

BULGARIAN NATIONAL BANK

ANNUAL REPORT • 2002



B u l g a r i a n N a t i o n a l B a n k M a n a g e m e n t



MANAGING BOARD



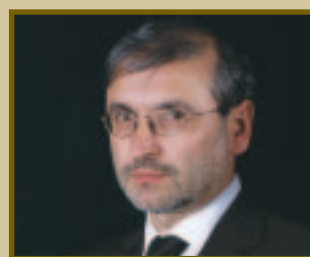
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Governor



Martin Zaimov
Deputy Governor



Emilia Milanova
Deputy Governor



Bojidar Kabaktchiev
Deputy Governor



Nikolay Nenovski*

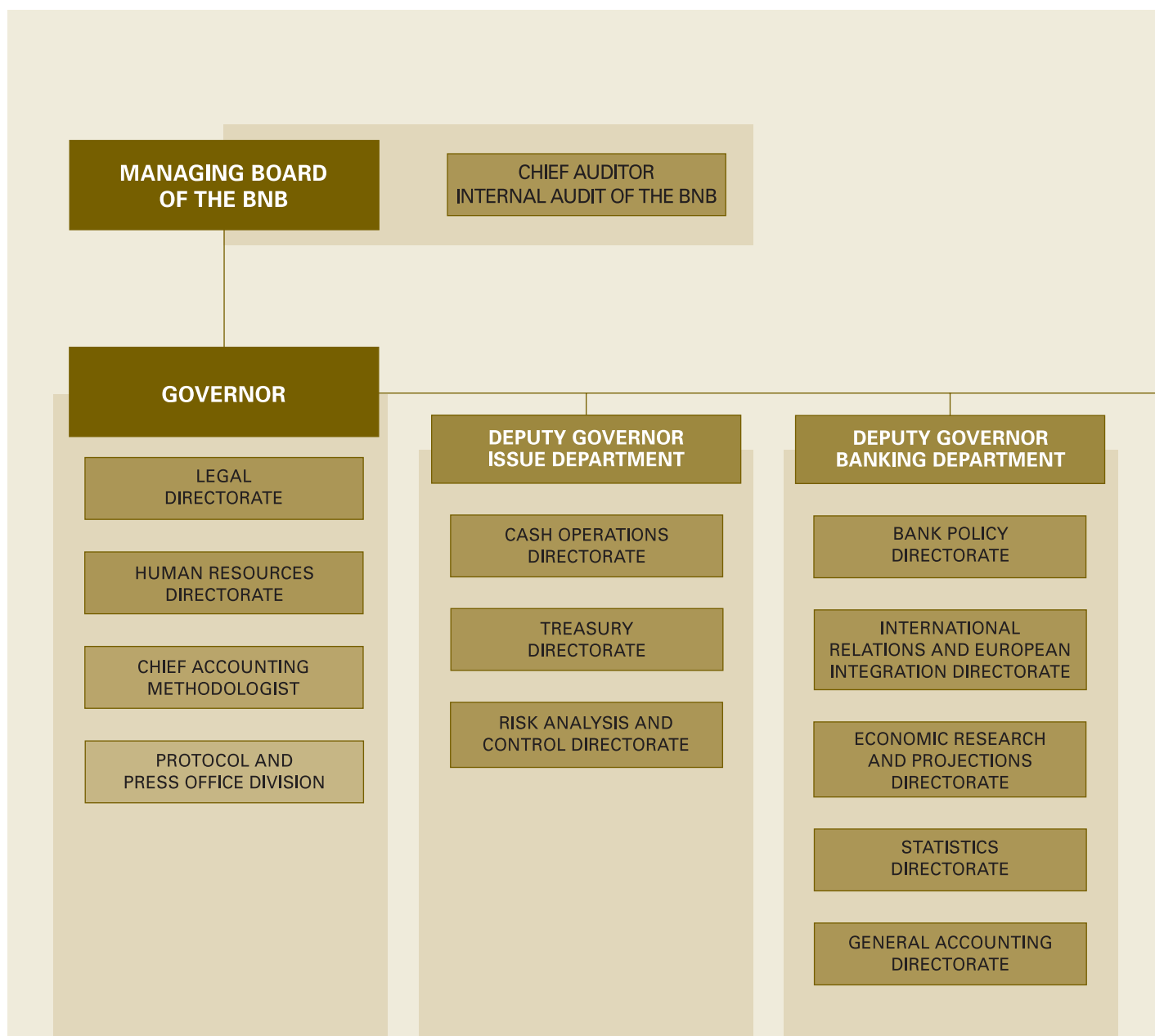


Garabed Minassian



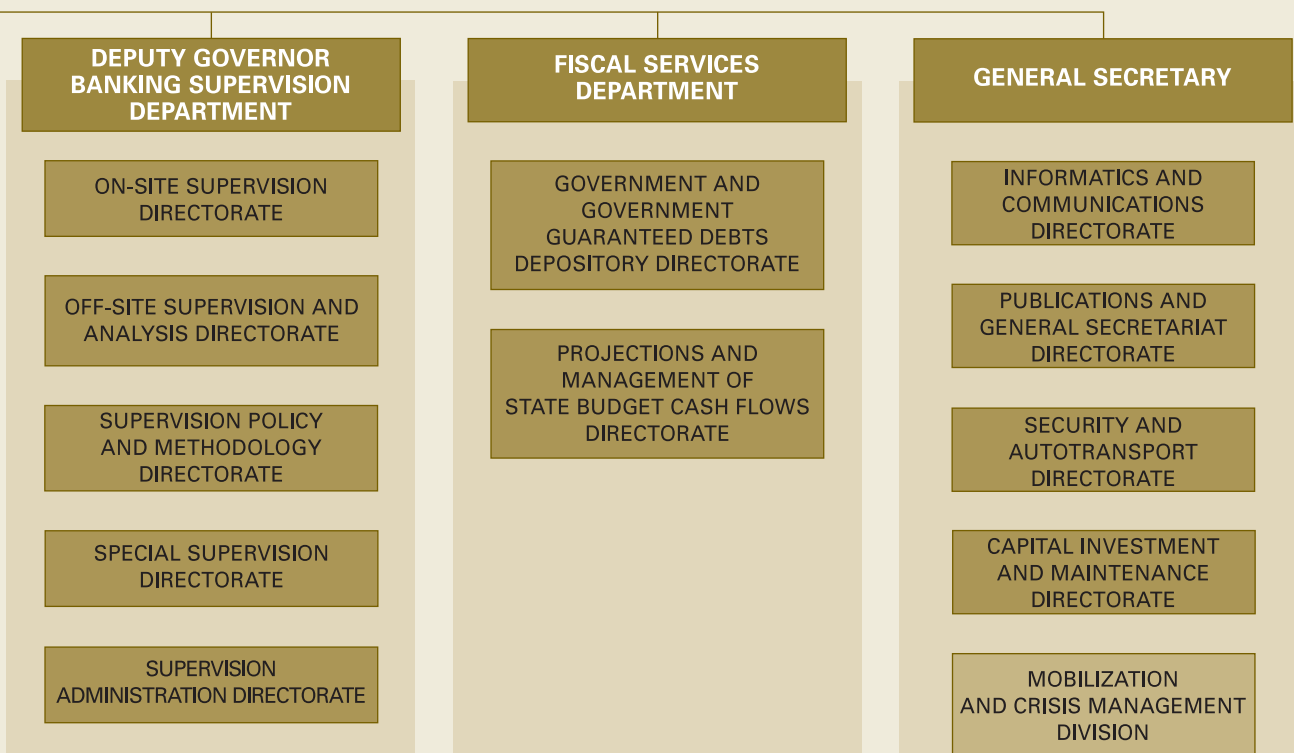
Georgi Petrov

* By Decree No. 227 of the President of the Republic of Bulgaria of 11 June 2002, upon expiry of Roumen Avramov's term of office, Nikolay Nenovski was elected member of the BNB Managing Board from the President's quota.



Organizational Structure of the BNB

(as of April 2003)



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I.

Developments in the
World Economy and Finances

1. Overview and Major Trends in the Development of the World Economy

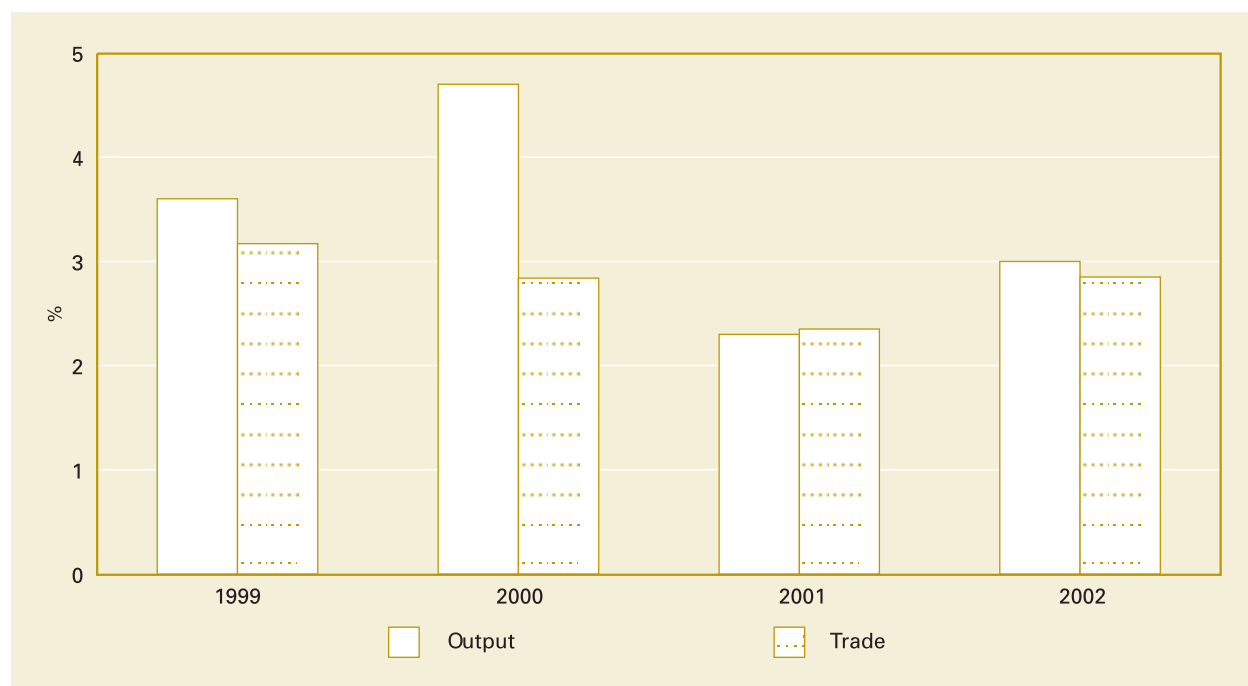
In spring 2002 optimistic estimates of world economic growth, and particularly that of the developed countries, prevailed. This was based on first quarter indicators. Spring IMF and European Commission (EC) forecasts reflected these initial favorable trends; both institutions raised their world economic growth rates forecasts for 2002 compared with autumn 2001 estimates.

The expected recovery slowed owing to a number of past and present shocks. In 2002 the difficult process of adaptation to new crude oil

price levels continued, and the events of 11 September 2001, as well as 2002 terrorist attacks in various regions, influenced entire sectors of the world economy such as transportation and tourism.

The 2002 stock exchange slump and the ensuing scandals provoked by the disclosures of concealed losses and obligations by big companies acted as another shock. Minor investors' behavior changed and they directed their savings at the banking system. The structure of investment

DEVELOPMENTS IN WORLD OUTPUT AND TRADE



Source: IMF.

changed as well. Especially in the USA, the shocks significantly influenced wealth and income which reflected adversely on the important growth factor of consumption.

Since February 2002 the OPEC countries have been restricting the production of crude oil, managing to raise its price within the USD 22 to USD 28 *per barrel* band. In Iraq a crisis was gradually becoming imminent and the danger of war was growing. This impacted petrol prices and increased global uncertainty. During the year crude-oil prices varied widely, contributing to the instability of expectations.

Heightened global geopolitical uncertainty additionally cooled the business climate and curbed investment. Unemployment rose both in the USA and the European Union.

In the autumn of 2002 the IMF and the World Bank revised their spring forecasts downward, consistent with worsening economic conditions and poor expectations for the coming months.

