

Digital Trends: Bulgarian Banking

Survey Results:

Digital Development of the Bulgarian Banks



Market maturity and trends in the next 5-10 years

A qualitative selection of opinions gathered throughout the survey

Market Maturity

- **Customer digital maturity is still low** with adoption rates of 10-20%
- Expectation is that it will grow exponentially
- **Richness of the digital solutions** on offer is also **limited**
- Market is still not mature enough to be purely digital
- **Low (4-5%) penetration for mobile banking** compared to a 30% penetration target for existing customers
- Market is growing
- Number of consumers using digital banking solutions is growing, albeit still **low in absolute numbers**
- 80% of **young customers utilize technologies** (tablet/laptop/mobile)
- **Low digital maturity compared to rest of CEE**

Trends to watch

- Voice recognition
- Mobile banking
- Online onboarding with video identification
- Automatic scoring (digital loans)
- M-wallets
- QR code and instant payments
- Branches will mainly serve for advisory purposes
- Low NFC technology penetration / card less payment penetration
- Speed of approval
- Utilisation of RPA
- Mobile banking
- Chat bots
- AI
- Instant payments
- Block chain (for settlement)

Fintechs and Digital Banks

What we heard?

"Fintechs are partners"

"Digital banks do not have the trust of the customers"

"These are necessary players in the banking ecosystem"



"These apps focus only on transactions and they are not a threat"

"Apple Pay and Google Pay can be a big disruptor to the market"

to...



Summary

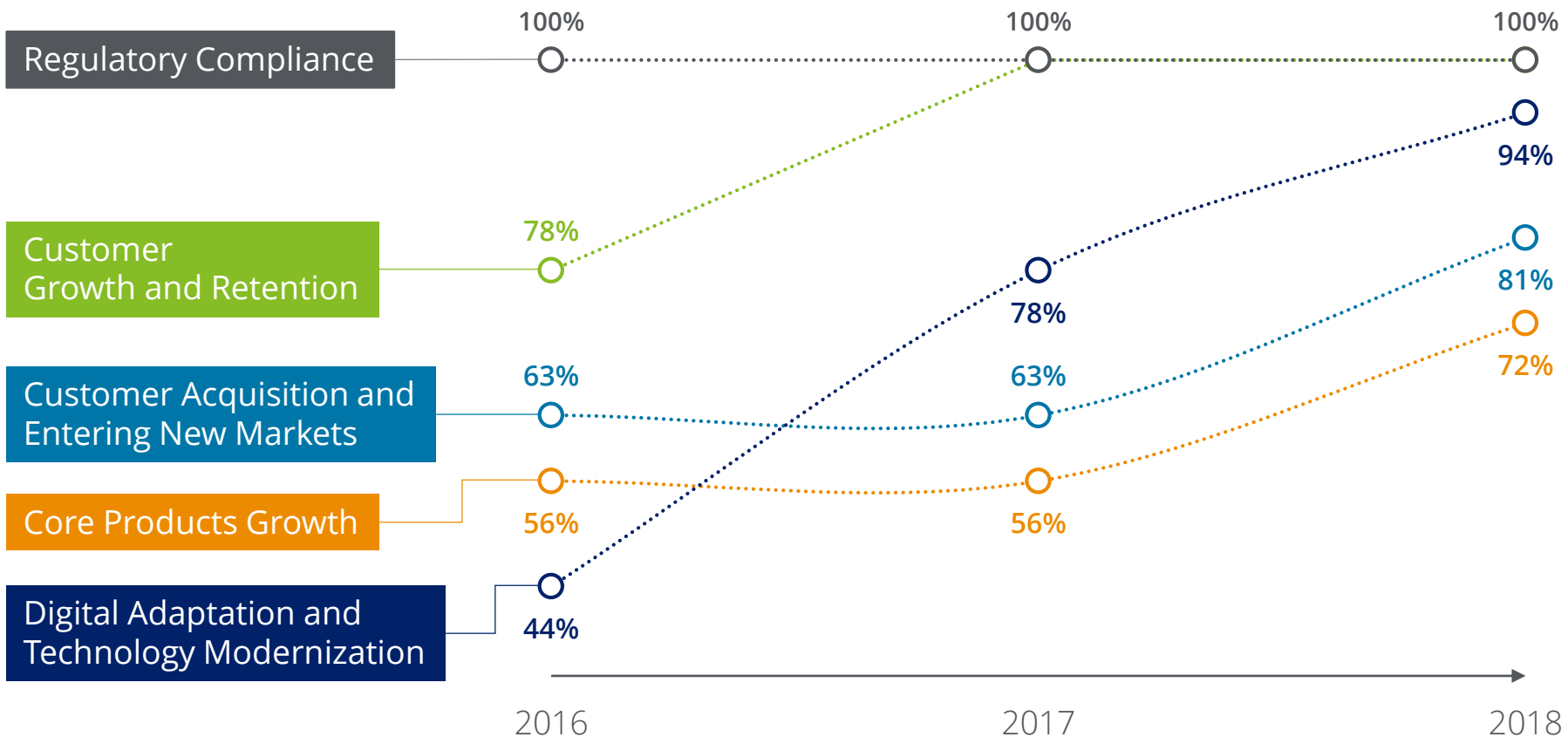
Banks have clients' trust and they will focus on growing their advisory and consulting functions to clients rather than transactional banking.

