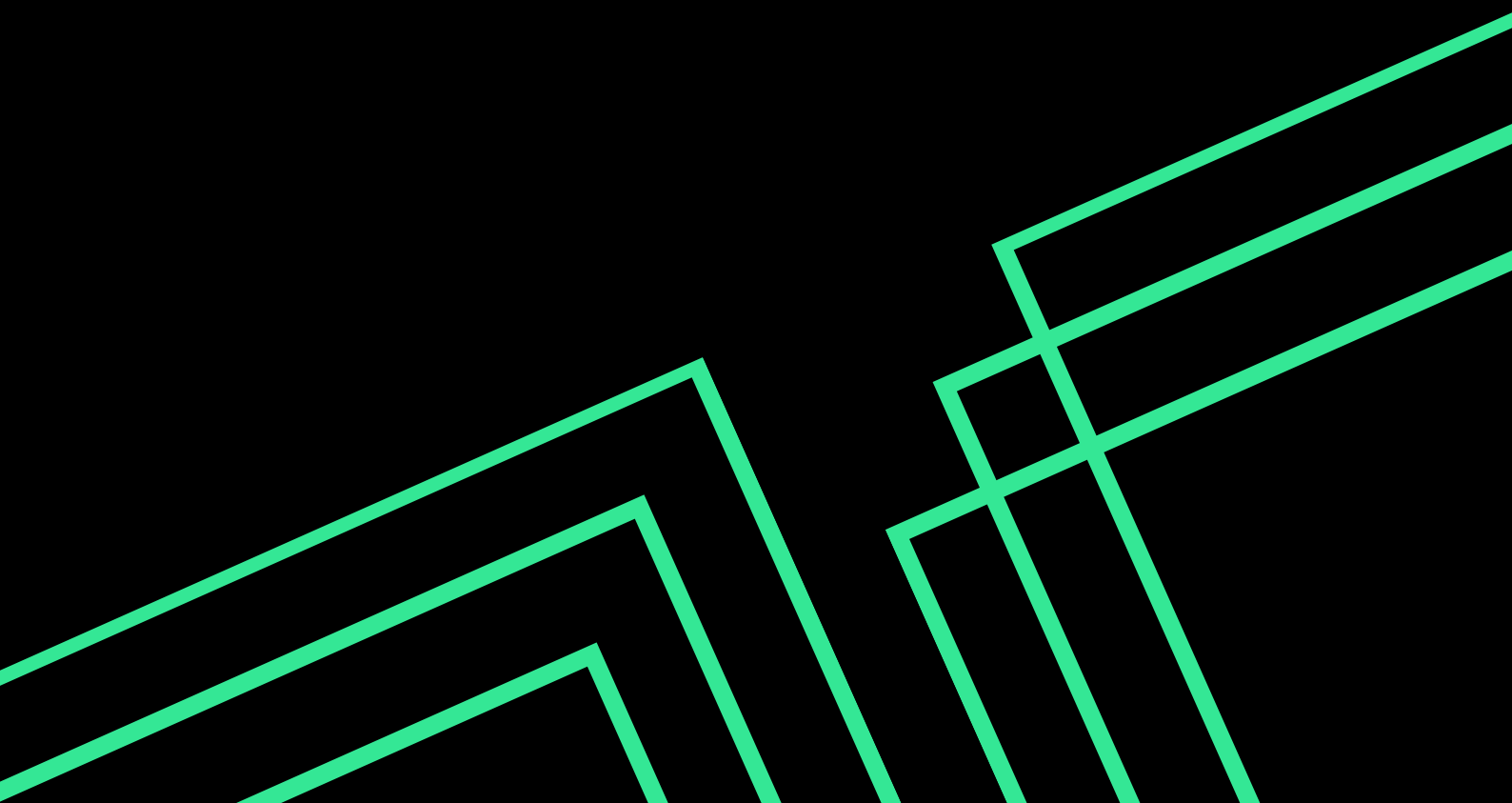
Source: KPMG International global fintech survey, 2017

Digital wealth management models

Overview

- Betterment model
- Robinhood model
- Acorns model

When it comes to digital wealth management, there are three main models: The Betterment, the Robinhood, and the Acorns model. Betterment provides a full-scale digital wealth management platform for long-term investors. Robinhood does not provide investment advice and simply enables zero-commission trading. Acorns helps retail clients to invest their spare change hassle-free.



The Betterment Model

Just over 11 years ago the first Robo-Advisor appeared. The Betterment model offers an advisory part, for those that don't know how to invest themselves, and an execution part for those that want to manage their wealth digitally. It has been a preferred choice for over 400,000 retail clients and surpassing \$15 billion in assets under management.