End-2002 data provided contradictory signals about economic activity trends, and in early 2003 credibility indicators fell to unusually low levels owing to the war in Iraq.

ECONOMIC GROWTH FORECASTS OF THE IMF AND THE EC

	Autumn 2002		Change on spring 2002	
	2002	2003	2002	2003
IMF*				
World economy	2.8	3.7	-	-0.3
USA	2.2	2.6	-0.1	-0.8
EU	1.1	2.3	-0.4	-0.6
Central and Eastern Europe	2.7	3.8	-0.3	-0.2
European Commission**				
World economy	2.6	3.6	-0.3	-0.3
USA	2.3	2.3	-0.4	-0.8
EU	1.0	2.0	-0.5	-0.9
Ten accession countries	2.1	3.6	-0.4	-0.2
Other three candidate members	2.9	3.8		

Source: * World Economic Outlook, IMF, Autumn 2002.

** Autumn 2002. Economic Forecasts, European Commission.

The developed countries resorted to economic policy instruments in order to counteract these negative trends. USA interest rates were reduced significantly, and in December 2002 the European Central Bank (ECB) decreased interest rates on its major refinancing operations by 0.5 percentage points. Following the scandals provoked by accounting manipulations in big companies like *Enron* and *World.Com*, prompt legislative measures were taken aimed at increasing the confidence of investors and of minor investors in particular.

The IMF¹ estimates 2002 world GDP growth at 2.3% in 2001 to 3% in 2002 on an year-to-year basis. Developing countries (with growth rates of 4.6% in 2002 against 3.9% in 2001) and transition countries (whose growth slowed from 5.1% in 2001 to 4.1% in 2002) contributed most to this

growth. Developing countries' 2002 growth amounted to 1.8%; this was double that of 2001, yet was substantially below the average for the last five years (2.8%). IMF forecasts for 2003 are for 3.2% growth, with the developing countries expected to report the highest figure of 5%.

The growth which started in the developing countries of the Asian region at the end of 2001 continued in 2002. According to preliminary data² for 2002 it accounted for 6.3% against 5.5% in 2001. The Chinese economy enjoyed the largest share, its growth rate amounting to 7%. Asian economies which in 2001 were hit hardest by the slowdown in world trade and high-tech product demand (Korea, Taiwan, Malaysia, Singapore and Thailand) reported significant 2002 recoveries. The region is still at risk owing to the high degree of public sector indebtedness (especially by Indonesia

¹ IMF, *World Economic Outlook*, April 2003. World Bank, *Global Development Finance*, April 2003.

² World Bank, *Global Economic Prospects and the Developing Countries*, December 2002.

and the Philippines) following the 1997 crisis.

Developing countries in Latin America indicated negative growth of 1.1% for 2002 (a decrease of 0.4% on 2001). The crisis in Argentina which was regarded as a local one at the beginning of 2002, also affected neighboring countries. Economic activity in the region was influenced negatively by the political uncertainty associated with the elections in Brazil and the crisis in Venezuela.

As a result of enhanced domestic demand, EU accession countries maintained steady growth rates in spite of worsened economic conditions. In 2002 growth in the ten countries that will accede to the EU in 2004 was 2.4%. Growth rate in all candidate countries was estimated at 4.3% in 2002.¹ The clear perspective and the approved time schedule for EU accession will have a positive effect on their economies.

2.

The Developed Countries

The European Union

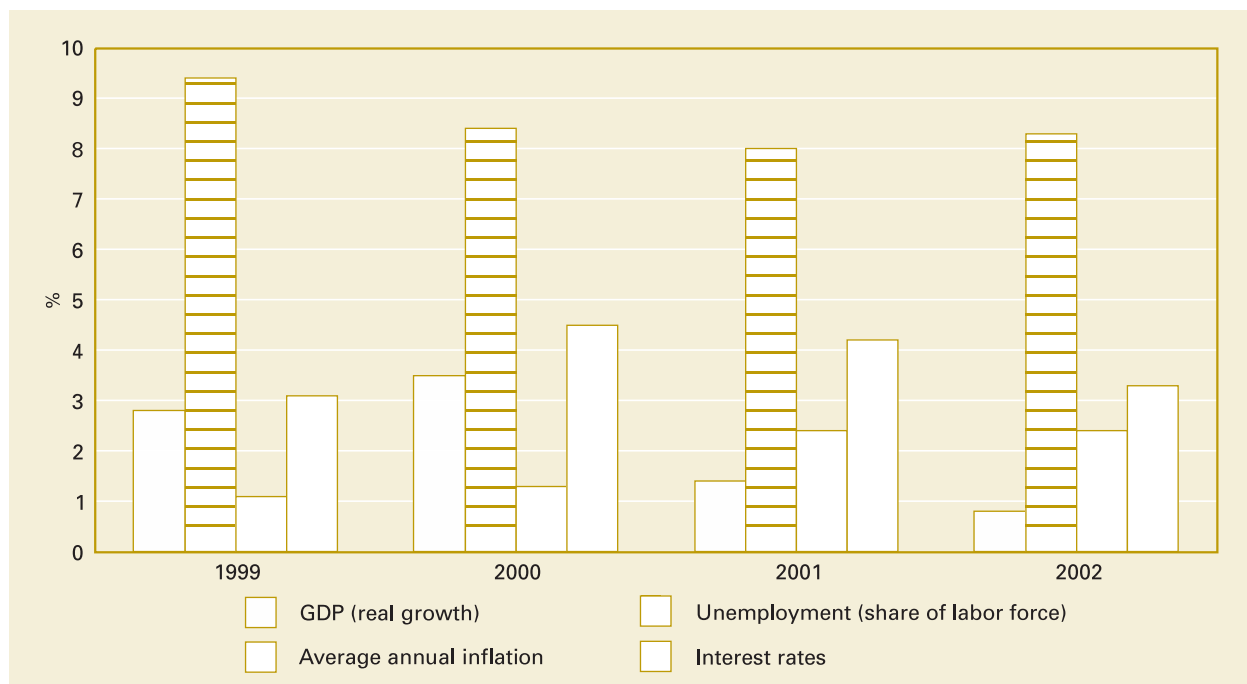
In 2002 EU GDP growth was below 1%, attributable mostly to unfavorable economic indicators in some larger member countries: Germany, Italy, and to a lesser degree France. Relatively high growth rates were reported by Spain, Ireland, Portugal and Finland.

Low growth rates made it difficult for some eurozone member countries to meet the fiscal criterion. Total eurozone budget deficit was 2.2% of GDP, compared with 1.9% in the EU. Germany and France exceeded the upper limit of 3%, their

budget deficits reaching 3.6% and 3.2% respectively. In response to these violations, and to ensure compliance with the Stability Pact, specific EU recommendations were issued to Germany, France, Portugal, Italy, the Netherlands, and the United Kingdom to revise budget programs and implement them in accordance with Pact recommendations.

In 2002 inflation was 2.2%, or 0.3 points lower on a year earlier basis. Price levels in some of the member countries were affected by increased indirect taxes and fees.

BASIC MACROECONOMIC INDICATORS FOR EU COUNTRIES



Source: IMF.

¹ EC. Spring 2003 Economic Forecasts for the Candidate Countries.

The USA

The USA's real GDP grew by 2.4% in 2002 underpinned by the growth in consumer expenditure, while fixed asset gross capital formation continued its downward trend. During the year goods prices tended to fall as a result of growing labor productivity. In the review period labor productivity increased by 5.6%, while labor expenditure *per unit of output* decreased by 2.2%.

Japan

In 2002 the Japanese economy posted 0.3% growth: close to that of 2001 (0.4%). In spite of the appreciation of the US dollar against the yen, exports, and to a lesser degree increased private

consumption, were the main growth factors. On the other hand, the downward trend in private investment continued.

Deflation was yet again the main problem of the Japanese economy in 2002. The price index fell below unity for the fifth consecutive year. In 2002 it was 0.9% (against 0.6% in 2001) and given the zero short-term interest rates, the Japanese economy was caught into a liquidity trap which upset monetary policy implemented by the central bank.

Fiscal policy continued to experience serious difficulties. In 2002 budget deficit amounted to 7% and government debt comprised 140% of GDP. In 2003 reforms will be carried out not only in the banking sector but also in the entire economy.

3.

EU Accession Countries

Central Europe¹

In 2002 the **Czech economy** posted 1.9% growth. Torrential rains and flooding in August disrupted production and hit tourism. On the other hand, the strong crown contributed to a decrease in exports and an increase in goods and service imports. At the beginning of the year the driver of economic growth was investment, while in the second half it was private consumption. The mid-year unemployment level of 8.7% rose to 9.8% by the end of 2002. Inflation decreased to 1.8%, a dramatic decline compared to 2001 (4.7%).

The Czech Central Bank involved itself in stronger interventions in the forex market to counteract the appreciation of the Czech crown against the US dollar at the end of 2001. Except through open market operations, the Bank gradually decreased the base interest rate (the two-week repo interest rate) from 4.75% at the beginning of 2002 to 2.75% at the end of 2002. In early 2003 the interest rate fell by another 25 points.

In 2002 the **Hungarian economy** grew by 3.3% against 3.8% in 2001. A tendency to growth acceleration started to evolve. Its most important factors were the industry and services sectors. Stable internal consumption was the main reason for the growth in the services sector. Consumption was maintained by rising salaries (13% in the first ten months) and increasing consumer credit.

The Hungarian government expansionary fiscal policy led to a substantial budget deficit increase which breached the projected upper limit of 3.2%

in the first half of the year. The current account deficit reached 4.4% of GDP against 2.2% in 2001.

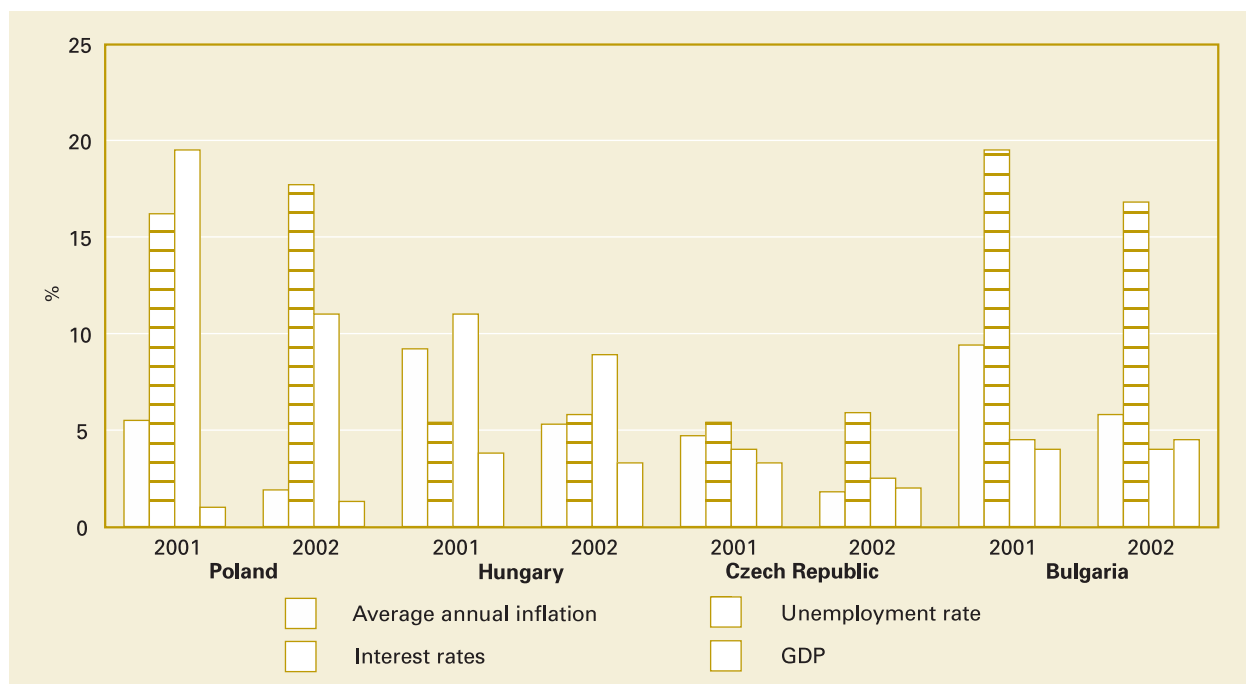
In 2002 inflation was 5.3%, exceeding Hungarian Central Bank 2.5% – 4.5% inflation target. In May and July the base rate increased to 9.5% and remained at this level until November when the forint started rising. By the close of the year interest rates had been decreased to 8.5%, reaching 6.5% in early 2003 intended to counteract further appreciation of the Hungarian currency.

