Reconstruction Capital II Ltd

("RC2" or the "Fund")

Quarterly Report

31 December 2019

New Europe Capital SRL
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Statistics

NAV per share (€)	0.1450
Total NAV (€ m)	19.7
Share price (€)	0.1375
Mk Cap (€ m)	18.7
# of shares (m)	135.9
NAV/share since inception†	-61.21%
12-month NAV/share perfomance	-35.22%

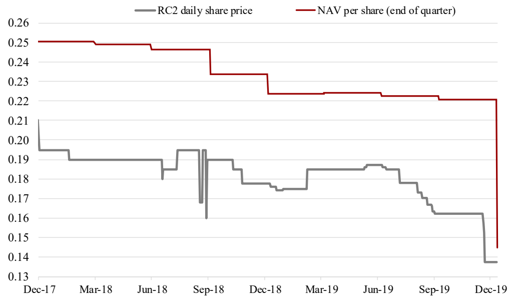
† assumes pro-rata participation in the 2008 share buy-back and the 2017 return of capital

RC2 Quarterly NAV returns

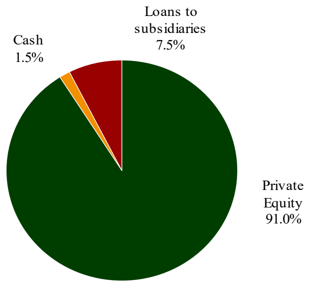
	2016	2017	2018	2019
1Q	8.62%	-29.08%*	-0.51%	0.12%
2Q	3.79%	-1.55%	-1.11%	-0.76%
3Q	-0.33%	-1.99%	-5.20%	-0.75%
4Q	-12.57%	-0.32%	-4.17%	-34.31%
YTD	-1.75%	-31.79%	-10.61%	-35.22%

** € 17m returned to shareholders in 1Q 2017*

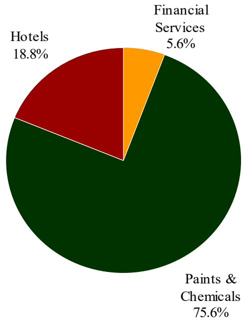
Share price / NAV per share (€)



Portfolio Structure by Asset Class



Equity Portfolio Structure by Sector



Message from the Adviser

Dear Shareholders

During the fourth quarter, RC2's total NAV fell by € 10.4m, and its NAV per share fell by 34.3% from € 0.2207 to € 0.1450, mainly the effect of the annual independent valuations of RC2's shareholdings. The annual valuation exercise resulted in the following changes to the valuations of RC2's private equity positions:

	Prior valuations €	Revised valuations €
Policolor SA	18,320,000	12,000,000
Mamaia Resort Hotels SRL	4,228,219	3,371,233
Telecredit IFN SA	895,764	804,859
Total	**23,443,983**	**16,176,092**

The above new valuations are based on assumptions applicable prior to the outbreak of the Covid-19 pandemic, and consequently do not reflect the negative impact of the pandemic. The lower valuations reflect the underperformance in 2019 compared to budget, especially at Policolor Group which is RC2's main investment.

In terms of Policolor's 2019 operational results, whilst resins sales performed well, ongoing supply chain and production difficulties related to the relocation of the Bucharest-based waterborne and performance coatings production to new plants, affected sales of paints and coatings, which were down 0.5% year-on-year. At the end of September, Policolor sold the last plot of land on its main Theodor Pallady Bucharest site, comprising 3.2 hectares, for a total price of € 5.2m, of which an advance of € 1m had already been received over 2017 and 2018. Policolor received € 3.5 in September and November 2019, with € 0.7m representing a "holdback" amount in respect of certain warranties and indemnities provided by Policolor, to be released, if applicable, in September 2020.

Mamaia Resort Hotels had a very good year in terms of turnover, with operating revenues having increased from € 2.6m in 2018 to € 3.0m in 2019, but its EBITDA fell from € 0.3m to € 0.2m due to increased salary expenses and higher than expected expenses related to the re-decoration of the Hotel's beach-facing premium wing bedrooms, the restaurant terrace, and the kitchen's modernization, all of which were finalized just before the start of the summer season.