Most banks are partnering with Fintechs and all of them consider Fintech companies **partners rather than competitors**.

Digital banks model may not be as strong in Bulgaria because **branches are still very popular**. They are considered as a threat only in the payments space.

Business Priorities

Top 2 answers: Moderately high and Very high



All participants agree regulatory compliance and customer growth was their number one priority in 2018.

Occupying last place in 2016, digitalization initiatives have become a focus area for banks in Bulgaria in 2018.

72% of the survey participants see deposit and loan growth as a key priority in terms of Core Products growth.

Financial Profile

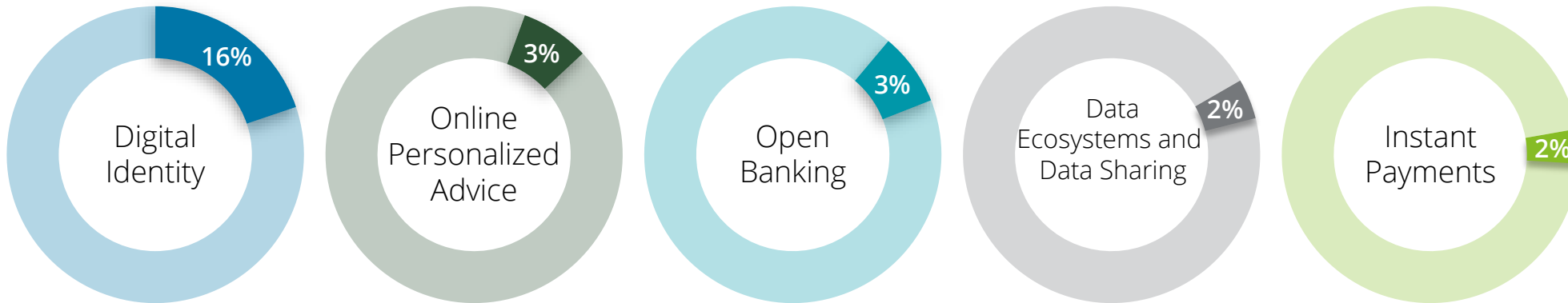
Average Transformation Investment
Relative to OPEX