In 2002 the **Polish economy** accelerated its growth, reaching 1.3% compared to 1% in 2001. The driver of economic growth continued to be private consumption which rose by 3.2% in 2002 (against 2% in 2001). Despite consumption growth, inflation fell substantially to 2% (against 5.5% in 2001). Low inflation for its part allowed the central bank to ease monetary policy. From 11.5% at the beginning of the year (19% a year earlier) interest rates on 28-day refinancing operations in the open market gradually fell to 6.75% by the end of the year.

Budget deficit remained relatively high at 5.4%: an increase by 0.8 percentage points on 2001, and 0.2 percentage points more than the 2002 budget program projection. This was attributable to lower income tax revenues and higher than expected pension fund subsidies. Poor results (18% of projections) were reported in the government privatization program. The budget was financed mainly through issues of PZL-denominated government securities.

¹ BIS data, Economic Indicators for Eastern Europe, March 2003; and Bank Austria Creditanstalt, CEE Report, No. 1/2003.

MAJOR MACROECONOMIC INDICATORS FOR THE EASTERN AND CENTRAL EUROPEAN COUNTRIES



Source: Bank for International Settlements.

Russia

Reforms in **Russia** continued successfully in 2002 prompted by significant legislative and structural changes. Laws on arable land, bank insolvency, investment pension funds, and bank deposit guaranty were passed. The road tax of 1% charged on corporate income was abolished. In addition to legislative reforms, administrative reforms reduced bureaucratic procedures in small business registration and licensing. In December access to the railway network was liberalized, guaranteeing equality for all economic agents in compliance with the rail transport standards adopted by law.

Economic growth was 4.3% (against 5% in 2001). Private consumption was driven by the 17% increase in real pay as a result of the government's policy to raise the low pay in education and health-care, and the 16% increase in pensions in 2002.

Growing government expenditure on social needs led to a decrease in budget surplus from 3% in 2001 to 2.4% in 2002. The surplus envisaged in the 2003 budget will service foreign debt amounting to USD 17 billion (against USD 14 billion in 2002).

At the end of November the Central Bank of Russia published its monetary program for 2003. Its major goal is keeping inflation low. The program targets *overall* inflation at 10% – 12% and *underlying* inflation at 8% – 8.5%. Target inflation for 2002 was exceeded and by the year's end amounted to 15.1%, while annual average inflation reached 15.8% against the projected band of 14.3% – 15.5%.

Countries with Currency Boards

For the third consecutive year the **Estonian economy** reported high growth of over 5%. Forecasts for 2003 and 2004 are for growth close to Estonia's potential growth (5%). The main growth factor was internal demand which offset the negative net exports over 2002. Inflation in the country is approaching that in the EU, reaching 2.7% at the end of 2002.

Budget surplus increased to 1.25% (against 1% in 2001). Expenditure on the country's accession to NATO and the EU is expected to result in a deficit of about 1%. In 2002 current account deficit doubled on a year earlier, reaching 12% of GDP which reflects worsened external economic conditions and enhanced internal demand.

Lithuania posted the same high growth of 5.9% as that reported in 2001. The force driving this growth was internal demand underpinned by strengthened financial intermediacy, increases in real pay reflecting labor productivity growth, and employment growth. In 2002 unemployment contracted by 2% compared with 2001, falling to 10.9%. Annual inflation was 0.3% and in the last two quarters reported deflation ran at 0.8% and 1% respectively. This was due to the early-2002 appreciation of the litas when the Central Bank of Lithuania changed its reserve currency from the US dollar to the euro: a move which was applauded by the financial markets. In the review period the negative balance on the current account stayed at the levels reported in 2001, and 80% of it was financed by direct foreign investment.

II.

Developments in the Bulgarian Economy

For the fifth year in a row Bulgaria's economy continued to develop at comparatively high growth rates. In 2002 higher economic activity resulted in increased employment and lower unemployment. In early 2003 the total confidence indicator rose by 3.5 percentage points on early 2002 and the consumer confidence indicator grew even

more: by 6.4 percentage points.¹

Growing domestic demand, as a major factor contributing to growth, did not prompt inflationary pressure due to available free production capacities: used capacities were estimated at 60.3% at the start of 2003. Inflation was the result of adjustments in administered and fuel prices.

1.

The Real Sector

Managers' optimistic expectations in early 2002 were underpinned by the positive economic development indicators throughout 2002. Shocks in output sales dynamics during the first quarter were offset in the following months and services continued to be the most dynamic sector of the Bulgarian economy.

Economic Growth

In 2002 gross domestic product increased by 4.8% in real terms owing to stable growth in domestic demand. In the third quarter net exports contributed most significantly to this growth.

Individual consumption had the most significant share in 2002 GDP growth. The growth in consumer demand was associated with increased household income and improved pay for nonurban dwellers.² Household budget data for December 2002 showed a considerable increase (by 28%) in

nominal income *per* household member, and a nominal increase of 24% in consumer expenditure on December 2001. Nominal income grew at high rates in real pay (by 33%), entrepreneurship income (by 39%), and property income (by 70%).

Based on household budget monitoring, in 2002 household consumer expenditure indicated an increase of 8.7% in real terms on a year earlier basis. In addition to food and current home maintenance spending, expenditure on clothing and footwear and communications contributed significantly to the growth in household consumer spending.

In 2002 structural changes in household consumer expenditure were associated with changes in the administratively set prices of electricity and district heating which in turn prompted an increase in current home maintenance expenses. Indeed, the real increase in some consumer expenses, irrespective of the rise in corresponding

¹ NSI, Consumer Survey, January 2003.

² *Ibid.*

REAL GDP GROWTH BY COMPONENT OF FINAL USE

(% , on corresponding period of previous year)

	2000	2001	2002				
			I quarter	II quarter	III quarter	IV quarter	Total
Gross domestic product	5.4	4.1	3.4	5.6	6.4	3.4	4.8
Final demand	5.7	4.4	3.7	2.6	2.6	7.3	4.1
Individual	4.9	4.6	4.0	2	2.2	7.1	3.9
Collective	13.3	2.9	1.5	7.8	6	8.5	6.2
Gross capital formation in fixed capital	15.4	23.3	4.6	11.6	4.1	14.7	9.3
Balance (exports – imports)							
Exports of goods and services	16.6	10.0	-4.1	4.7	12.6	9.3	6.2
Imports of goods and services	18.6	14.8	0.6	5.4	1.7	10.3	4.7

Source: NSI.

prices, reflected the effect of growing household income.

According to the NSI survey conducted in January 2003, consumer confidence accelerated throughout the year, improving total balance-sheet evaluation of household budgets by 6.4 percentage points on January 2002, including the significant increase for the rural population. Consumer evaluation of current business conditions and expectations for the following 12 months also improved. Unemployment evaluations for this period are similarly optimistic.

Data on domestic trade and import developments contains indirect indicators of growing consumer demand. Between January and December 2002 real income from domestic trade sales rose by 4.3% on a year earlier basis. Over the same period retail sales indicated an increase of 2.5% in real terms. Food, drink and tobacco sales grew at high rates. Imports of consumer goods also accelerated over 2002.

Collective consumption rose by 6.2% in real terms reflecting the 2002 easing of fiscal restrictions. However, collective consumption contribution to GDP growth was insignificant: merely 0.6 percentage points.

In 2002 **investment demand** exhibited lower rates of growth on last year's rates and the growth of investment in fixed capital slowed down to 9.3%.

Managers' expectations for investment activity at the start of 2002 were optimistic: they envisaged a nominal increase in investments by 21% on a year earlier basis. The largest portion (35%) of investment resources had to be directed to the development and improvement of production processes.

Expected expenditure on machines and equipment, as a share of total fixed assets expenditure, was projected at 63%, half of it being allocated for imports of machines and equipment.

Data on imported investment goods shows a relative decline in investment activity rates on a year earlier basis.

The objective of high investment growth was not fully achieved, a possible result of worsened international conditions. According to the second NSI regular survey on investment activity¹ conducted in October 2002, managers forecast a 7.2% nominal increase in investments during 2002 compared with final investment data for 2001. Based on the survey, the share of private sector investment was estimated at 72%, a nominal increase of 4.8% on 2001. However, investment activity in the industries producing intermediate consumption goods, food, drink and perishables, declined in the review period. Concurrently, investment in the energy and water industries rose by 18% in nominal terms and the group of industries producing investment goods saw a three-fold increase. According to managers' estimates, factors supporting their investment activity include growing demand for output, available financial resources and expected profit.

Supply Dynamics. In 2002 gross value added rose by 4.6%. Despite worsened indicators of industrial activity during the first quarter, the growth of the services sector boosted value added growth over 2002.

In 2002 **industry** was gradually overcoming the negative production indicator dynamics noted from mid-2001. As a result, total sales volume for 2002 increased in real terms by 1.3% on the previ-

¹ The first survey fully harmonized with the European program for business surveys and especially with the European Commission investment poll.

GROSS VALUE ADDED GROWTH BY SECTOR IN 2002

(% , on corresponding period of previous year)

	I quarter	II quarter	III quarter	IV quarter	Total
Gross value added	3.2	5.4	6.5	3.2	4.7
Agriculture	3.9	1.2	7.8	4.0	5.1
Industry	0.6	4.8	5.3	3.1	3.5
Services	4.6	6.4	6.6	3.1	5.1

Source: NSI.

DEVELOPMENTS IN INDUSTRIAL SALES IN 2002

(percentage points)

	I quarter	II quarter	III quarter	IV quarter	Total
Sales*	-9.7	3.0	8.0	3.9	1.3
exports	-6.2	2.7	5.5	4.8	1.7
domestic	-3.5	0.3	2.5	-0.9	-0.4

* Percentage change on corresponding period of previous year.

Source: NSI.

ous year's volume overcoming the decline of over 10% in the first three months. Export sales had the most significant share in accelerating total sales growth rates.

The improving dynamics of industrial output was positively affected by production of machines, appliances and household equipment, clothing, radio and telecommunications equipment, textiles, wood and timber products. These industries also exhibited good export results.

The decline in exports of petroleum products, metals, chemical products and energy had a negative effect on industrial output. The tobacco industry, publishing, printing, and the publishing of recorded media reported considerable falls in domestic sales. A boost in metallurgy during the second half of 2002 reversed the downward trend.

The progressively improving efficiency of the processing industry, measured by the balance between gross value added and gross output growth rates, had an extremely beneficial effect on industrial development. Positive export results may be attributable to growing competitiveness in 2002.

Managers' evaluations of business conditions remained favorable over the year. The chart of business climate indicators shows that industry is enjoying an upward trend in the business cycle.

In 2002 gross output and gross value added in the **agricultural sector** rose by 4.1% and 5.1% respectively. 2002 was characterized by much better weather compared with the previous two years of drought in Northeastern Bulgaria. Production of staple crops increased.

Services continued to be the most dynamic sector of the Bulgarian economy. Communications experienced rapid growth (also reported in household budget surveys), especially upon the sale of the license for the second GSM mobile telephone operator. Between January and September 2002 road transport services grew by 22.2% on a year earlier basis. Retail sales also increased significantly.

Travel enjoyed high rates of development in the three most recent years. The number of foreign travelers and tourism revenue also increased.