Telecredit continued to transit to its new business model focussed on SME financing. At the end of 2019, the book value of the SME financing portfolio amounted to € 2.2m, significantly higher than the budgeted € 1.5m, whilst the net value of Telecredit's pay day loan book fell from € 0.52m to € 0.07m over 2019. Telecredit's 2019 EBITDA came in at € 0.09m. By the end of the year, Telecredit had fully drawn on the € 1.5m loan provided by RC2 in order to support the expansion of Telecredit's SME financing business. Following the disposal of 15% of its shares to Telecredit's CEO, RC2 holds 85% of Telecredit's equity.

All RC2's investee companies have been badly affected by the worldwide Covid-19 outbreak, which resulted in Romania and Bulgaria declaring states of emergency in mid-March. Policolor experienced a significant fall in sales during the second half of March and the first days of April, whilst Telecredit has had to significantly tighten its financing criteria. All reservations for April and May at the Mamaia Hotel have been cancelled, but the Hotel expects to open in June, assuming the Romanian state of emergency is lifted.

At the end of December, RC2 and RC2 (Cyprus) Ltd had cash and cash equivalents of approximately € 0.3m, loan receivables of € 1.5m, and short-term liabilities of € 0.04m. Over the quarter, RC2 bought back for cancellation 0.4m of its own shares at a total cost of € 0.05m.

Yours truly,

New Europe Capital

Policolor Group

Background

RC2 has a 40.0% shareholding in Policolor, the parent company of the Policolor Group ("Policolor" or the "Group"), which operates along the following business lines: coatings (architectural, automotive and industrial), resins and specialty chemicals. The Romanian company Policolor SA and its 100%-owned Bulgarian subsidiary Orgachim AD produce and sell coatings, primarily in Romania and Bulgaria. The Group also includes Orgachim Resins, a producer of resins, and Ruse Chemicals, a producer of anhydrides, both being located in Bulgaria. All the Group companies are unlisted.

Group Financial results and operations

(EUR '000)	2017*	2018*	2019B	2019**	2020B***
Group Consolidated Income statement					
Sales revenues	**65,176**	**64,038**	**69,751**	**59,982**	**72,825**
sales growth year-on-year	*11.0%*	*-1.7%*	*8.7%*	*-6.3%*	*21.4%*
Other operating revenues	764	575	87	577	
Total operating revenues	**65,940**	**64,613**	**69,838**	**60,560**	**72,825**
Gross margin	21,825	21,055	23,409	18,947	23,687
Gross margin %	*33.1%*	*32.6%*	*33.5%*	*31.3%*	*32.5%*
Other operating expenses	(21,787)	(22,352)	(22,339)	(22,229)	(21,526)
Operating profit	**37**	**(1,297)**	**1,069**	**(3,282)**	**2,161**
Operating margin	*0.1%*	*-2.0%*	*1.5%*	*-5.4%*	*3.0%*
Recurring EBITDA	**3,161**	**1,884**	**3,854**	**887**	**4,160**
EBITDA margin	*4.3%*	*2.9%*	*5.5%*	*1.5%*	*5.7%*
Net extraordinary result - land sale	816	1,706	1,861	2,057	
Nonrecurring items including relocation	555	(620)		(1,749)	120
Financial Profit/(Loss)	(942)	(751)	(246)	(879)	(722)
Profit before tax	**466**	**(342)**	**2,684**	**(2,103)**	**1,439**
Income tax	24	(371)	(1,269)	(319)	(190)
Profit after tax	**490**	**(713)**	**1,415**	**(2,423)**	**1,249**
avg exchange rate (RON/EUR)	*4.57*	*4.65*	*4.75*	*4.75*	*4.75*

*Note: * IFRS audited, ** IFRS unaudited, *** Management's budget*

The Policolor Group's consolidated operating revenues of € 60.6m in 2019, were 6.3% below 2018 and 13.3% below budget, reflecting the effective starting up of its new water-based and performance coatings plants, which only received the requisite permits to operate fully in the first quarter of 2020. This generated supply issues, with a number of products being out-of-stock, whilst the Group scrambled to find alternative suppliers for some of its products. Due to these supply issues, coatings sales fell by 0.5% year-on-year from € 46.1m to € 45.9m, whilst sales of resins increased from € 14.8m to € 15.2m (+3%). The anhydrides division's sales suffered from lack of available raw materials at commercially viable prices, falling from € 6.8m to € 1.5m year-on-year, with the anhydrides plant only operating for four months of the year.