Average Transformation Investment
Relative to CAPEX



Average Allocation of Invested Budget 2018
By exponential technology areas

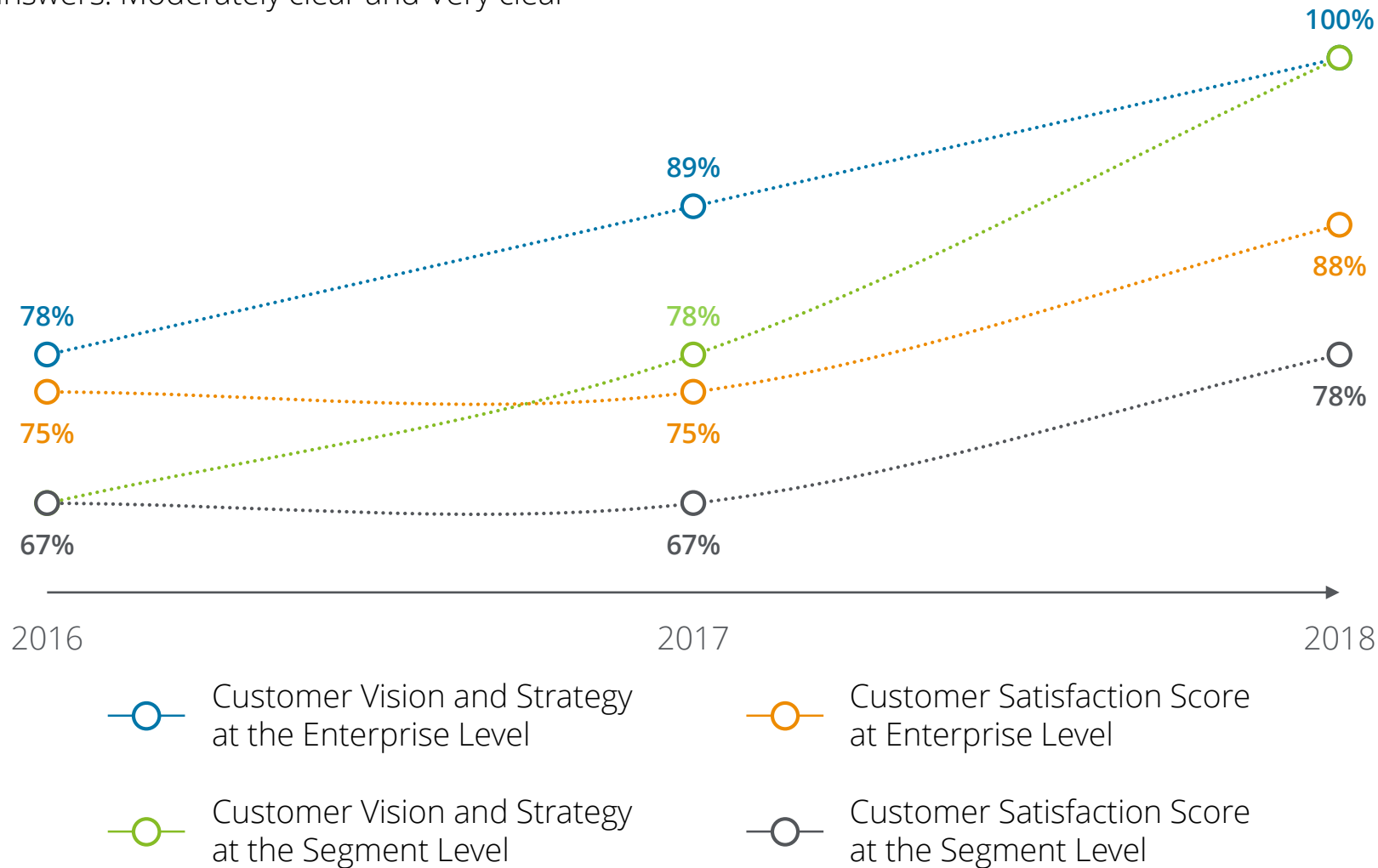


Investments in digital initiatives have increased exponentially in 2018.

We do not observe major prioritization of exponential technology areas by banks in Bulgaria in 2018. The technology area with highest budget for investment was Digital Identity.