GROSS OUTPUT AND VALUE ADDED GROWTH IN THE PROCESSING INDUSTRY

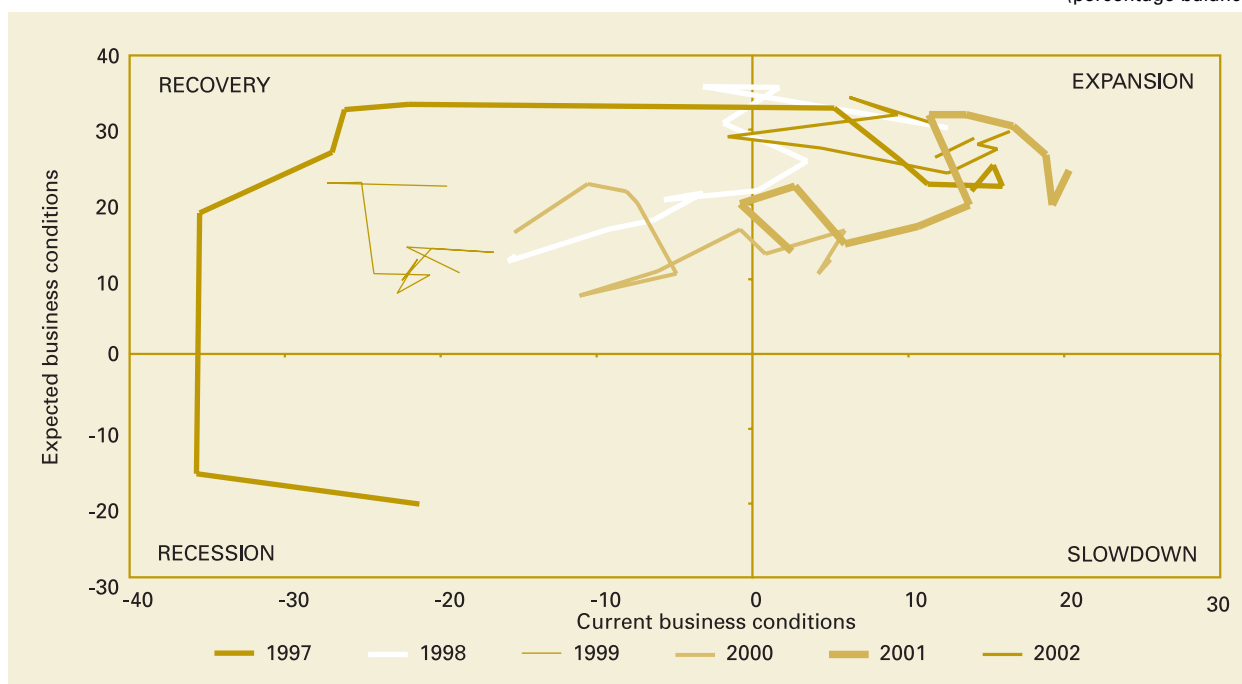
(% , on corresponding period of previous year)

	2001					2002				
	I quarter	II quarter	III quarter	IV quarter	Total	I quarter	II quarter	III quarter	IV quarter	Total
Gross output	5.9	3.4	5.3	0.2	3.6	-0.6	2.3	4.2	6.1	3.1
Value added	6.2	1.1	5.5	4.6	4.3	1.3	4.9	6.8	5.9	4.8

Source: NSI.

BUSINESS CLIMATE IN INDUSTRY

(percentage balance)



Source: NSI, BNB.

TRAVEL

(% , on corresponding period of previous year)

	2000	2001	2002
Overnight stays, total	14.1	9.7	9.6
– including foreign tourists	18.0	18.5	19.1
Travel revenue (in US dollar terms)*	15.3	11.8	11.1

* Based on balance of payments data.

Source: NSI, BNB.

Inflation

Average annual inflation fell from 7.4% in 2001 to 5.8% in 2002. By the end of 2002 accumulated inflation was 3.8%, a decrease of one percentage point on a year earlier basis. In 2002 the share of goods with higher prices averaged 44% of the consumer basket. Inflation was mostly influenced by administered, fuel, and food prices.

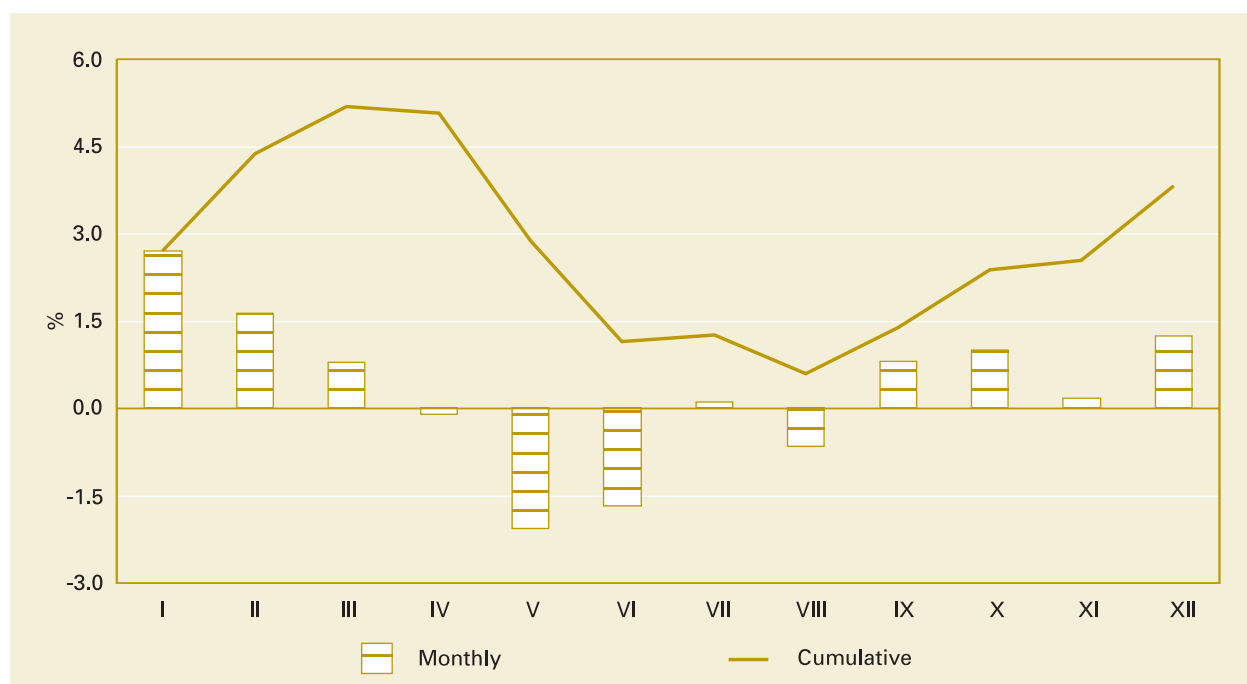
In early 2002 changes occurred in several taxes and fees, prompting strong inflationary pressure in the first quarter of 2002. Inflation hit a high in January: 2.7% on December 2001, a result mostly of internal factors – changes in taxation, such as introducing VAT on medicines, patent taxes and excise increases. Inflation accumulated by March reached 5.2%, underlying inflation (2.7 percentage points) and administered price rises (1.8 percentage points) contributing most to overall price increases.

In the following months inflation reflected falling food price dynamics, the July hikes of electricity and heating by 18% and 10% respectively, as well as crude oil fluctuating within broad ranges (from USD 18.6 per Brent oil barrel in March to USD 28.5 in December). Maintenance of comparatively low inflation levels until the end of 2002 was additionally stimulated by euro (lev) appreciation against the US dollar.

Administered price rises were mainly attributable to electricity prices (24.4% rise in 2002 and 1.8 percentage point contribution to inflation), tobacco price (44.2% rise and 1.1 percentage point contribution to inflation), medicines and other pharmaceuticals prices (20.8% rise and 0.7 percentage point contribution to inflation).

Producer prices rose by 0.05% over 2002 and did not prompt inflationary pressure on consumer prices. Extracting industry producer prices rose by 3.8%, while raw energy prices fell by 20.5%. Pro-

INFLATION IN 2002



Source: NSI.

INFLATION IN 2002

	Inflation (% at year-end)	Contribution to inflation growth (percentage points)
Total	3.8	
Food	-4.2	-1.9
Nonfood	10.4	2.7
Catering	3.9	0.1
Services	11.4	2.9

Source: NSI.

cessing industry product prices increased by 3.4% overall, while those of electricity, gas and water supply and services dropped by 15.5% over the year.

Employment

Only in 2002 did growth begin to affect employment positively. According to the December labor survey, the number of registered employees rose by 2.9% by end-2002 on end-2001. Public sector employment decreased by 6% and private sector employment rose by 4%. Given the employment rate acceleration and real GDP growth, labor efficiency continued to pick up in 2002.

The trade and repair sector and the processing industry contributed most significantly to employment growth. Government administration and

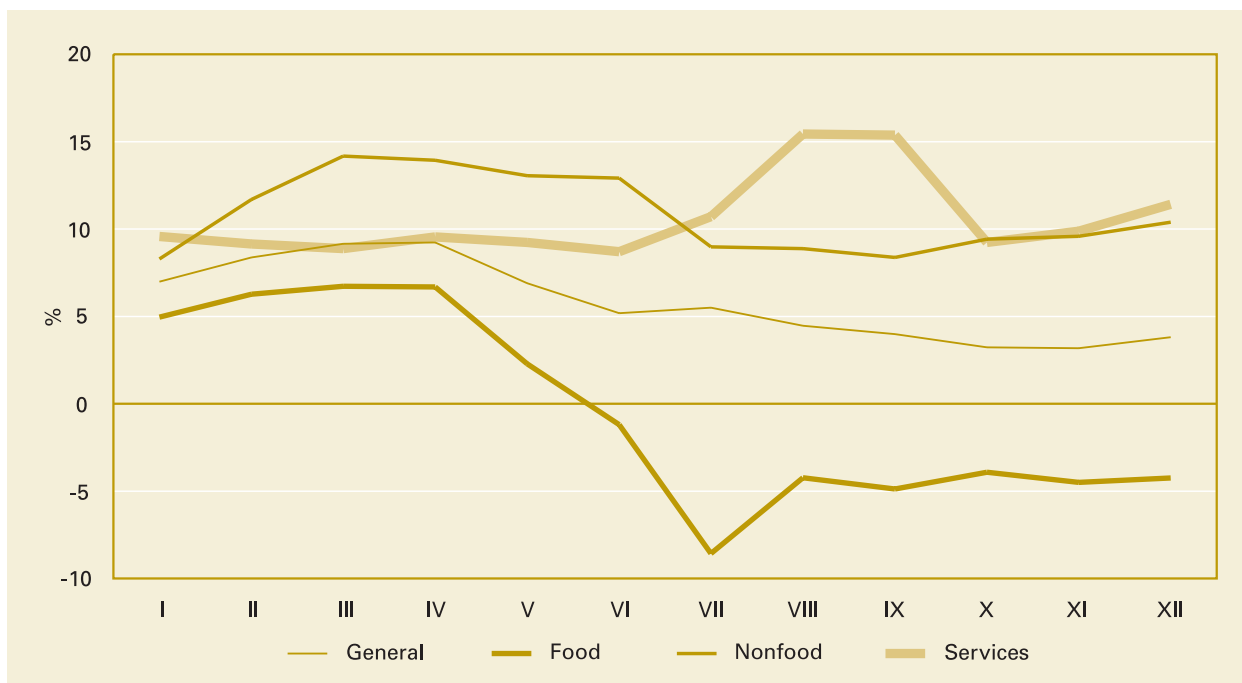
healthcare employment also picked up.

Average pay increased by 1.1% in real terms. An increase in real pay was reported in *government administration, healthcare, education, financial services, trade and business services*. Decreased real pay in industry, construction and catering and the hospitality industry had a beneficial effect on competitiveness, at the same time reflecting a residually high level of unemployment.

In 2002 the unemployment rate fell from 19.5% at end-2001 to 16.8% in December 2002. The number of unemployed people dropped by 14.5%, of whom the long-term jobless decreased by 10.8%.¹ Lower unemployment affected household budgets: the share of remuneration income rose, while that of unemployment benefit and other social relief income declined.