The lower sales were the main reason for a fall in the recurring EBITDA (net of revenues and expenses related to the real estate division) from € 1.9m in 2018 to € 0.9m in 2019, which is far from the € 3.9m budgeted at the beginning of the year.

The underperformance against the 2019 budget is reflected in the independent valuation exercise, resulting in a 34.5% drop in the valuation of RC2's investment in Policolor as at 31 December 2019.

At the end of September, Policolor sold the last plot of land on its main Theodor Pallady Bucharest site, comprising 3.2 hectares, for a total price of € 5.2m, of which an advance of € 1m had already been received over 2017 and 2018. Policolor received € 3.5 in September and November 2019, whilst € 0.73m represents a "holdback" amount in respect of certain warranties and indemnities provided by Policolor, to be released, if applicable, in September 2020.

Prospects

Policolor management's 2020 budget, which targets consolidated sales growth of 21.4%, reflected the fact that its new water-based and performance coatings plants received the approval to start full operations in early 2020, helping the Group meet the demand for coatings it experienced in 2019. However, the eruption of the Covid-19 outbreak in Romania and Bulgaria, resulting in both countries declaring states of emergency which limited people's freedom of movement affecting a number of sectors of the economy, means that it is highly unlikely the Policolor Group will now be able to meet its budget. The Group's management have already implemented a number of cost cutting and cash preservation measures to be prepared for all scenarios, and, whilst there was a significant drop in coatings sales in the second half of March and early April, the extent of the damage to the Group's operations is impossible to quantify at the moment, since it is unclear when the measures implemented by the Romanian and Bulgarian authorities will be lifted.

Mamaia Resort Hotels

Background

Mamaia Resort Hotels SRL (the "Company") is the owner and operator of the ZENITH – Conference & Spa Hotel (the "Hotel"), located in Mamaia, Romania's premium seaside resort next to the city of Constanta. RC2 owns 63% of the Company, with the remaining 37% being owned by a Romanian private individual.

Financial results and operations

(EUR '000)	2017*	2018*	2019B	2019**	2020B***
Income Statement					
Total Operating Revenues, of which:	**2,562**	**2,584**	**3,046**	**2,955**	**3,212**
Accommodation revenues	1,265	1,338	1,742	1,627	1,854
Food & beverage revenues	1,135	1,066	1,159	1,127	1,191
others	162	181	145	200	167
Total Operating Expenses	(2,740)	(2,438)	(2,602)	(2,911)	(2,939)
Operating Profit	**(178)**	**146**	**443**	**44**	**273**
Operating margin	*neg.*	*5.6%*	*14.6%*	*1.5%*	*8.5%*
EBITDA	**472**	**302**	**595**	**196**	**423**
EBITDA margin	*18.4%*	*11.7%*	*19.5%*	*6.6%*	*13.2%*
Profit after Tax	**(284)**	**45**	**299**	**(55)**	**183**
Net margin	*neg.*	*1.8%*	*9.8%*		
Avg exchange rate (RON/EUR)	*4.57*	*4.65*	*4.75*	*4.75*	*4.80*

*Note: *RAS (audited), **RAS (management accounts), ***Management's budget*

In 2019, the Hotel's operating revenues amounted to € 3.0m, up 14.3% year-on-year, but € 0.09m below budget mainly due to lower than expected revenues in May and September. The occupancy rate increased from 28% to 29%, whilst the average room tariff increased by 18% (from € 46.7 in 2018 to € 55.2 in 2020).