Customer Profile and Satisfaction

Top 2 answers: Moderately clear and Very clear

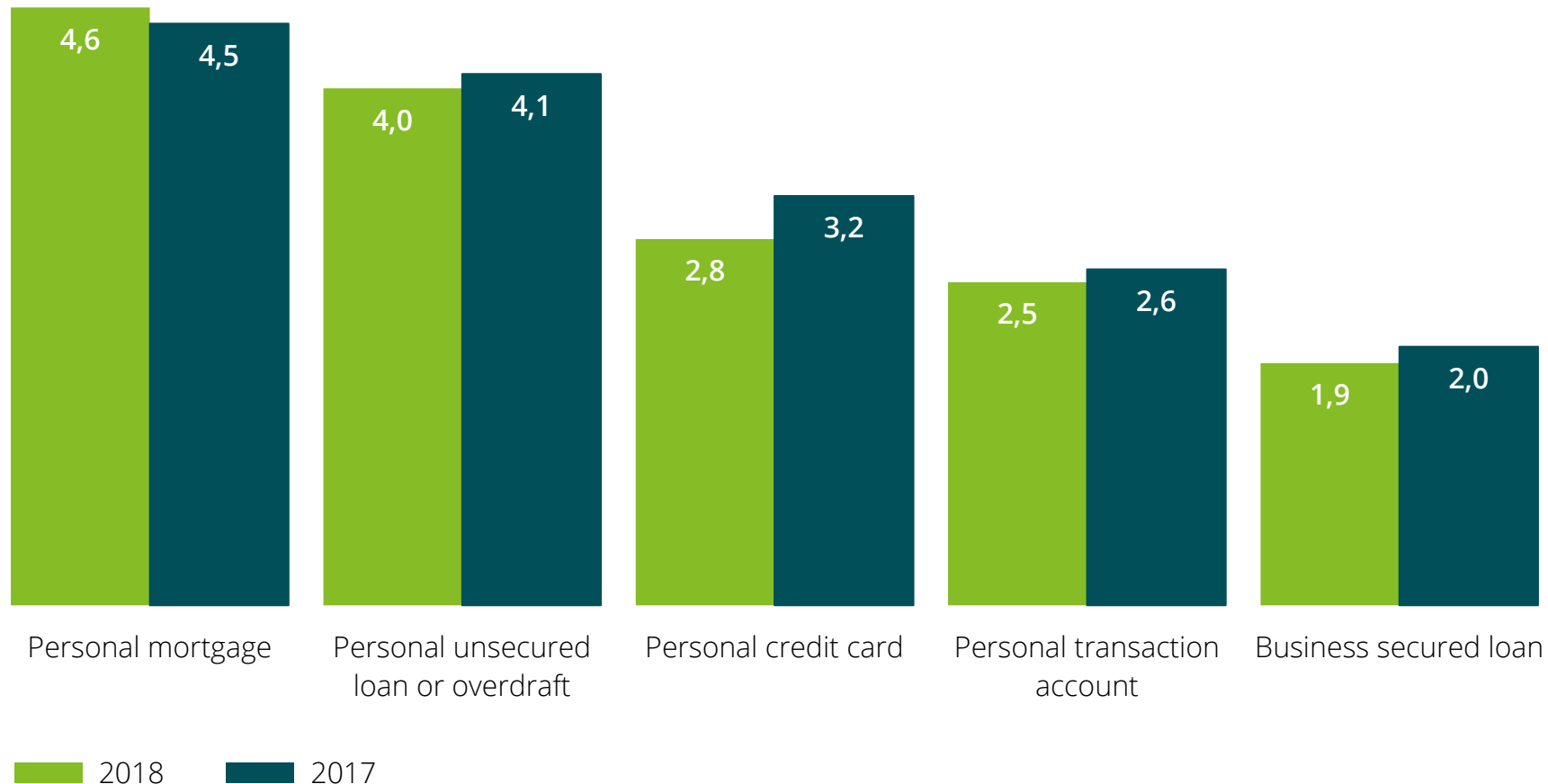


The observed up-ward trends imply client-centric / personalised strategic development.

At a more granular level, customer relationships are better understood and monitored in 2018. This serves as a basis for mounting strategies at segment level as indicated by all participants.

Product Marketing Priorities

Average Weighted Rank Score
Top 5 out of 11 possible items

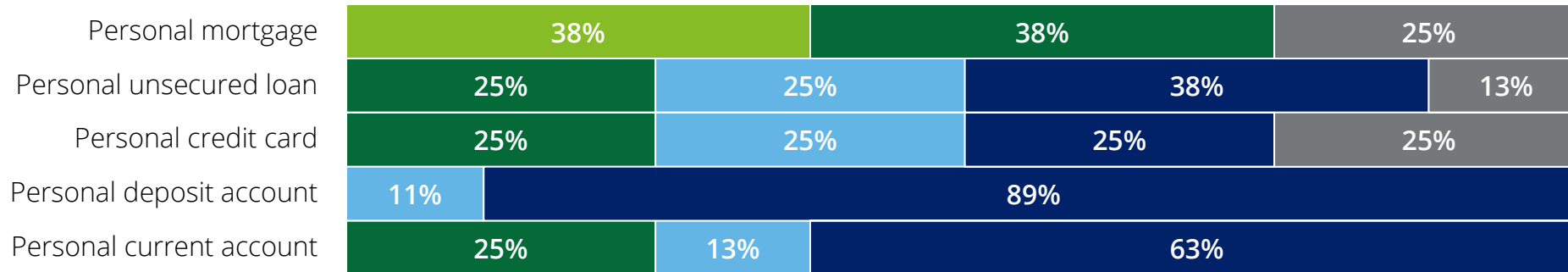


Consumer and retail products are the top marketing priority for Bulgarian banks according to the survey.