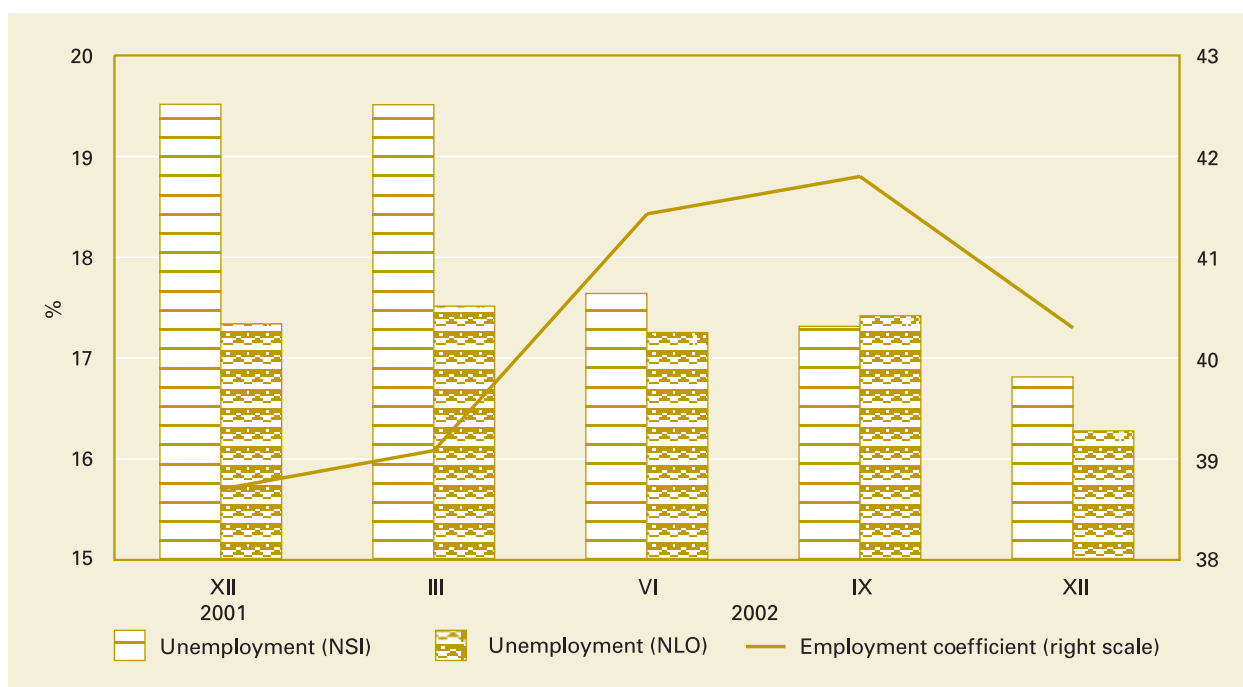
¹ Based on a labor survey conducted by the NSI in December 2002.

CONSUMER PRICE INDICES IN 2002



Source: NSI.

LABOR FORCE DYNAMICS



Source: NSI, NLO.

Based on Employment Agency data, the total net flow of registered unemployed people was negative in 2002. Jobs under Employment Agency employment incentive programs (34.5%) occupied the largest share in announced vacancies. New jobs comprised approximately 13.5% on an aver-

aged basis. Unemployed people took up 86% of announced vacancies. Of all employees, 35.7% was in employment incentive programs, including 20.7% under the Microcredit Guarantee Fund. Thus, there were 22 unemployed people *per* job vacancy in 2002.

2. The External Sector

The Balance of Payments

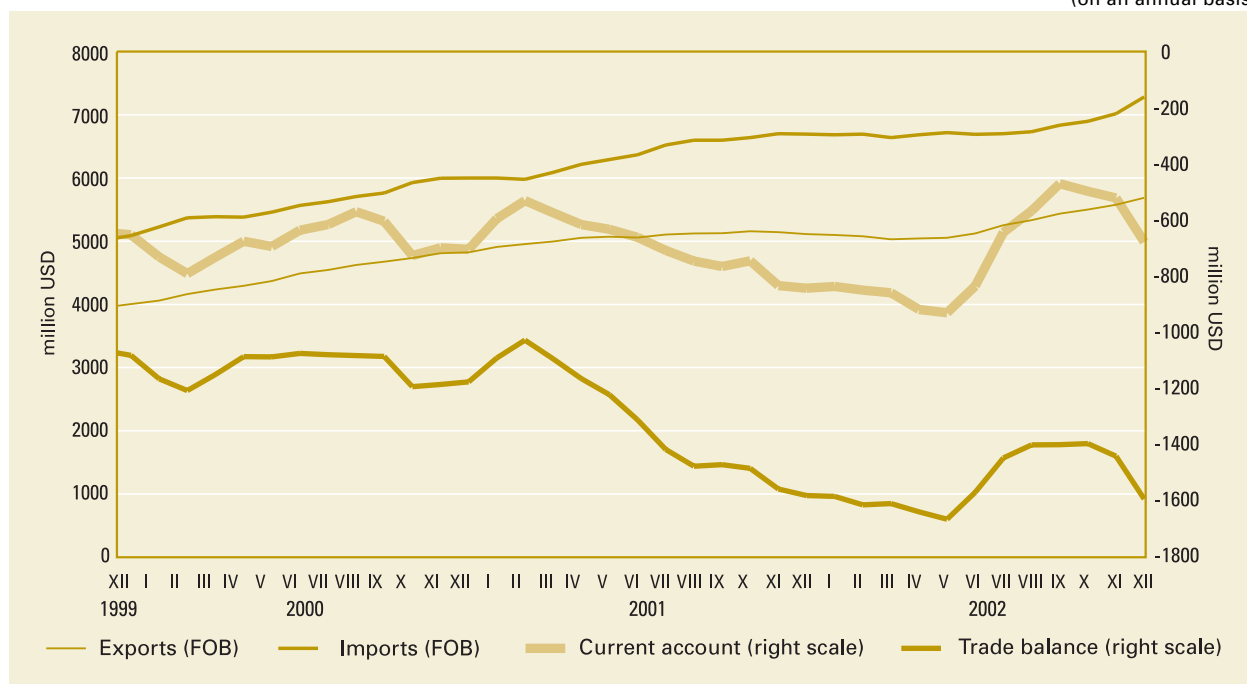
The Current Account

In 2002 the balance of payments current account deficit amounted to USD 677.4 million (4.4% of GDP) associated primarily with a negative net income and a negative trade balance. The worsened trade balance was offset to a certain extent by positive dynamics in other components of the current account, prompting improvement in its balance by USD 164.8 million on a year earlier basis.

Foreign debt restructuring and lower interest rates in international financial markets had a beneficial effect on the 2002 current account, resulting in lower foreign debt service expenditure. The *Income: debit* item of direct investment rose due to the increased share of foreign property in the Bulgarian economy.

BALANCE OF PAYMENTS MAJOR COMPONENTS

(on an annual basis)



Source: BNB.

The positive effect of net revenue from services on current account dynamics was attributable mainly to travel. Net revenue from travel increased simultaneously with decreased net transport expenses which offset worsening of the *Other services* item. Despite lower disbursements from EU Preaccession Funds (by USD 13.9 million), net revenue from current transfers picked up and its contribution to the current account deficit decrease matched net revenue from services. This was attributable to the essential increase in current transfers from individuals to residents whose

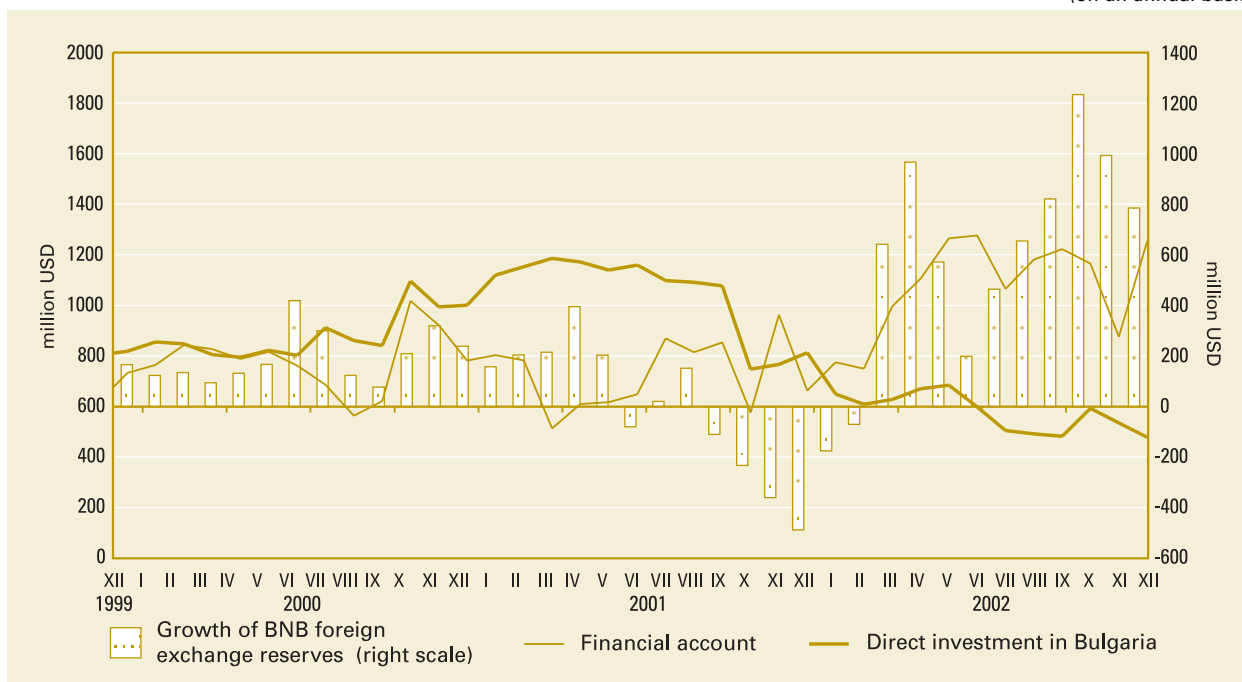
share in total current transfers reached 76.3% during the period under review.

The Financial Account

Following the offsetting effect of the financial account, the current account negative balance did not lead to a fall in foreign exchange reserves. The financial account surplus indicated a significant increase of USD 590 million on last year's level to reach USD 1,252.8 million. Capital inflows detailed below contributed mainly to its formation.

BALANCE OF PAYMENTS MAJOR COMPONENTS

(on an annual basis)



Source: BNB.

Direct foreign investment totaled USD 478.7 million (3.1% of GDP) covering over two thirds of the current account deficit. October saw the high of this indicator for the January to December 2002 period, a result of receipts from the sale of the Biochim Commercial Bank. The significant decline of USD 334.2 million in direct foreign investment on the previous year reflected the complex influence of the following factors:

- comparatively low growth rates in the world economy negatively impacting non-resident economic agents' income, and affecting their investment decisions;
- the high comparison base of indicator reporting values;¹
- lower values of the *Other capital* indicator and lower revenue from nonprivatization transactions (the so-called *greenfield investment*). However, in the review period reinvested profit (USD 52.8 million) and equity capital attracted from privatization transactions (USD 135.6 million) exceeded several fold the values reported in 2001.

Financial Credit to the Nongovernment Nonbank Sector. Used primarily for investment, external credit to *Other sectors* indicated an in-

crease of USD 237.2 million which may be seen as a factor boosting investment and favoring Bulgaria's economic growth.

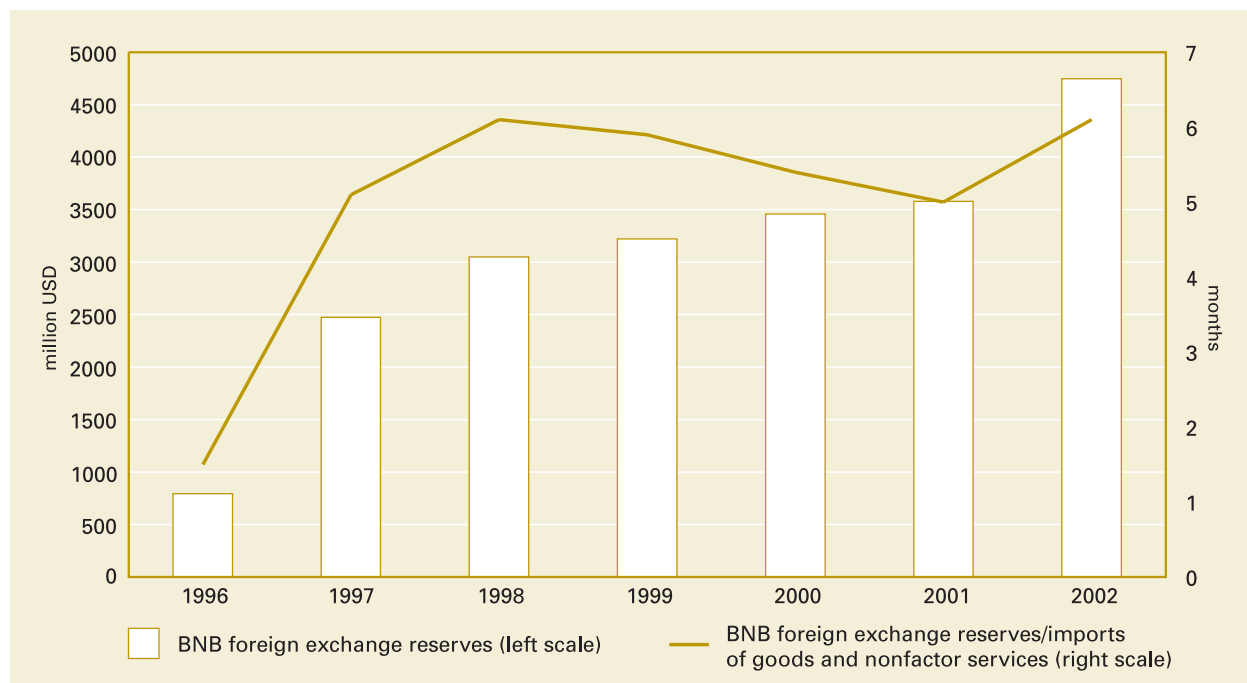
Local commercial banks' forex deposits with foreign financial institutions declined substantially (by USD 299 million) reflecting the downward trend in interest rates in international markets. The reported fall was probably associated both with the increased portfolio investment reported in foreign and domestic assets and with enhanced credit to the real sector. The trend towards rechanneling of the bulk of investment into alternative assets reflected commercial banks' investment behavior optimization to ensure higher profit.