The higher revenues were the result of the new strategy of clearly differentiating the Hotel's product offering between a premium and a standard wing, and the related re-decoration of the Hotel's beach-facing "Junona" wing bedrooms and the restaurant terrace, which, together with the kitchen's modernization, were finalized just before the start of the 2019 summer season.

The 2019 EBITDA of € 0.2m compares to a target EBITDA of € 0.6m, and EBITDA of € 0.3m over the prior year. However, the 2019 result includes € 0.23m of renovation works which were budgeted as capital expenditures but expensed under Romanian tax accounting rules. Excluding these, EBITDA would have been € 0.42m, above the 2018 figure but still below budget. Furthermore, EBITDA was negatively influenced by increased salary expenses, which reflects both labour shortages and the government's policy of increasing the minimum wage.

Prospects

The Mamaia Hotel is currently in the process of completing renovation works which started late last year, involving the facades, lobby, restaurants and bar area.

Management's budget for 2020 envisaged an increase in accommodation revenues from € 1.6m to € 1.9m (mainly driven by an increase in the occupancy rate from 28% to 34%), and an increase in food & beverage revenues from € 1.1m to € 1.2m, triggered by higher occupancy rates. Salary expenses were budgeted at € 1.4m, up 16% year-on-year, whilst the budgeted EBITDA for the year was € 0.4m. However, the budget was prepared by management before the Covid-19 outbreak forced the authorities to order the closure of hotels until further notice. Due to the crisis, the Hotel will not re-open in mid-April, as initially planned, impacting its ability to meet its budget. Management is now expecting to open the Hotel in mid-June which assumes that the emergency measures introduced by the Romanian government will have been lifted in time for the crucial summer months.

Telecredit

Background

Telecredit IFN S.A. ("Telecredit" or the "Company") is a Romanian Non-Banking Financial Institution ("IFN") whose main activity is providing factoring and discounting services, and microloans, to small and medium-sized companies ("SMEs"). RC2 owns, through one of is wholly-owned subsidiaries, an 85% shareholding, whilst the balance of 15% is owned by the Company's CEO, Elisa Rusu.

Financial Results and operations

(EUR '000)	2017*	2018*	2019B	2019**	2020B***
Income Statement					
Interest revenues from pay day lending	**1,617**	**1,791**	**885**	**824**	**13**
Interest revenues from SMEs lending, of which:			**329**	**340**	**1,330**
Factoring and Discounting			240	287	1,144
Microloans			89	53	186
Total operating expenses:	**(1,450)**	**(1,719)**	**(836)**	**(1,074)**	**(1,015)**
Provisions, of which:	(159)	(564)	321	(64)	74
Pay day lending	(159)	(564)	332	(61)	181
SMEs lending			(11)	(3)	(107)
Other Operating expenses	(1,290)	(1,155)	(1,157)	(1,010)	(1,089)
Operating profit before depreciation	**167**	**73**	**378**	**89**	**328**
Depreciation	(19)	(23)	(52)	(56)	(87)
Operating profit after depreciation	**148**	**49**	**326**	**33**	**241**
Operating profit after depreciation margi	*9.2%*	*2.7%*	*26.9%*	*2.8%*	*17.9%*
Financial result	(1)	-	3	(27)	(151)
Profit after tax	**122**	**18**	**265**	**(16)**	**75**
net margin	*7.6%*	*1.0%*	*29.7%*	*-1.4%*	*5.6%*
Avg exchange rate (RON/EUR)	*4.57*	*4.65*	*4.75*	*4.75*	*4.80*

*Note: *RAS (audited), **RAS (management accounts), ***Management's budget*

Telecredit's transformation from pay day lender to financing SME's was completed over the course of 2019. The Company generated interest revenues of € 1.2m in 2019, in line with the budget. The only reason the operating profit was below budget, despite a 12% saving in operating expenses, was lower collections of payday NPLs, generating a provision € 0.06m compared to budgeted revenues of € 0.33m (€ -0.39m). The new SME financing business performed well, with interest revenues of € 0.3m (3.3% over budget).