The Betterment model in banking?

By any measures due to its goal setting and a long-term investing horizon that seems to be aligned with most banks' strategy. The Betterment model allows long-term money management, predicable commission, loyal clients. It could be a money machine for the banks if they find the right form and shape to use it.

Website: www.betterment.com

Website: www.betterment.com

The Robinhood model

Led by the Bulgarian Vlad Tenev, the Robinhood model proved to be even more successful than Betterment measured by their number of client acquisition and company valuations. The app allows everyone in the US to invest commission-free. Robinhood does not provide advice that's how they avoid tons of regulation. Being just an execution broker, the Robinhood innovation lays in the new approach to provide the first commission-free trading opportunity to retail clients.

The Robinhood model in banking?

Not many banks have implemented commission-free investing apps. There are several reasons. First, banks have an old heritage infrastructure, which makes it expensive to invest. Thus, banks have to completely renovate their infrastructure to allow commission-free yet profitable operations. Margins are low and banks know it. Moreover, a brokerage is not the core business for most banks. However, what no financial institution wants to do is to provide investment advice. Not because they don't want to but because of much harder regulations for providing investment advice to retail clients. Moreover, if they do provide advice, the bank may be liable for negative investment performance. As banks are generally risk-averse, most avoid providing any advice whatsoever.

Website: <https://robinhood.com/>

The Acorns Model

Loved by many, the Acorns model allows people to invest their spare change. It's a micro-investing app that gives people the chance to invest part of the spare change every time they shop and this way making investing thoughtless and seamless. This is a solution to those that don't want to think or learn to invest, they just want to let their money work.

The Acorns model in banking?

Yes, everybody loves it. It's easy for the customers, it's fast, it's a hassle-free way to invest while spending. However, it's not profitable for the banks as this micro-investing is associated with low investment balances and high maintenance costs. In most cases, the numbers just don't work.

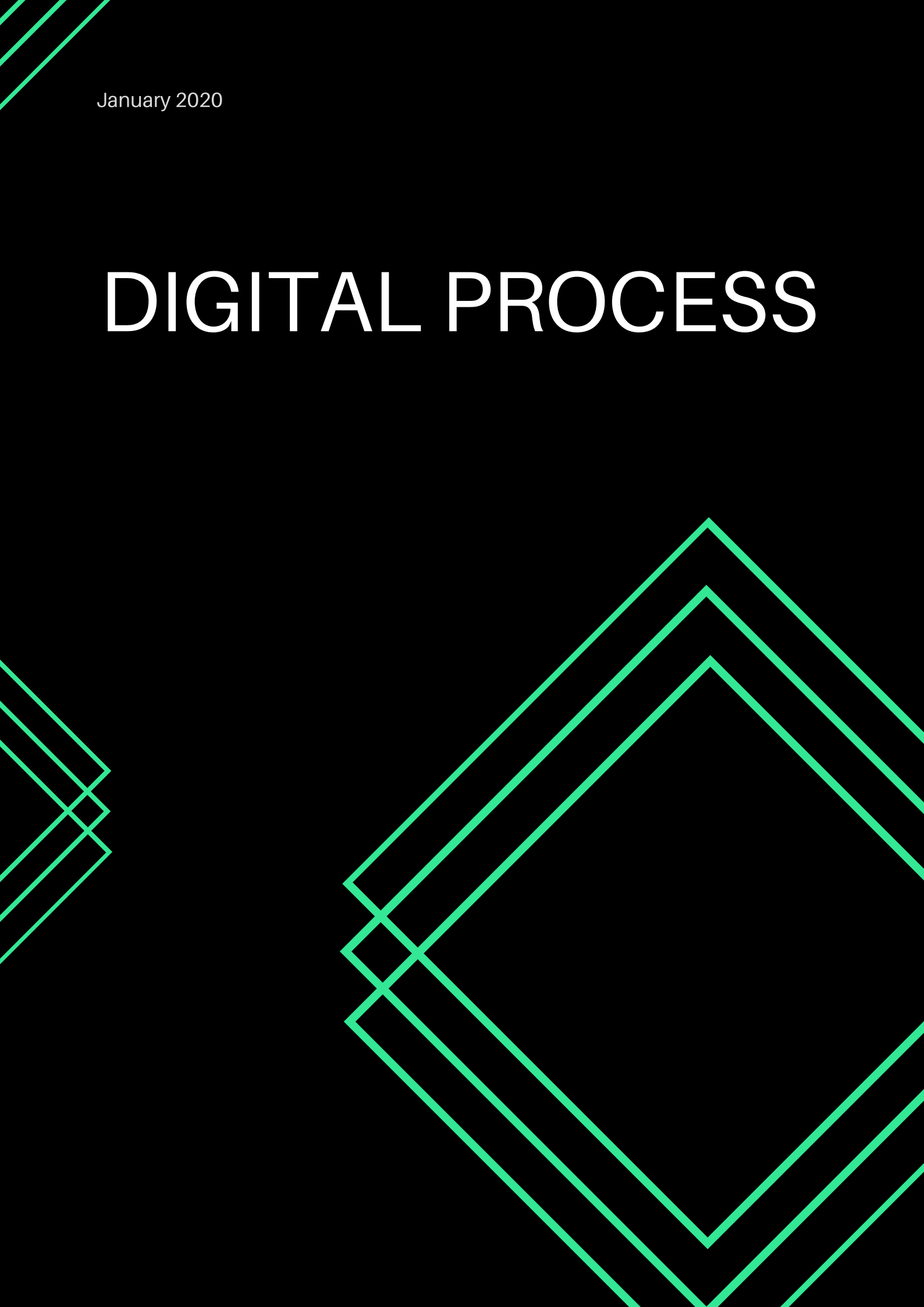
Website:

<https://www.acorns.com/>

Which one would you choose?

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DIGITAL PROCESS



Mobile vs desktop applications.

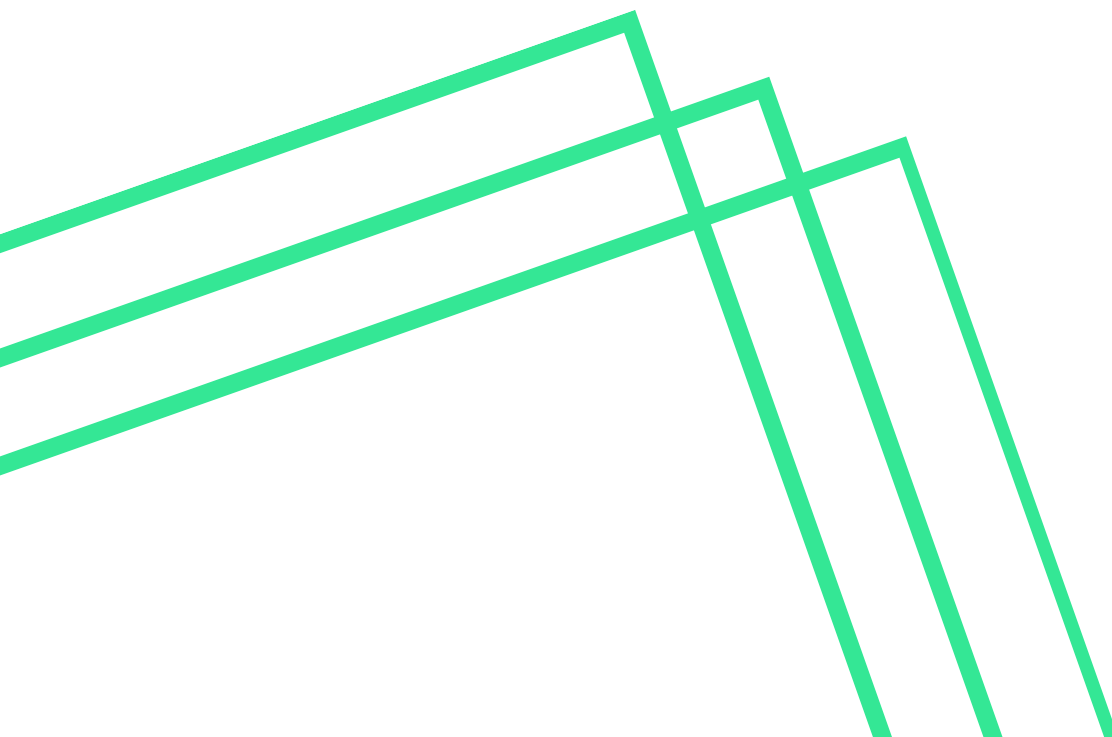
Mobile wins!

Is Mobile-first a myth? Not at all. Almost all banks we met prioritize mobile-first compared on web-applications. Of course, for advanced and extensive applications web remain better, but the overall trend is unquestionable.

The retail market is targeted via mobile applications. The business/corporate clients, however, do prefer web applications as in most cases they are used during work hours by employees or accountants of the companies. Therefore, computers are widely available for those applications.