Residents' Investment in Foreign Debt Securities. A significant decline occurred in this indicator (USD 241.9 million), primarily the result of the sale of security on Brady bonds which was released after a portion of Brady bonds had been swapped for global bonds.

In 2002 foreign investment into Bulgarian securities fell by USD 302.1 million, largely reflecting decreased government liabilities to foreign creditors, a result both of debt restructuring and of the fact that a portion of global bonds issued in inter-

¹ In 2001 revenue from the sale of the license for the second GSM mobile telephone operator (USD 135 million) was reported under the *Equity attracted from other transactions* subitem resulting in significantly increased foreign direct investment.

BNB FOREIGN EXCHANGE RESERVES



Source: BNB.

national financial markets was acquired by residents. Obligations on the bonds issued by the Sofia Municipality (worth USD 21.2 million) repaid by end-June 2002, also contributed to the reduction of nonresidents' claims on Bulgarian debt securities.

The overall balance reached USD 715.2 million, a significant growth on the previous year. Reported surplus was the main source of financing the net obligations to the IMF (a decrease of USD 142.3 million) and growth in foreign ex-

change reserves (by USD 586.3 million, excluding valuation adjustments). Taking into account the valuation adjustments, this growth was almost two-fold. Foreign exchange reserves dynamics was not evenly distributed by quarter: the January to March period saw a decline entirely offset by growth over the rest of the year. By end-2002 the BNB foreign exchange reserves reached USD 4,746.8 million (EUR 4,574.8 million) reaching a record high since currency board introduction.

Foreign Trade

In 2002 Bulgaria's foreign trade volume increased: growth rates of export physical volume exceeded those of import physical volume. Nevertheless, the trade balance continued to report negative values, reaching USD 1,592.8 million.

Comparatively low growth rates in the world economy continued to exert a negative pressure on external demand which was the major factor behind the export dynamics. Despite the worsened situation in international markets and reported price slumps, export volume exceeded the previous year's level.

Import dynamics reflected mainly internal demand developments consistent with the complex influence of several factors following similar patterns during 2002:

- increased credit to the nongovernment sector;
- increased household nominal income;
- growth in corporate income, the result of intensified economic activity;
- fewer officially registered unemployed people;
- increased government expenditure.

Export and import volume growth was entirely determined by increased physical volumes which fully offset the opposing influence of the price component. The decline in export prices was lower than that of import prices which resulted in a slight improvement in the *Trade conditions* indicator.

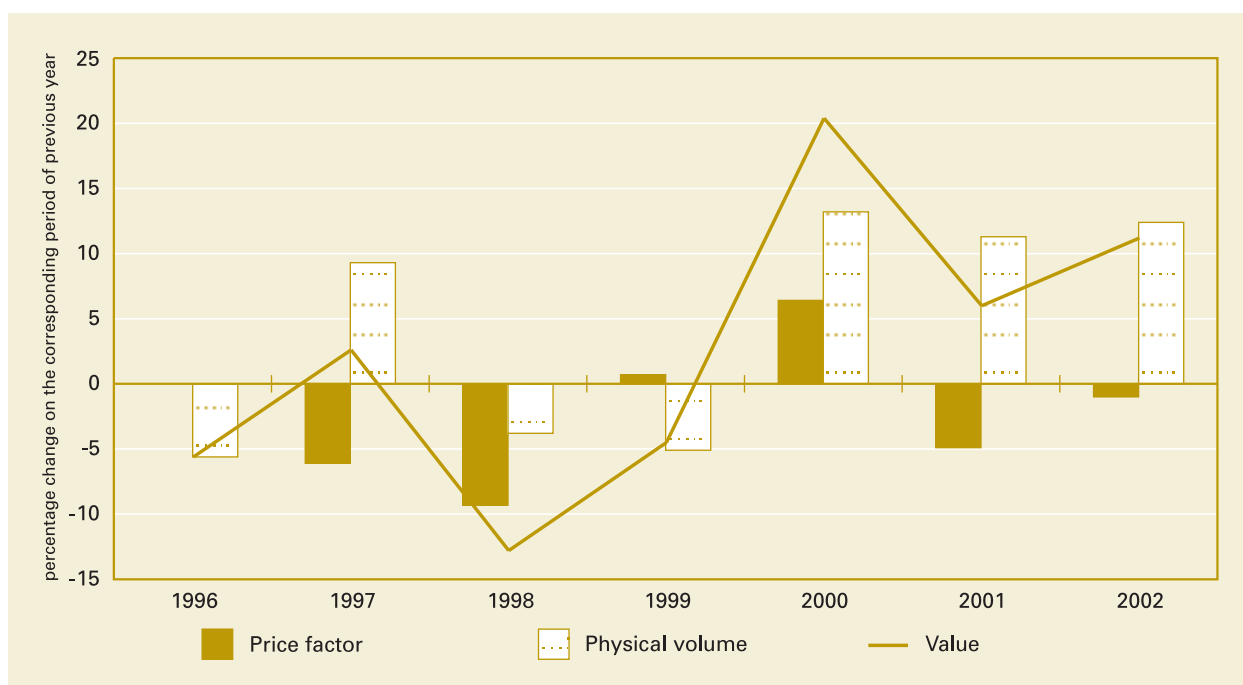
Commodity Structure

Between January and June 2002 the commodity group volumes of exports and imports showed similar dynamics. The significant fall in energy commodity trading was entirely compensated by growth in other major commodity groups. As a result, the two major foreign trade components indicated higher values compared with 2001.

Exports. In spite of the negative impact of the unfavorable international market situation, 2002 saw faster physical volume growth rates compared with 2001.

The enhanced volume of *consumer goods and raw material feedstocks* (by 17% and 14%) contributed most significantly to export volume growth. Major commodity groups responsible for this growth were clothing and footwear (15.6%), furniture and household appliances (50%), and food (19%). Declines were reported in cigarette exports (22.6%), and exports of medical goods and toiletries (2%). The intensified upward trend in consumer goods exports may be seen as a positive factor boosting Bulgaria's economic development, since these goods are characterized by higher value added and a short production cycle.

EXPORT DYNAMICS



Source: NSI, BNB.

EXPORT DYNAMICS

Exports by use	Relative share for 2001 (%)	Contribution to total export change on the corresponding period of 2001 (percentage points)					Relative share for 2002 (%)
		2002					
		I quarter	II quarter	III quarter	IV quarter	Total	
Consumer goods	33.5	2.8	5.1	7.7	6.8	5.6	35.2
Raw material feedstocks	40.8	-3.4	2.1	13.1	10.8	5.7	41.8
Investment goods	12.2	0.3	2.4	2.9	4.5	2.5	13.2
Energy commodities	13.5	-6.0	-2.2	-0.1	-2.1	-2.6	9.8
TOTAL EXPORTS	100.0	-6.4	7.4	23.6	19.9	11.2	100.0

Source: NSI.

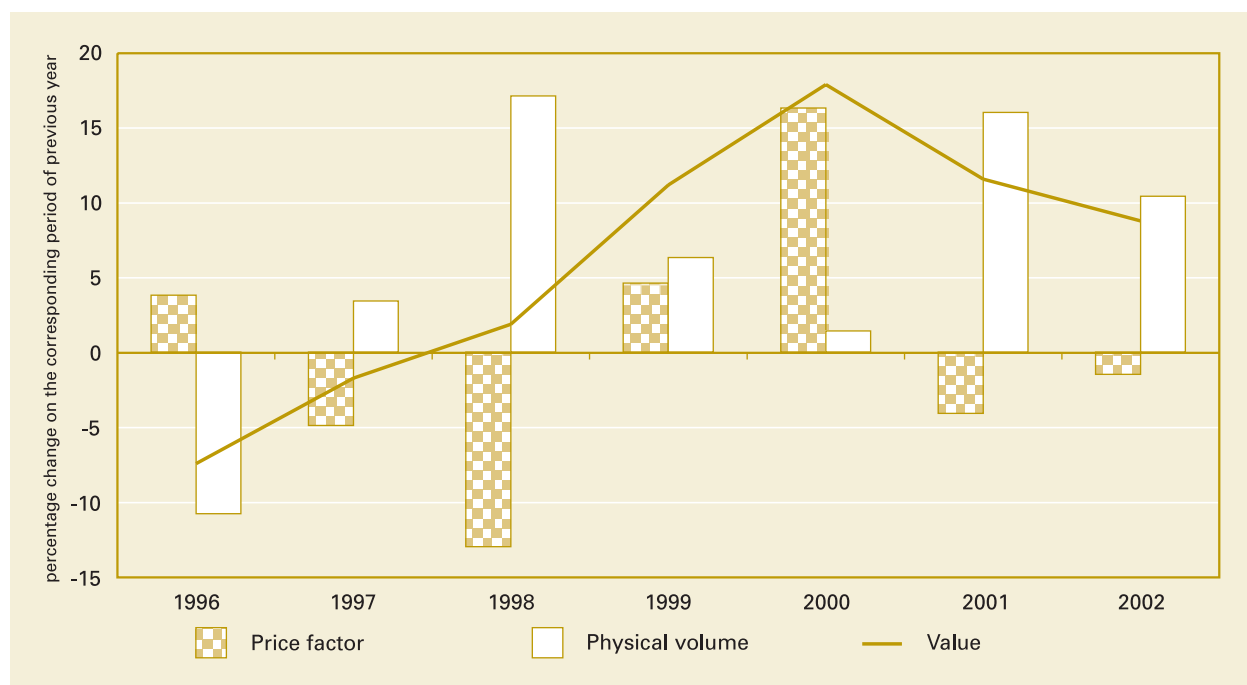
Exports of investment goods continued increasing at high rates accelerating by quarter. In 2002 exports grew in all items included in this group,¹ and mainly machines, tools, and appliances which rose by 18.3%.

Reduced exports of energy commodities (19%) reflected largely the decline in oil products exports (26%). In the first and fourth quarters the downward trend in energy commodity exports was determined by the similar dynamics of the two components included in this group, while in the second quarter it was entirely due to declining oil products exports.

Imports. Import dynamics in value terms entirely reflected physical volume growth, an indirect indicator of enhanced internal demand.

Imports of consumer goods continued increasing during 2002, though at lower rates compared with 2001. This commodity group contributed most substantially to total import growth, resulting in its increased share in total imports. Imports of clothing and footwear indicated the most substantial growth (29.1%), followed by furniture and household appliances (29%) and food, drink and cigarettes (19.3%). Enhanced consumer goods im-

IMPORT DYNAMICS



Source: NSI, BNB.

IMPORT DYNAMICS

Imports by use	Relative share for 2001 (%)	Contribution to total import change on the corresponding period of 2001 (percentage points)					Relative share for 2002 (%)
		2002					
		I quarter	II quarter	III quarter	IV quarter	Total	
Consumer goods	17.7	2.1	2.8	3.4	3.7	3.0	19.0
Raw material feedstocks	34.9	-1.2	-1.6	4.1	9.2	2.8	34.7
Investment goods	25.0	0.7	1.1	1.9	5.0	2.3	25.1
Energy commodities	22.4	-6.0	-0.7	-2.4	5.3	-0.7	19.9
TOTAL EXPORTS	100.0	-3.6	3.0	8.3	25.0	8.8	100.0

Source: NSI.