As expected, pay day activity shrank rapidly, and in October the Company halted all pay day lending, with the exception of servicing recurring clients. Telecredit granted 10,800 pay day loans in 2019, which is 55% lower year-on-year, but in line with the budget. Of the 10,800 loans granted, 38% were rollovers, 55% were to recurring clients, and only 7% represent loans to new clients. The net value of Telecredit's pay day loan book was € 0.07m at the end December, down from € 0.52m at the end of 2018.

Following the official launch of *Omnicredit,* Telecredit's online financing platform for SME's, in June there was a significant increase in SME financing activity. Telecredit deployed € 7m in financing products to SMEs in 2019. 91% of this was factoring and discounting, with the balance of 9% being microloans. The book value of Telecredit's SME portfolio increased from € 0.09m at the end of February to € 2.2m at the end of December, the latter being significantly higher than the budgeted figure of € 1.5m. The SME loan book at year end was split between € 1.3m of factoring services, € 0.6m of discounting services, and € 0.3m of micro loans.

In order to support the expansion of the Company's SME loan book, RC2 Cyprus, a wholly-owned subsidiary of RC2, has provided Telecredit with a € 1.5m loan, which was fully drawn at year end.

Due to the unproven nature of Telecredit's recently adopted business model of financing SME's, the valuation of RC2's investment in Telecredit as of 31 December 2019 reflects Telecredit's IFRS audited net asset value as at that date.

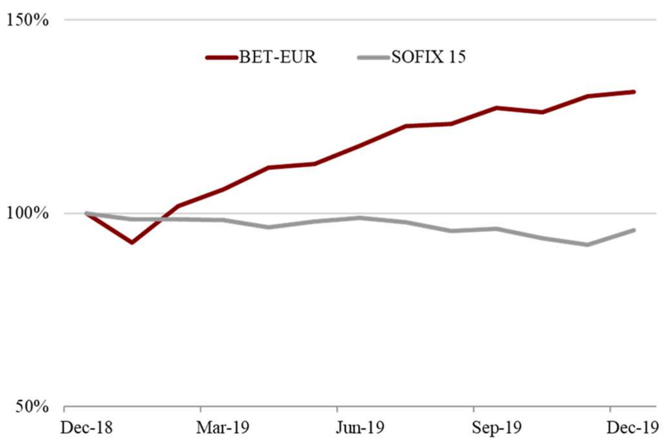
Prospects

According to Telecredit management's 2020 budget, which was prepared before the Covid-19 crisis, interest revenues from SMEs were expected to come in at € 1.33m, whilst the SME financing book was expected to increase from € 2.2m at the end of 2019 to € 4.3m at the end of 2020. The budget assumed a factoring and discounting NPL rate of 1.8%, and 2.7% for micro loans. Telecredit was expecting interest revenues of only € 13,000 from pay day lending, but due to collections from executions, a € 0.2m reversal of the pay day NPL provisions. With operating expenses budgeted at € 1.1m, the target was for the operating profit before depreciation to reach € 328,000 in 2020, compared € 89,000 in 2019.

The above budget is no longer relevant due to the Covid-19 outbreak, which has resulted in Telecredit implementing new measures to tackle the increased riskiness of operating in an environment involving the temporary suspension of a lot of business activity, putting a large amount of SME's in difficulty. Accordingly, Telecredit has significantly tightened its lending criteria, which is already resulting in a reduction in the value of its loan book. The company has also performed a deep analysis of its clients' activities, to decide which economic sectors it will continue to finance until the end of the crisis. Telecredit's business in general, and micro-lending in particular, will also most likely be affected by a number of legislative initiatives, including a recently passed Ordinance enforcing a nine month moratorium on principal repayments for companies which can prove they have been affected by the Covid-19 crisis. Furthermore, a law has recently been approved by the Romanian Parliament which goes further in also providing forgiveness of interest payments during the period, and the suspension enforcement procedures. The Law has been challenged in Romania's Constitutional Court.

Capital Market Developments

BET-EUR and SOFIX-15: 1 year performance



Commentary

During the fourth quarter, the Romanian BET index gained 3.3%, whilst the Bulgarian SOFIX 15 index lost 0.4%, both in euro terms. Over the same quarter, the MSCI Emerging Market Eastern Europe, the MSCI Emerging Market, and the FTSE100 and S&P indices were up by 9.8%, 8.1%, 6.7% and 5.4%, respectively, all in euro terms.