Our practice shows

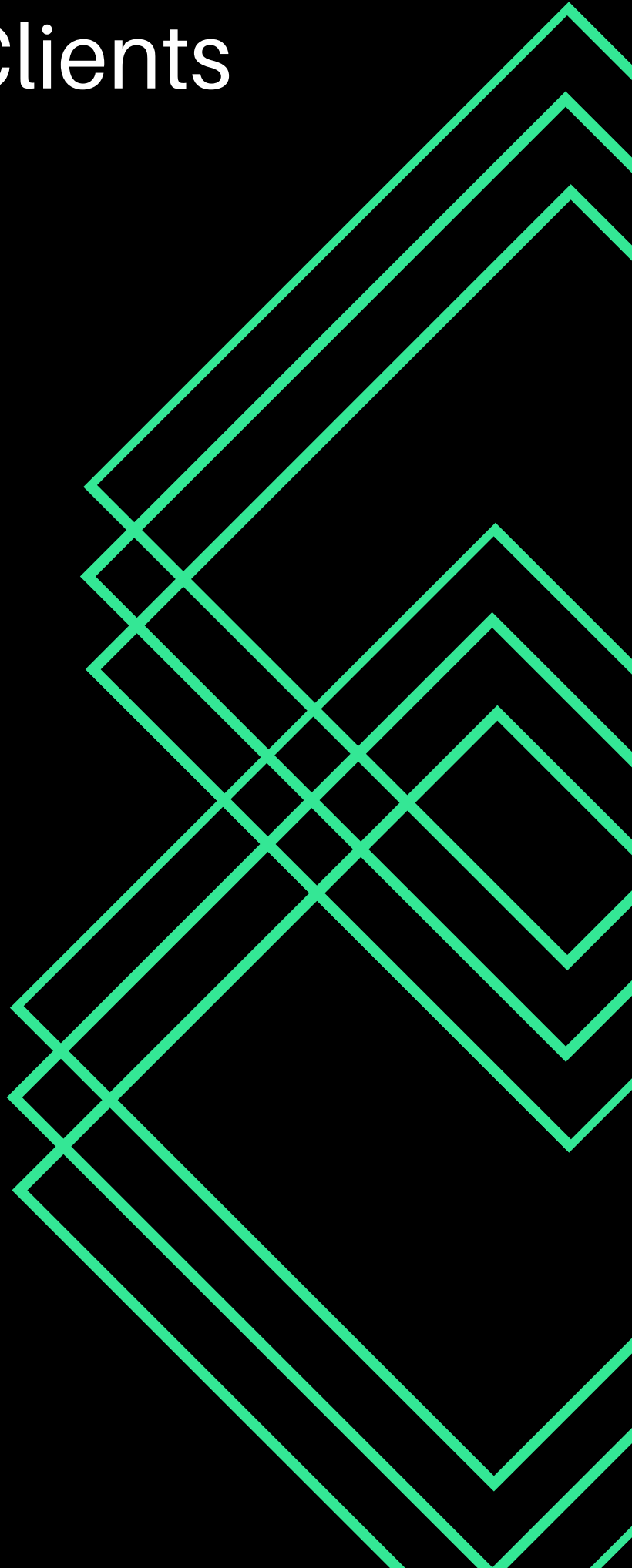
a strong preference for mobile applications.



Attracting Clients

Price comparison websites or financial calculators are good ways to inform retail clients. To "play around" approach is often associated with some kind of investment calculations for a mortgage, interest on credit or deposit, return on investment or insurance. As people may be uninformed, such tools play a good supporting role in launching such solutions, especially they are a digital one.

*people may be
uninformed...*



On-boarding – Banks are working on it

Can you open a bank account online in Bulgaria? Not yet, but it will soon be possible. Is it allowed by the regulators? – yes. Now it is to the banks to make the user-journey 100% digital especially when it comes to the on-boarding process. B2C players such as TransferWise or Revolut have a long time ago found ways to onboard clients digitally. We are eagerly awaiting to see the first Bulgarian bank to offer that privilege.

EuroTrust signed with two of the largest Bulgarian banks to onboard clients for their overdraft services. Yet, opening a bank account without being a client of that particular bank is to be implemented on the Bulgarian market.

*make the
user-journey
100% digital...*

Automated investment advice

Clients do want to be guided through an incredible user-journey while using the application. "Don't make me think" is the main principle to consider.

If the advice is automated, the client should be left with no doubts about the product or the process. Only then is the user to be converted to a client.