¹ Excluding electrical machines, declining by 13.8%, or USD 10.1 million.

ports reflected higher internal demand and were associated with increased nominal household income and commercial bank claims on the public (the so-called *consumer credit*).

Imports of investment goods showed similar dynamics to exports, growing at accelerating rates each quarter. Imports of investment goods grew by 9% over 2002, machines, tools and appliances (21.4%), and spares and equipment (18.7%) contributing most to this growth.

A decline was reported solely in imports of electrical machines (almost 18%) which was entirely offset by the increase in all other major components of this commodity group. Imports of investment goods rose at lower rates than imports of consumer goods. However, the fourth quarter saw a reverse trend. The enhanced imports of goods from this commodity group may be seen as a positive factor favoring national economic development, since it is indicative of increased investment and of a possible future boost to exports and economic growth. Imports of investment goods formed a quarter of total imports, matching the previous year's level.

Diminished imports of raw material feedstocks over the first half of 2002 were compensated by the increase reported in the second half. Thus imports of raw material feedstocks rose by USD 204.5 million (8.1%) in 2002. Imports of ores and nonferrous metals indicated a decline, while the other components of this group reported growth. Raw material feedstocks occupied a third of total imports (34.7% for 2002), their share falling slightly on the previous year (34.9% for 2001).

Lower imports of energy commodities (by 3.2%) were ascribable mainly to a major fall in imported oils (by 48.4%). A decline was reported both in the prices (by 10.5%) and in the physical volume (by 8.7%) of imported natural gas. Energy commodity import dynamics by quarter matched oil import dynamics: a fall in the first nine months of 2002, and a recovery in the last quarter. Reported data shows an upward trend in imported energy commodity volumes, despite the falls registered in 2002. These developments reflect to a great extent crude oil price dynamics in international markets, since energy consumption is characterized by extremely low price elasticity. The share of this commodity group decreased in Bulgaria's total imports (from 22.4% in 2001 to 19.9% in 2002) still remaining comparatively high. Among the major factors behind the high values of this indicator is the fact that the Bulgarian economy is strongly energy intensive: a result of inefficient use of energy resources.

Geographic Structure

In 2002 foreign trade growth reflected the concurrent increase in exports and imports to and from almost all trading partners. The exception were diminished foreign trade flows with *the CIS and the Baltic Republics* and lower exports to the Balkan countries, entirely offset by developments in the corresponding indicators of other trading partner groups. The position of EU countries as Bulgaria's major trading partners was enhanced over the period under review.

Exports. Exports to EU countries increased by 13.1% contributing most significantly to total export growth and occupying the largest share in its structure. Exports of consumer goods and raw material feedstock rose significantly. The most marked growth was reported in exports to Italy (by 14.2%), Greece (16.1%), Germany (11.2%), and the United Kingdom (22.6%) which continued to be Bulgaria's most important trading partners.

Reduced exports to Russia (by 23.5%) and the Ukraine (by 14.4%) resulted in decreased total exports to the CIS and the Baltic Republics (14.5%). Exports of raw material feedstock and consumer goods to this region experienced the most significant decline, while exports of investment goods rose slightly.

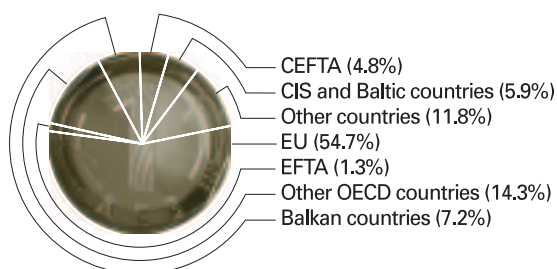
Higher exports to Turkey were associated with the gradual overcoming of financial and economic crisis there. Exports to other countries from the *Other OECD Countries* group (the USA and Japan) dropped slightly but overall exports to this group rose by 14.4%. By commodity structure, highest growth was reported in exports of raw material feedstocks, while energy commodities experienced an essential decline.

Reported higher exports to CEFTA countries were ascribable mostly to Romania, Slovakia, and Poland. Export dynamics were similar by quarter, with the major growth in the third quarter. The fastest growth was reported in exports of consumer and investment goods, while energy commodities experienced declines.

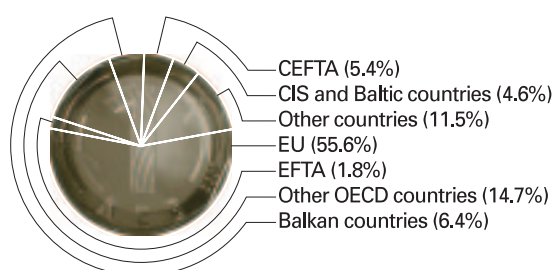
Diminished exports to Serbia and Montenegro contributed most substantially to the falls in exports to the Balkan countries which by commodity structure entirely reflected lower exports of energy commodities.

Imports. The sustainable upward trend in imports from the European Union, and its dominating role in total imports, were retained in 2002. Reported growth was due primarily to imports of raw material feedstocks, and by country Italy was the leading import partner of Bulgaria (an increase of 28.4%), followed by Spain (27.6%), and Greece (15.5%).

GEOGRAPHIC STRUCTURE OF EXPORTS



2001



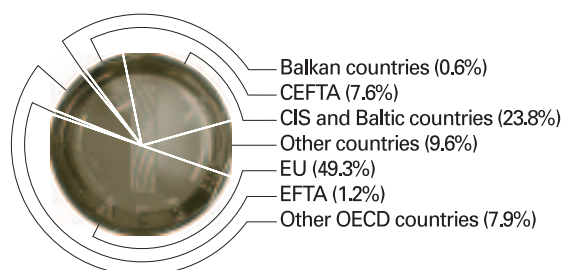
2002

Source: NSI.

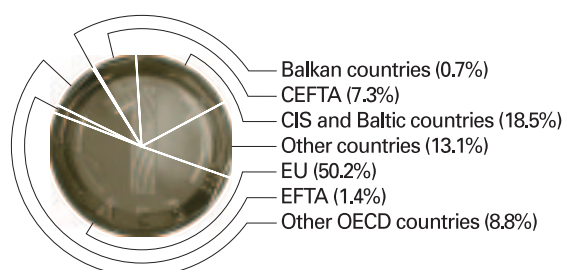
Higher imports from the Ukraine were unable to compensate the import falls from Russia. As a result, total imports from the CIS and the Baltic Republics declined. Reported falls were ascribable mostly to significantly decreased imports of energy commodities which occupied almost three quarters of total imports in this group of countries, and primarily from Russia.

Reduced imports from the USA (by 10%) were compensated by increased imports from Turkey and Japan, prompting import growth in this group of countries. All commodity items in this geographic group indicated an increase, the most

GEOGRAPHIC STRUCTURE OF IMPORTS



2001



2002

Source: NSI.

marked being in consumer goods and raw material feedstocks. Imports from Turkey showed sustainable growth at high rates. A possible reason behind this growth was the depreciated Turkish lira which boosted the competitiveness of Turkish goods.

Increased imports from CEFTA were attributable mainly to the growth of imported goods from Hungary, Slovenia, and Slovakia. Imports from Romania and Poland declined. In this group of countries, imported raw material feedstocks rose most significantly, while imported energy commodities experienced declines.

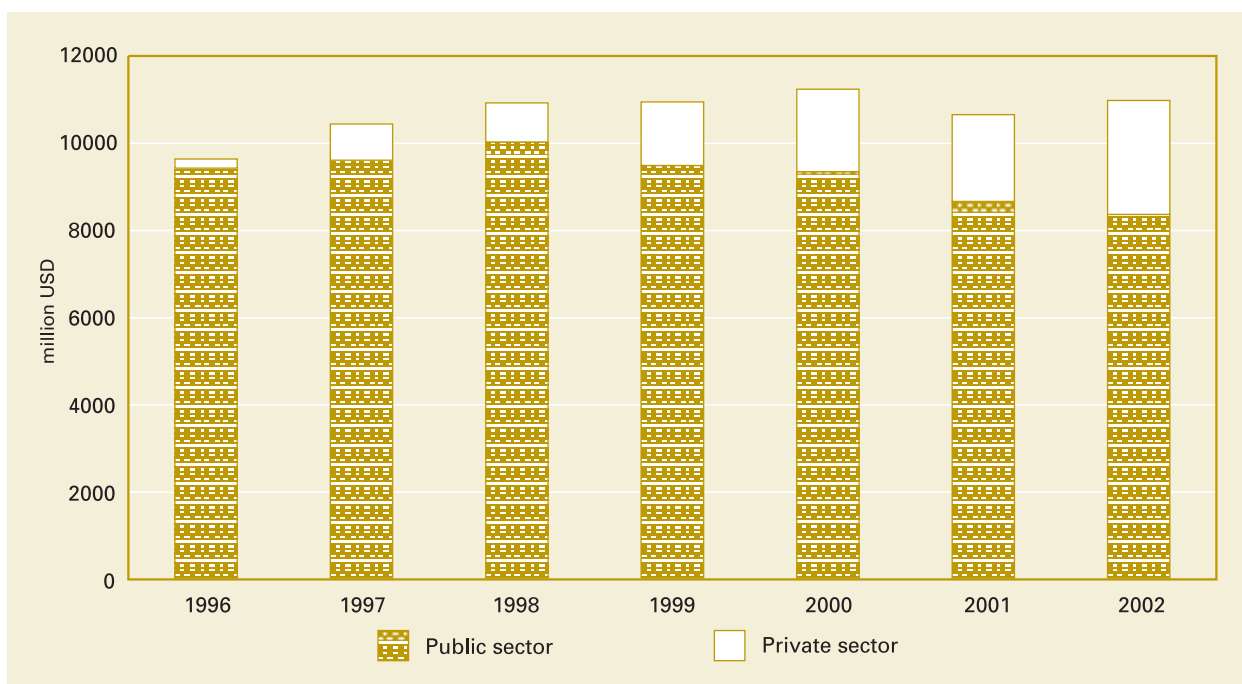
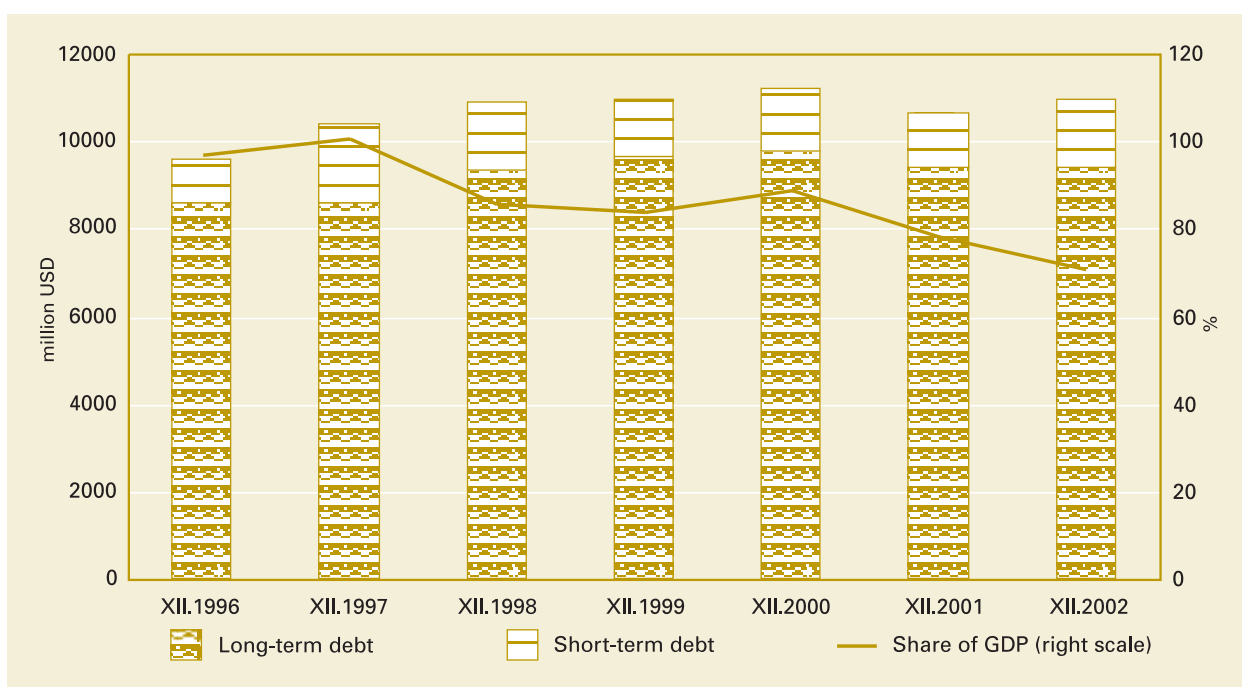
Foreign Debt and Debt Indicators

Amount and Structure of Gross Foreign Debt

By end-December 2002 Bulgaria's *gross foreign debt* totaled USD 10,946.2 million: an increase of USD 327.5 million (3.1%) compared with

end-2001. Calculated in euro, gross foreign debt amounted to EUR 10,543.6 million, a decrease of EUR 1,505.4 million (12.5%) on the end of the previous year.