Over 2019, the BET-EUR index gained 31.4% while the SOFIX 15 index fell by 4.4%, both in euro terms. By comparison, the MSCI Emerging Market Eastern Europe, the MSCI Emerging Market, the FTSE100 index and the S&P indices gained 29.4%, 17.7%, 19% and 31.4%, respectively, all in euro terms.

Macroeconomic Overview

Overview

	RO	as of:	BG	as of:
GDP Growth (y-o-y)	4.1%	FYM19	3.4%	FY19
Inflation (y-o-y)	4.0%	Dec-19	3.8%	Dec-19
Ind. prod. growth (y-o-y)	-6.9%	Dec-19	-1.5%	Dec-19
Trade balance (EUR bn)	-17.3	FY19	-1.7	FY19
y-o-y	*14.3%*		*-9.3%*	
FDI (EUR bn)	5.3	FY19	1.0	FY19
y-o-y change	*0.6%*		*6.3%*	
Budget balance/GDP	-4.6%	FY19	-1.0%	FY19
Total external debt/GDP	49.4%	Dec-19	56.2%	Dec-19
Public sector debt/GDP	35.4%	Dec-19	19.9%	Dec-19
Loans-to-deposits	72.8%	Dec-19	71.6%	Dec-19

Commentary

Romania

Romania's GDP grew by 4.1% year-on-year in 2019, driven by a 5.9% increase in private consumption. Before the COVID-19 outbreak, Romania's economy was expected to experience lower, but still healthy, economic growth in 2020 of around 3%, due to lower consumption growth. The economic shock of the pandemic is difficult to quantify, as there is no clarity on the length and extent of the ongoing emergency measures taken by Romania, including a strict lockdown on freedom of movement except for some very limited activities, and the closure of hotels, restaurants and bars, as well as a lot of other "non-essential" activities.

Unfortunately, the pandemic hit Romania at a time when its public finances were already weakened by various populist measures taken by the former ruling Social Democratic Party ("PSD"), including large pension and public sector wage increases. Romania already has one of the of highest deficits in the EU (4.6% of GDP in 2019), and even before Covid-19, 2020 was expected to be another challenging year for the State budget, with local and general elections due in 2020, and the child allowance due to double in August and a 40% pensions increase to follow in September 2020, according to a law passed by the former governing coalition. In 2019, budgetary receipts increased from € 62bn to € 67bn (+8.8% year-on-year in RON terms), triggered by higher social contributions (+13.6%), as well as higher corporate income tax receipts (+13.2%) and higher VAT collections (+9.7%). On the other hand, total budgetary expenses increased by 14.7% in RON terms, from € 67bn to € 77bn, with personnel and social expenditures, which accounted for 59% of total expenses, increasing by 16%. Public investment amounted to € 9bn (the equivalent of 4.2% of GDP) and were up 27.4% year-on-year.

Partly stimulated by the fiscal policies of the former PSD-led coalition, the trade gap continued to widen, having increased by 14% year-on-year in 2019 (from € -15bn to € -17.3bn), with imports growing by 4.2% while exports increased by only 1.9%. The negative evolution of the trade balance resulted in a € -10.5bn current account deficit, which is the equivalent of -4.8% of GDP and compares unfavourably to the € -9bn deficit over 2018. FDI flows amounted to € 5.3bn in 2019, virtually unchanged year-on-year. Romania's total external debt amounted to € 106bn at the end of December, which represents a 6.2% year-to-date increase and amounts to approximately 49% of GDP. Public debt was € 78.1bn, or 35.4% of GDP, at the end of 2019, up 13% year-to-date in nominal RON terms.

Romania's inflation rate reached 4% in December, up from 3.3% at the end of 2018, driven by a steep increase in food prices and by a new 3% sales tax on telecom companies imposed at the beginning of 2019. The Romanian leu lost 0.6% against the euro in the fourth quarter, and depreciated by 2.5% against the euro over the course of the year.