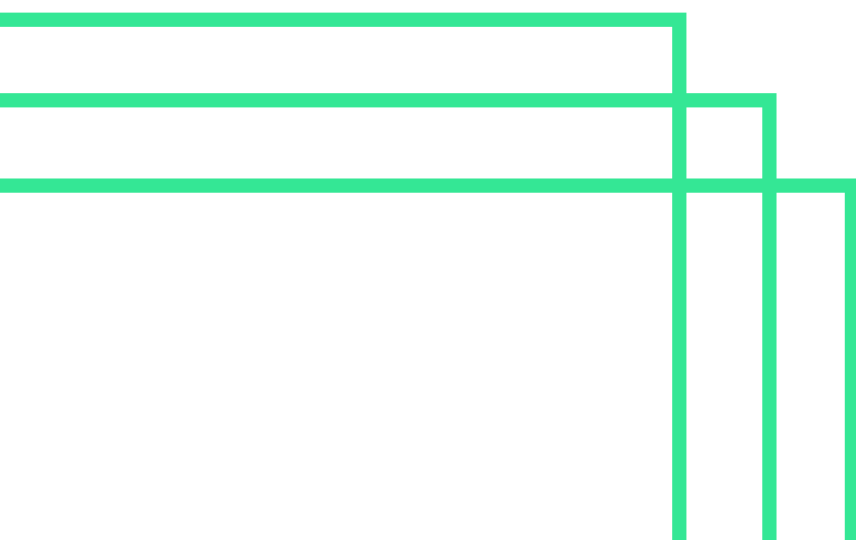
Execution - choosing the right funds

Who does the execution? Banks generally have their investing infrastructure. Their asset management, custody, and brokerage departments have established trading capabilities within and outside Bulgaria. That in practice means that if you want to invest through a bank, they can execute that trade or portfolio for you. That of course, is for a commission.

From a FinTech point of view, digital wealth management is possible via the existing execution infrastructure of the banks. They generally have access to mutual funds part of their banking ecosystem or have signed distribution rights with large asset management fund providers. Either way, the retail client gets access to a selected list of mutual funds.

Having access to stocks is still limited. Banks can provide execution of stocks listed on the Bulgarian stock exchange, but they generally do not have established connections with US brokers. That means retail clients can only buy the mutual funds or potentially stocks of Bulgarian banks but not stocks and bonds listed in the US. As we all know the US is by far the largest equity market and best-in-class funds are all listed there. Giving access to this market means higher investment returns for all of us.

Having access to stocks is still limited.



Reporting - the 24/7 access

When a client is using any of the banking products whether that is an insurance, mortgage, corporate or retail credit, cards or overdrafts, investments or deposits, they demand to

see what's happening with their
money 24/7.

When launching any of the abovementioned products a reporting section is essential. That is not always as easy as it sounds. A large pull of data must be aggregated to

display in real time the
actual return or
performance

That new opportunity creates a new need for better and more adequate reporting in the retail segment.

Generally, there are three phases of any digital product:

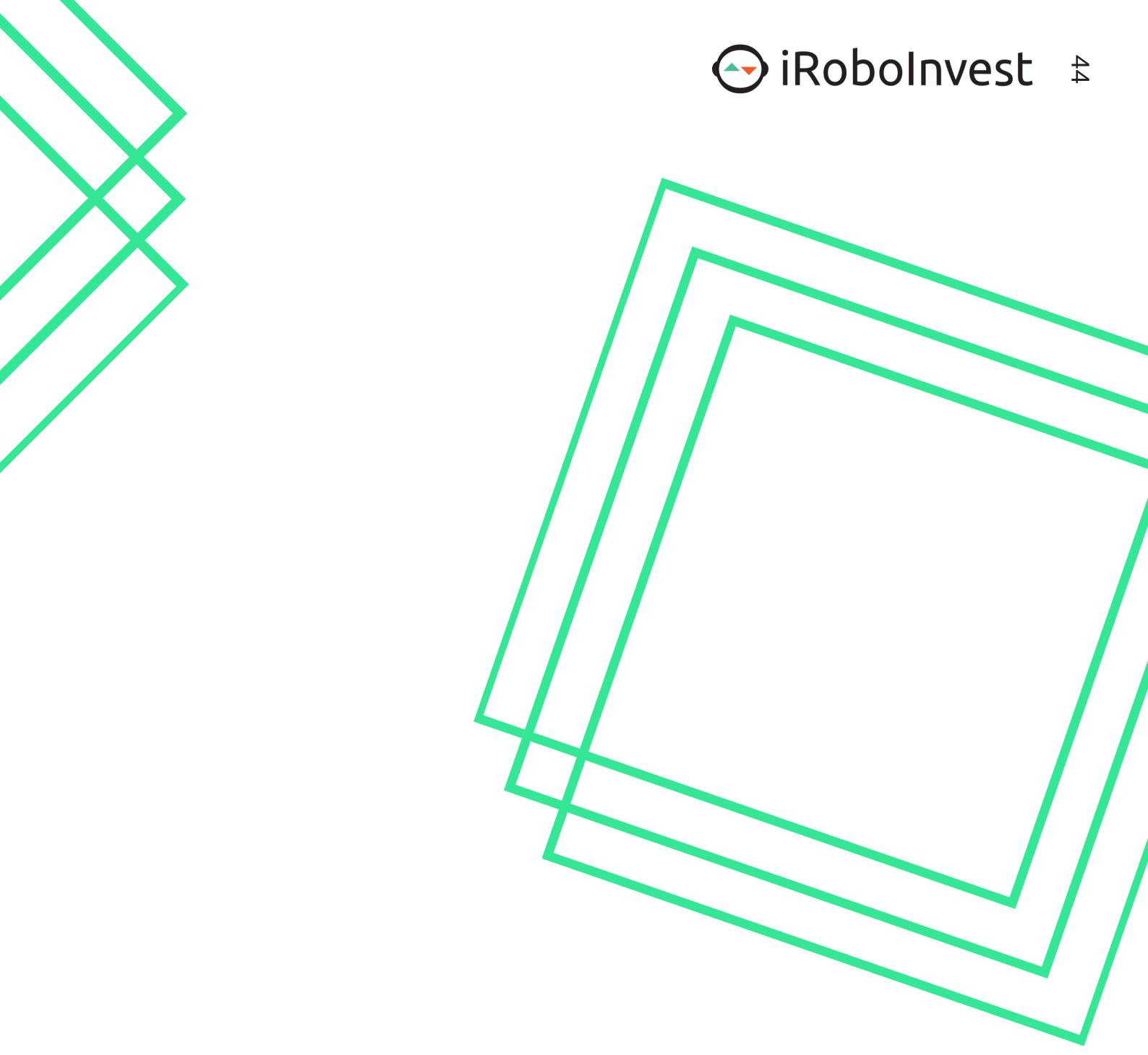
1. On-boarding
2. Using it
3. Reporting

Onboarding and using the product are useless without the reporting section. After all, everyone wants to know what's happening with their money at any time.

January 2020

BULGARIA IN INTERNATIONAL RANKINGS





On the one hand, the latest technology always comes from the West, from the other hand Bulgarian ITs are among the best in the world. What a paradox! When it comes to technology are we advanced or not?

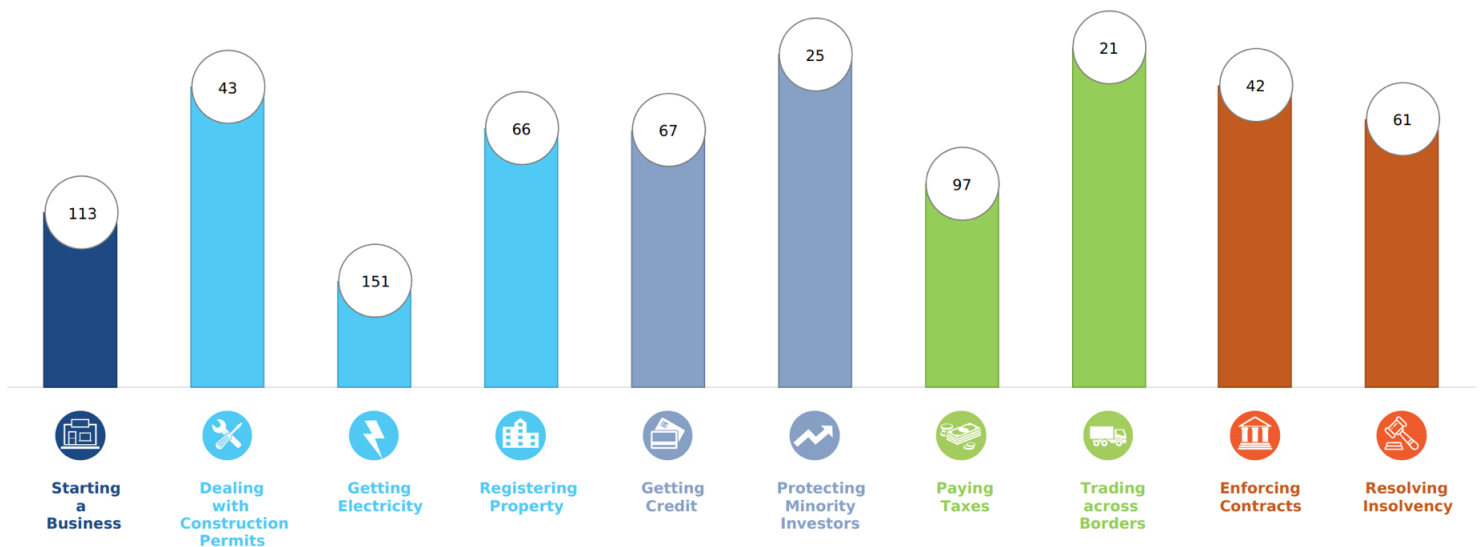
To address that question, let's see Bulgaria's position in international ranking:

- Doing Business by the World Bank
- World Competitiveness by the World Economic Forum
- E-government readiness by the United Nations
- IMD World Digital Competitiveness Ranking

Doing Business by the World Bank – 61st place

Doing Business 2020		Bulgaria	
Ease of Doing Business in Bulgaria 	Region	Europe & Central Asia	
	Income Category	Upper middle income	
	Population	7,024,216	
	City Covered	Sofia	
		DB RANK	DB SCORE
		61	72.0

Rankings on Doing Business topics - Bulgaria



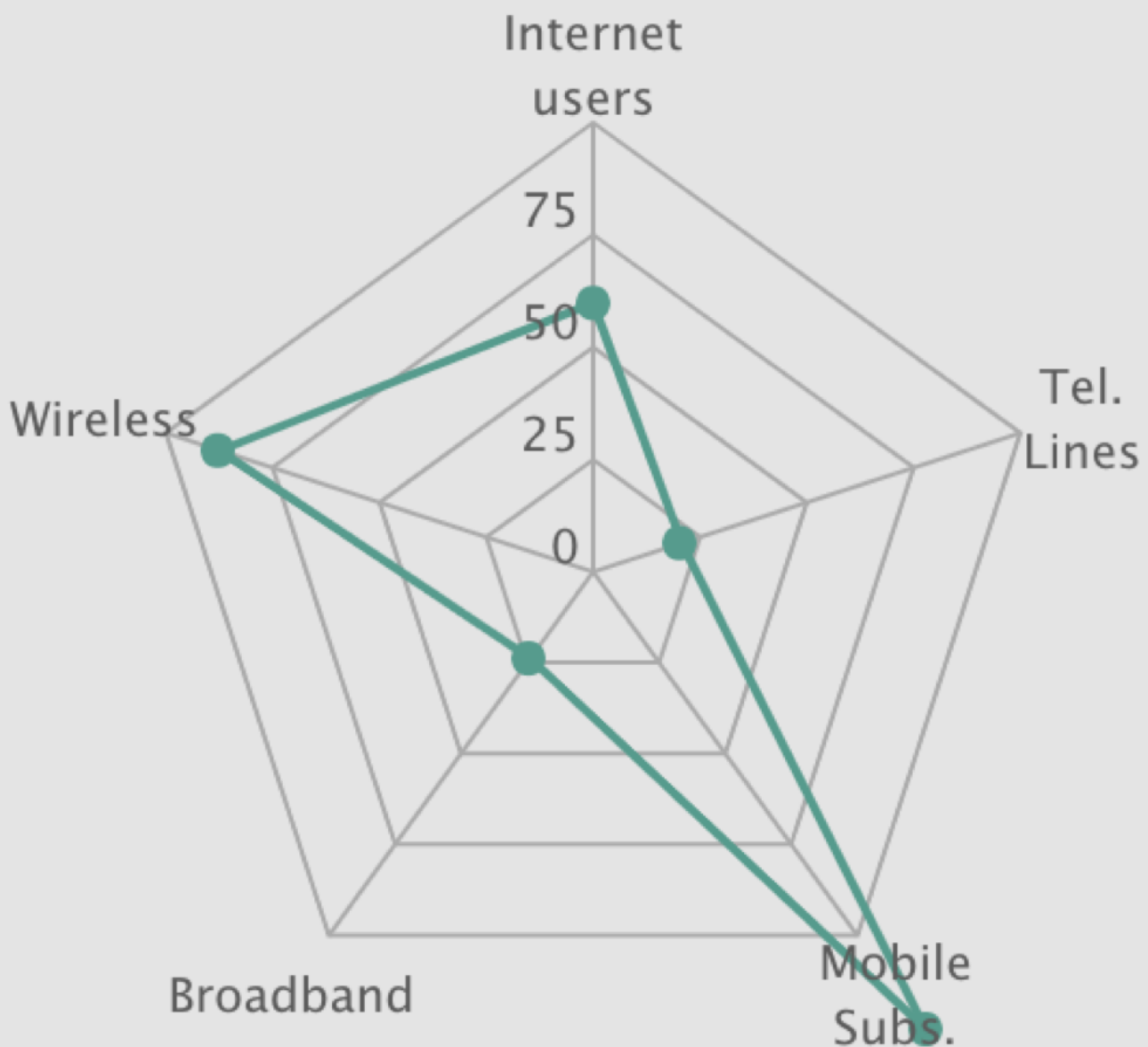
World Competitiveness by the World Economic Forum – 49th place



