

STATEMENT
FOR THE AWARD OF DOCTOR DEGREE OF EDUCATION AND SCIENCE IN THE
DOCTORAL PROGRAMME "FINANCE, MONEY CIRCULATION, CREDIT AND
INSURANCE "
IN D. A. TSENOV ACADEMY OF ECONOMICS - SVISHTOV

Prepared by: Assoc. Prof. Gergana Ilieva Mihaylova-Borisova, PhD

Author of the dissertation: Orlin Chavdarov Yaprakov

Topic of the dissertation: Restructuring, consolidation and competition on the
Bulgarian banking market

Supervisor: Prof. Stoyan Stanimirov Prodanov, PhD

Reason for submitting an opinion: participation in the scientific jury for the defense of a
dissertation according to the Order No. 1010/16 November 2021 of the Rector of the D. A.
Tsenov Academy of Economics

I. General information about the PhD student:

The PhD student Orlin Yaprakov is enrolled in a part-time form of study in the doctoral program "Finance, Money Circulation, Credit and Insurance" at the Department of Finance and Credit, Faculty of Finance of the D. A. Tsenov, with a study period of 4 years starting from 1 September 2019. He fulfilled his obligations under his individual plan ahead of schedule and was discharged with the right to defence before the expiry of his studies under the part-time PhD programme. The PhD student has practical experience in the private sector as a manager of companies involved in structuring transactions and intermediation in securities, capital markets trading, financial consulting, insurance intermediation, social security and financing, as well as project management in the IT field. Prior to that, he also had practical experience in banking. In 2021, he was Deputy Minister of Economy in the second government of Stefan Yanev, appointed by the President.

II. General presentation of the thesis:

The dissertation has a total length of 210 pages, of which the main part is 167 pages. It contains an introduction, an exposition with three chapters, a conclusion and appendices. The

doctoral candidate has used many information sources - 130, most of which are in English - 79, and the remaining 51 are in Bulgarian. The dissertation includes 28 tables and 28 figures.

The dissertation is devoted to a very topical issue related to the restructuring and consolidation of the Bulgarian banking market. The crises that we have witnessed in the last two decades, as well as the changes in the macroeconomic environment and regulation in the banking sphere have given rise to significant changes in the development of the banking sector, competition between banks, the products offered and the restructuring of the sector. The **object of the thesis** is the Bulgarian banking market and **the subject of the thesis** is the restructuring, consolidation and competition in the Bulgarian banking market.

The thesis argues that "the Bulgarian banking market is developing in conditions of interbank competition, requiring institutional restructuring and consolidation in order to achieve compliance with the evolving regulatory framework and supervisory mechanisms of the Central bank, prudential measures and targeted indicators of capital, risk, profitability and return". The stated aim of the dissertation is to identify the driving factors for the development of the Bulgarian banking market, aiming to confirm the relationship between restructuring and consolidation for the purpose of achieving compliance to changing regulatory requirements in an environment of increased interbank competition. The PhD student realizes this objective through the implementation of 3 tasks.

The first chapter clarifies the concepts of bank consolidation, restructuring and competition by looking at the relationship between financial stability and bank consolidation, restructuring and competition from a theoretical perspective. Special attention is paid to the regulatory requirements for the implementation and control of bank restructuring, consolidation and competition. The second chapter discusses the problems of the Bulgarian banking market under the existing competition between banks by presenting the analytical measures of the banking market, based on the interrelation of macroeconomic indicators and measures of the banking system, ex-post analysis of the development of banks in Bulgaria and the CAMEL methodological framework for measuring the financial condition of banks. The factors that influence the development of banks and the ongoing banking processes such as key interest rates, GDP growth rate, imports, exports, long-term interest rates on 10-year government securities, inflation measured by HICP, government revenues, government expenditures, budget balance are identified. The types of products offered by banks in Bulgaria are presented. The available data

lead to the conclusion that Bulgarian banks are successfully integrating into European best practices for the purpose of stimulating banking competition. The role of the development of modern technologies in changing banks and their gradual transition from traditional banks to digital banks is also emphasized. The last chapter examines the consolidation and restructuring of banks in Bulgaria, with a specific analysis of the impact of these macroeconomic indicators on the banking sector in Bulgaria and measuring the interrelationship through correlation coefficients. The effects of restructuring and consolidation of commercial banks are examined using the CAMEL approach.

In the conclusion the PhD student summarizes the main results of the research.

III. Assessment of the form and content of the dissertation.

The dissertation has been developed in an appropriate volume for this kind of research. The three chapters of the dissertation are logically linked and a good balance of the research is achieved. There is a smooth transition between the different parts. The positive impression made by the conclusions drawn after each chapter. The style used in the dissertation as well as the scientific methods and approaches are appropriate and well chosen for the purpose of realizing the set tasks.

The abstract is 33 pages long and accurately reflects the content of the dissertation. The doctoral candidate also points out the future directions for work on the topic of the dissertation, limited to the study of the impact of the pandemic crisis caused by COVID-19 on the state and trends of the consolidation and restructuring processes in the Bulgarian banking market. The expansion of the time scope and the inclusion of more methods for the measurement of concentration were also envisaged for future research.

The reference of publications shows that the PhD student has the necessary minimum of publications to meet the national minimum requirements under the Implementing Rules of the Law on the Development of Academic Staff of the Republic of Bulgaria. He has published 1 article and 2 conference papers. The doctoral candidate also indicates 2 other articles that are in the process of being published.

IV. Scientific and applied contributions of the thesis.

The PhD student indicates 5 scientific and applied contributions. As more significant contributions can be mentioned those related to the derivation of the author's definitions of banking sector restructuring, consolidation and bank competition, as well as the derivation of the

statistical significance of the relationship between consolidation, competition and bank restructuring with the macroeconomic, regulatory and institutional framework of the country. Another significant contribution is that related to the application of the CAMEL framework for the purpose of ranking banks by degree of financial soundness.

V. Critical remarks and questions on the thesis.

I would make one recommendation to the PhD student. When ranking the banks using the CAMEL methodology, it would be better to present the respective ratios by bank for the individual groups of sub-indicators and not just the final ranking by year (2014, 2017, 2020). Of course, the recommendation does not detract from the merits of the dissertation.

The following question can be addressed to the PhD candidate: How do you explain the weak positioning according to the CAMEL framework of the largest banks UniCredit Bulbank Plc and First Investment Bank Plc in terms of their financial stability compared to other smaller banks? How has the consolidation at these banks affected their performance?

VI. Summary evaluation of the thesis and conclusion.

In summary, it can be concluded that the dissertation on "Restructuring, Consolidation and Competition in the Bulgarian Banking Market" represents a complete and logically linked study, which contains scientific and applied contributions. In view of the qualities of the dissertation, I consider that the doctoral candidate Orlin Chavdarov Yaprakov deserves to be awarded the Education and Science degree of Doctor in the professional field 3.8 Economics, scientific specialty Finance, Money Circulation, Credit and Insurance.

December 11, 2021

Prepared by:

(Assoc. Prof. Dr. Gergana Mihaylova-Borisova)