Total domestic non-governmental credit (which excludes loans to financial institutions) was € 56bn at the end of December, up 6.6% year-to-date in RON terms. Household loans reached € 30bn at the end of December, having increased by 7.6% year-to-date, and accounting for 53% of total loans outstanding. Consumer loans increased by 3.7% year-to date and accounted for 42% of household loans. Housing loans increased from € 15.8bn to € 17bn and accounted for 57% of household loans. Corporate loans reached € 24.6bn at the end of December, a 6.3% increase since the beginning of the year. The NPL ratio has continued to fall, from 5.05% at the end of 2018 to 4.08% at the end of December 2019. The overall deposit base was € 77bn at the end of 2019, up 11.5% year-to-date in RON terms.

Incumbent Liberal President Iohannis won the November 2019 elections, and a minority centre-right Liberal Party-led government has also replaced the former Social Democratic-led coalition. Parliamentary elections are due in November.

To date, the Romanian government has taken limited measures to help businesses and stimulate the economy in the light of the Covid-19 pandemic, including the postponement of certain taxes and the possibility for companies affected by the crisis to furlough employees under certain conditions.

Bulgaria

Bulgaria's GDP increased by 3.4% in 2019, helped by higher private consumption which grew by 5.7% year-on-year, and higher exports (+4.9%). Before the Covid-19 pandemic hit Bulgaria, its GDP was expected to increase by 3% in 2020. Now all bets are off, although, whilst Bulgaria declared a state of emergency, including imposing social distancing measures, the closure of restaurants and bars, and travel bans in and out of major cities, there were only 565 reported cases of infection as at 6 April.

Fortunately, Bulgaria is fighting the Covid-19 pandemic at a time when its public finances are in a very healthy state. Excluding a one-off acquisition of military aircraft equipment, Bulgaria posted a 1% of GDP surplus in 2019 (or a 1% deficit including the acquisition), putting the country on the threshold of the "waiting zone" to join the euro area, although the coronavirus pandemic will most likely now delay Bulgaria's bid to join the euro zone's "waiting room" and the European Union's banking union to 2021, from the initial term of April 2020. Tax proceeds, including revenues from social security contributions, increased by 11.1% year-on-year, whilst total budgetary expenses increased by 14.5%, as personnel and social expenditures increased by 9.7% and public investment grew by 41.7% year-on-year, and amounted to 6.5% of GDP over the period due to the above mentioned military acquisition.

Bulgaria's public sector debt was 19.9% of GDP at the end of December, down from 21.8% at the end of the previous year. Gross external debt amounted to € 34.1bn, or 56.2% of GDP, at the end of December 2019, a 0.8% year-to-date increase.

In spite of its very healthy public finances, Bulgaria has taken limited steps to stimulate its economy and protect businesses in the light of the Covid-19 outbreak, including the deferral of certain taxes and support under certain conditions in the payment of employees' wages for companies whose activities have been affected by the pandemic.

Bulgaria's 2019 trade deficit of € -1.7bn was better than the € -1.9bn deficit recorded in 2018. Exports grew by 4.9% year-on-year, while imports increased by 4.0%. The trade deficit was counter-balanced by a € 0.4bn surplus from primary and secondary incomes and a € 3.8bn surplus from services, resulting in a positive current account balance of € 2.5bn in 2019, which is a significant improvement over the € 0.8bn surplus recorded in 2018. FDI inflows amounted to € 1.0bn, only € 0.07bn higher than in 2018, with equity investments falling by € 1.15bn whilst intra-group loans increased by € 1.22bn.

Bulgaria's inflation rate reached 3.8% at year end, compared to 2.7% in December 2018, driven by an increase in the food prices.

Total domestic non-governmental credit (which excludes loans to financial institutions) increased from € 27.9bn at the end of December 2018 to € 30bn at the end of December 2019, as corporate and household loans increased by 6.1% and 9.5%, respectively. The deposit base was € 42bn at the end of December, up from € 38.2bn at the end of 2018. At the end of 2019, the NPL ratio stood at 6.5%, compared to 7.6% at the end of December 2018.

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