Bulgaria is 68th in innovations and 39th in technological readiness.
<https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018>

E-government readiness by the United Nations – 47th place

The graphs shows the percentage of Bulgarians using that technology (the more, the better).
<https://publicadministration.un.org/egovkb/en-us/Data/Country-Information/id/26-Bulgaria>

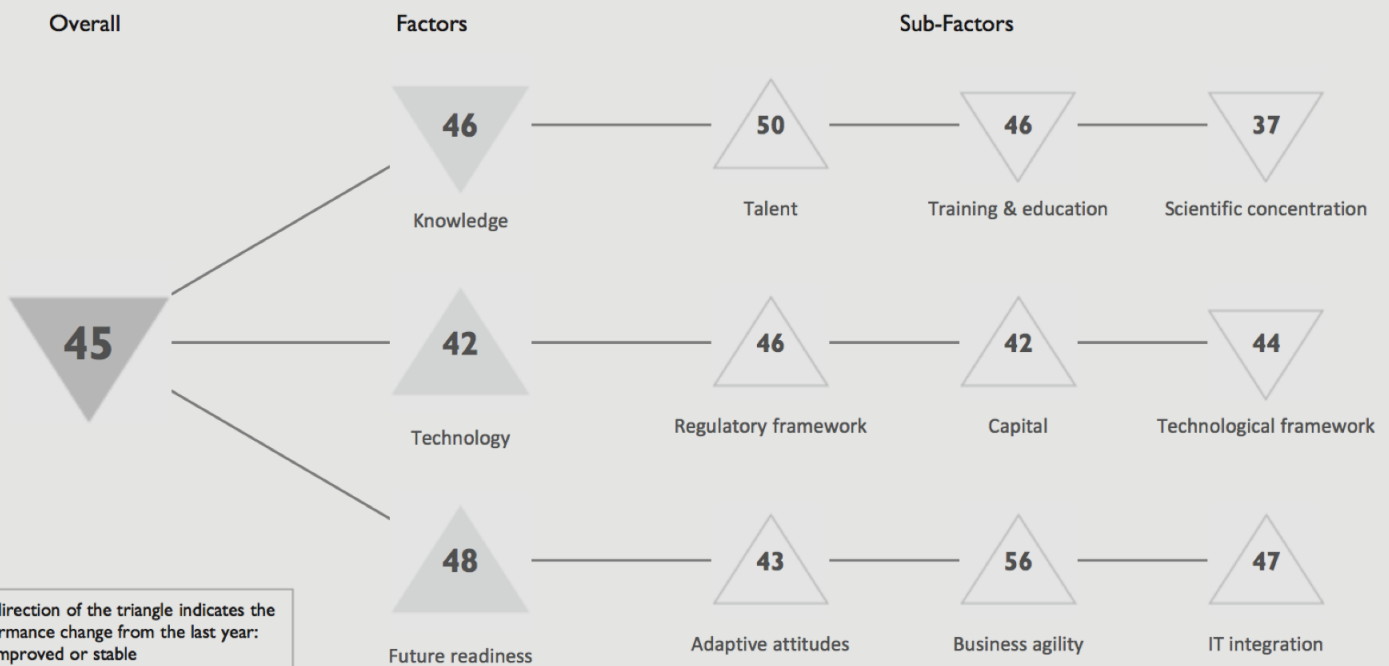


IMD World Digital Competitiveness Ranking – 45th place

<https://www.imd.org/wcc/world-competitiveness-center-rankings/world-digital-competitiveness-rankings-2019/>

BULGARIA

OVERALL PERFORMANCE (63 countries)



Summary

To sum up, when it comes to technology Bulgaria is very adequate. Remember, we are 60th in the world by GDP per capita but only 45-50th in technological competitiveness. That means that on a comparable basis, we are doing all right!

What does that mean for the banks? We have resources, capital, and skills to implement the latest or at least near the latest technologies. It's a matter of will to do it.

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