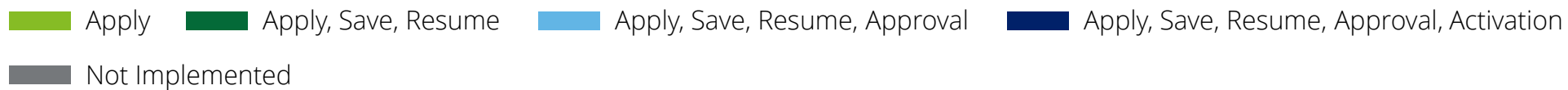
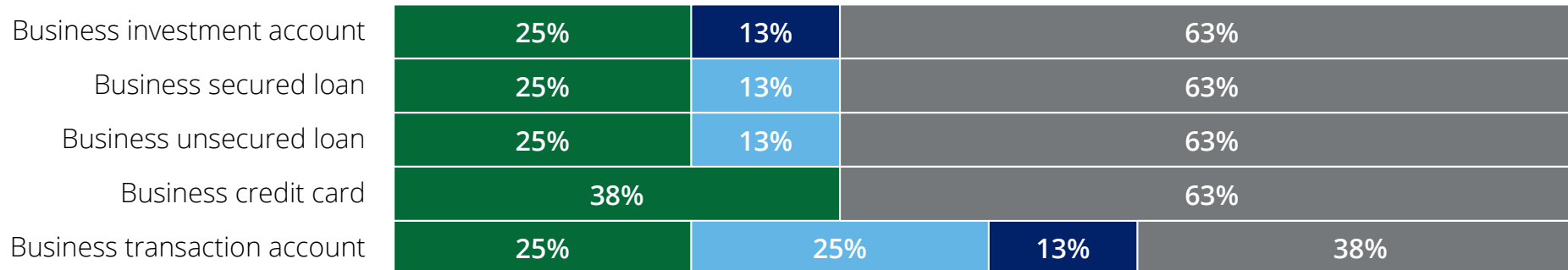
This is also in line with the Business priorities on slide 4.

Web Digital Capabilities

Segment Individuals 2018



Segment Business 2018



The personal segment digital capabilities are becoming more and more developed. Personal deposit and current accounts seem to be the most digitally advanced products.

This could be due to smaller businesses and their specific needs.

For larger corporate clients, web remains the preferred platform for interaction.

Call Center Interactivity

Average Interactions

Handled entirely by Interactive Voice Response (IVR)

22.8% for 2017

23.2% for 2018

**including zero values and ignoring blank values*

2017 Average Interactions

By other categories

Agent Voice

64%



Chatbot
0%

Agent Online
0.3%

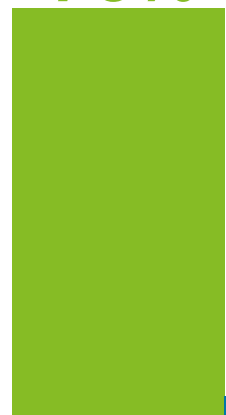
Agent Video
0%

2018 Average Interactions

By other categories

Agent Voice

76%



Chatbot
4%

Agent Online
0.3%

Agent Video
0%

The rate of interactions, handled entirely by IVR, remain stable between 2017 and 2018.

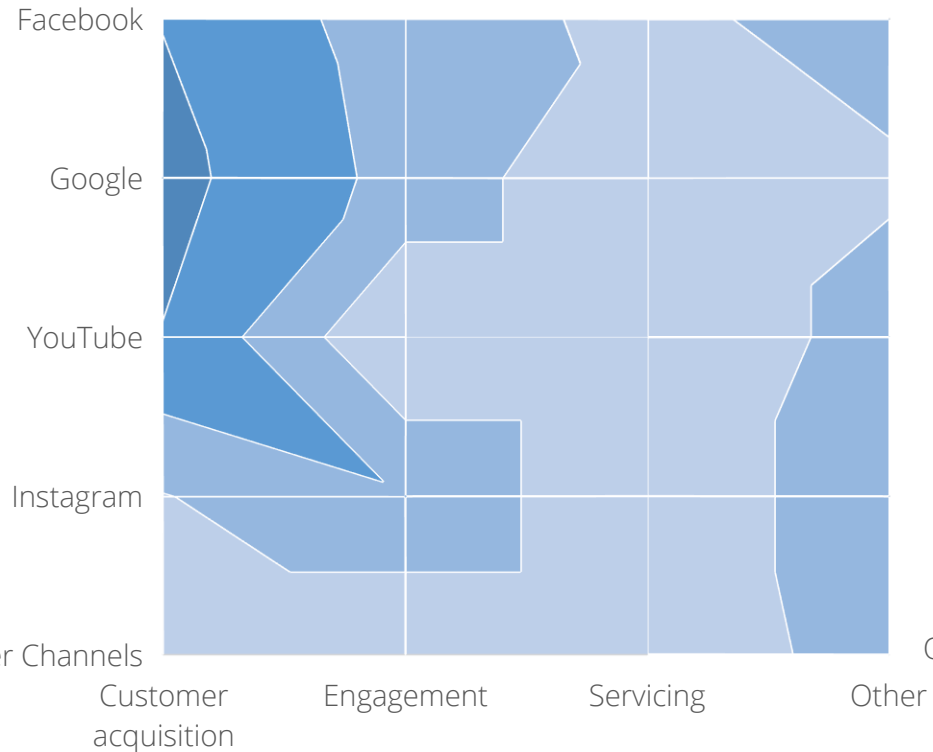
The preferred channel remains Agent by voice, where an increase of 12 % is observed in 2018.

Based on the data provided, Chat bot interactions began in 2018.

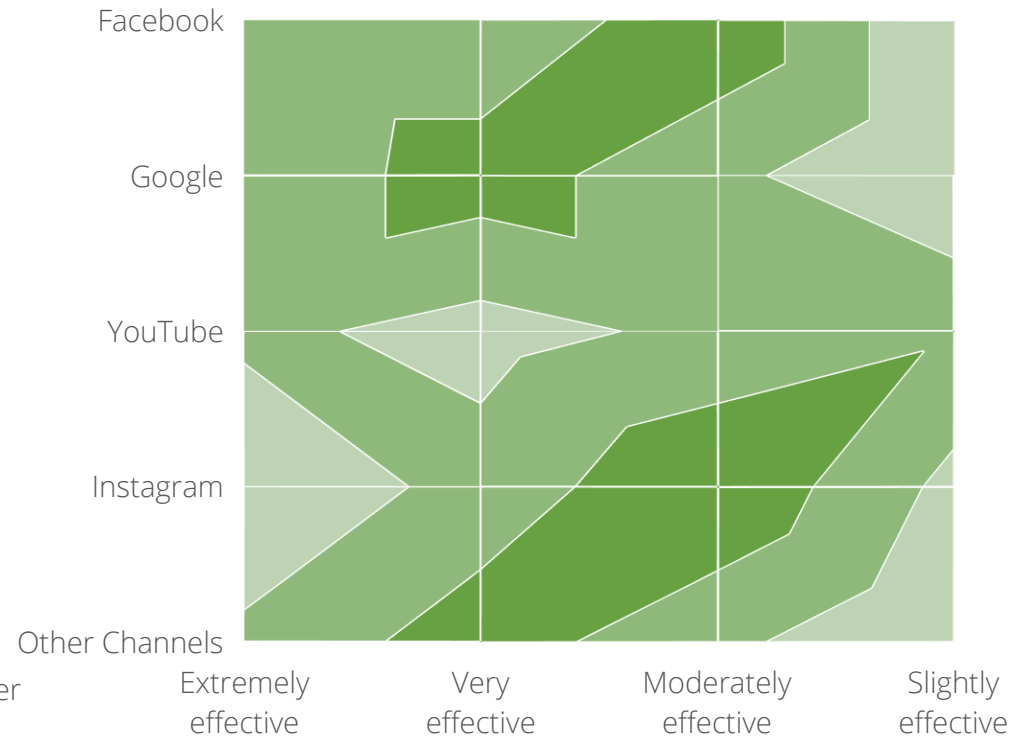
Agent by video is still not utilized at all by customers of Bulgarian banks sector.

Social Media Channels

Primary Objective 2018



Effectiveness of Primary Objective 2018



0%-15% 15%-30% 30%-45% 45%-50%

0%-20% 20%-40% 40%-60%

The most common objective from social media channels is to increase Customer acquisition. Facebook, Google and YouTube have a leading role.

The channels are not used for Servicing as indicated by participants.

The most effective channels for Customer Acquisition and Engagement seem to be Google and Facebook.

Thank You.



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