AMOUNT AND STRUCTURE OF GROSS FOREIGN DEBT



Source: BNB, MF.

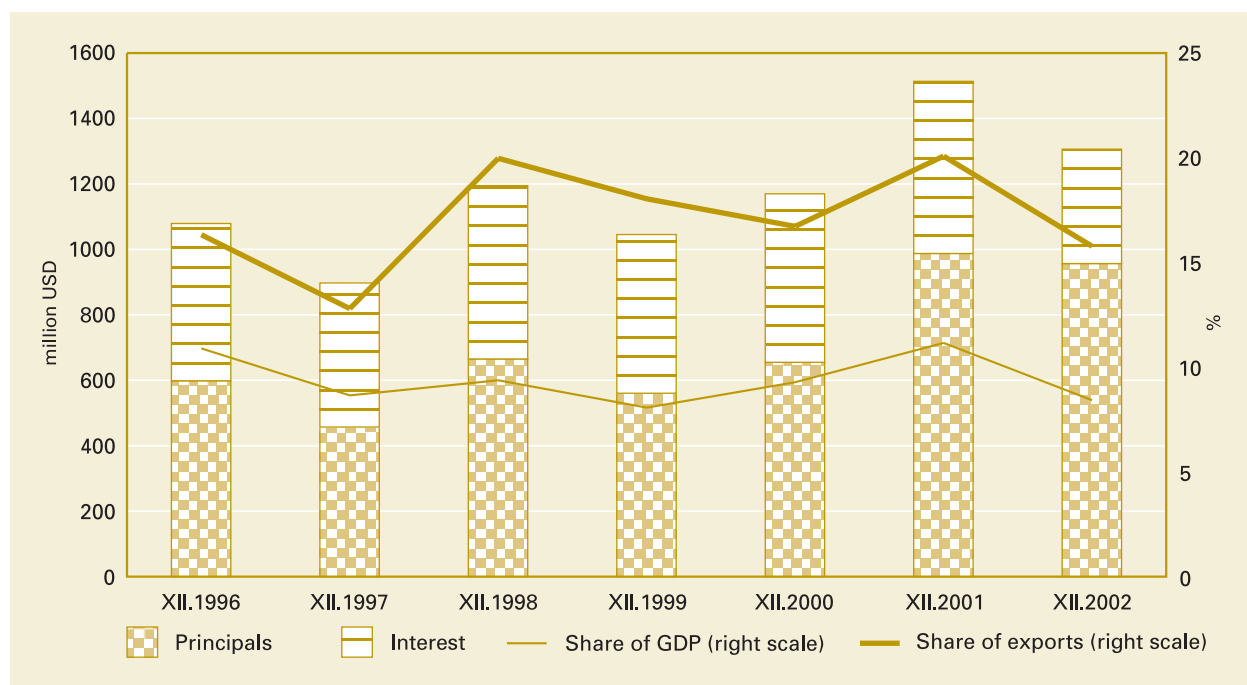
*Net transfer of funds*¹ continued to be negative in 2002 (USD -264.6 million) indicating a slight trend to improvement on the previous year (USD -403.4 million). In terms of maturity, long-term debt fell slightly in nominal value, while short-term debt picked up, coupled with corresponding changes in maturity structure. Despite the unfavorable nature of changes, long-term debt continued to comprise the bulk of total debt and was comparatively well rescheduled which ensured regular service. Years of high payment concentration are 2007, 2013 and 2015.

Insignificant changes occurred in foreign debt structure by creditor: private creditors continued to occupy approximately two thirds of Bulgaria's foreign debt. Following debt restructuring effected in March and September, the bulk of private credit was evenly distributed between Brady bonds and global bonds. Official loans matched their previous year's level comprising little below a third of total debt. The bulk of them was distributed equally between the IMF and the World Bank. The remaining portion was due *inter alia* to other in-

ternational financial institutions, the European Union, and the Paris Club.

More essential changes were reported in foreign debt structure by debtor. The recent years' trend toward public debt decline, as a share and in nominal value, was sustained. The contribution by commercial companies to private sector debt formation increased. Following the macroeconomic stabilization, trade credit grew at extremely fast rates: a three-fold increase compared with 1997. This tendency could not be interpreted unequivocally. On the one hand, under globalization of financial flows these processes are inevitable and show Bulgaria's opening to the rest of the world. On the other hand, rapidly growing foreign financing of companies may suggest a shortage of credit in Bulgaria and/or lack of competitive conditions for domestic financing. In fact, the entire foreign lending was in the form of short-term loans which may worsen debt maturity structure. There are no reasons for embarrassment at the present time, but processes should be monitored cautiously with a view to avoiding dramatic increases in short-term foreign debt.

GROSS FOREIGN DEBT SERVICE



Source: BNB, MF.

¹ The balance between the total amount of loans drawn and total amount of payments on gross foreign debt service. Excluding received and repaid principals and interest on revolving credits.

Gross Foreign Debt Service

Payments on gross foreign debt service decreased by USD 200 million on the previous year, reflecting lower interest expenditure as a result of concurrent influence of debt restructuring and interest rate falls in international financial markets.

The structure of foreign debt payments broadly reflected debt structure: payments on the public debt occupied the largest share. However, an upward trend in payments on private sector debt service emerged.

Change in Debt Indicators

The bulk of debt indicators (especially those obtained as a ratio of GDP) indicated a substantial

improvement over 2002. This was mostly attributable to the high nominal growth in GDP (almost 15% in US dollar terms) which significantly exceeded total debt rises (by 3%).

As regards foreign debt structure by debtor, the public sector experienced the most dramatic developments, falling below 60% for the first time since the beginning of economic reforms. The increasing ratios of short-term credit to GDP and to exports were the only two indicators which worsened during the review period. Despite the fact that these indicators are comfortably below the danger zone, 2002 marked a crucial point from which (under certain conditions) a further worsening may occur.

DEBT INDICATORS

	XII.1996	XII.1997	XII.1998	XII.1999	XII.2000	XII.2001	XII.2002
Gross foreign debt/GDP	97.0	100.4	85.5	84.2	88.9	78.3	70.6
Gross foreign debt/exports of goods and nonfactor services	145.3	148.5	182.1	188.3	160.0	140.9	132.2
Short-term debt/gross foreign debt	10.7	17.5	14.5	11.6	12.9	11.5	14.2
Short-term debt/GDP	10.4	17.5	12.4	9.8	11.5	9.0	10.0
Short-term debt/BNB forex reserves	130.1	73.5	51.9	39.3	41.9	34.0	32.8
Gross foreign debt service/GDP	10.9	8.7	9.4	8.1	9.3	11.2	8.4
Gross foreign debt service/exports of goods and nonfactor services	16.3	12.8	20.0	18.0	16.7	20.1	15.8

Source: BNB, NSI, MF.

3.

The Monetary Sector

In 2002 the monetary sector benefited further from macroeconomic and financial stability. Though at a slower rate than in previous years, monetary aggregates continued to increase on an annual basis both in nominal and real terms. Concurrently, the trend toward monetization of the economy intensified. The major factors behind the enhanced money supply were associated with comparatively favorable economic conditions, and with an increased deposit base which marked greater public confidence in the banking system.

Money supply growth was accompanied by a significant increase in credit aggregates. To this

end, sustained low interest rate levels in international markets played an important role by prompting structural changes in commercial bank assets.

The lower profitability of foreign assets encouraged banks to invest in domestic claims, resulting in a significant drop in commercial bank funds deposited abroad. The bulk of these funds was invested in domestic assets, mostly claims on the nongovernment sector. Credit expansion was also stimulated by several internal factors: an increased deposit base, comparatively favorable economic conditions in Bulgaria, and enhanced competition in the banking sector.

Monetary Aggregates

Over 2002 monetary aggregates continued to increase on an annual basis both in nominal and real terms, though at slower rates. The broadest monetary aggregate M3, which includes money outside banks and all deposits, rose by BGN 1,546.3 million, or 12.3%.¹ Money stock growth considerably exceeded cumulative annual inflation, resulting in a real money supply increase. Taking into account consumer price changes, money stock growth in 2002 was 8.2% in real terms.

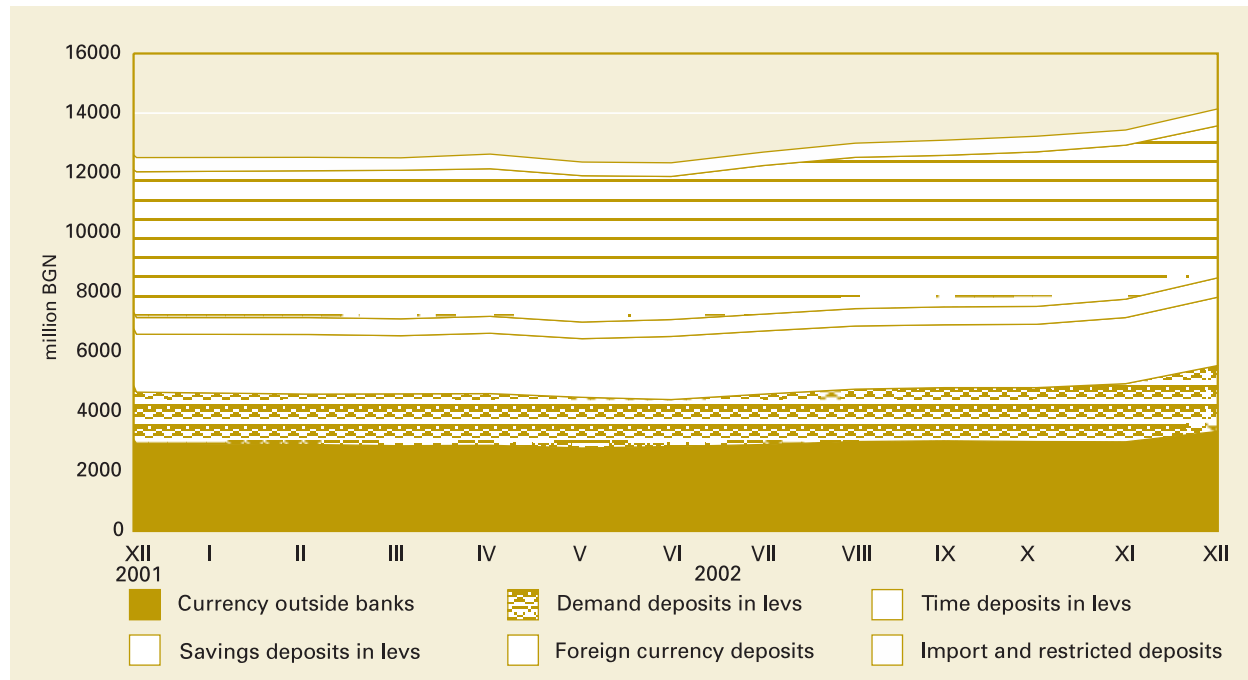
Money supply growth was mainly attributable to a lev component growth by BGN 1,217.5 million, or 16%. The money supply forex component grew insignificantly on previous years: by BGN 328.9 million, or 6.6%, against 20.7% in 2001. This was ascribable mostly to the devaluation of the US dollar which represented a significant share of the foreign currency structure of deposits.

Money stock growth was associated both with

the dynamics of high-liquid money, and with changes in broader money supply components. The increase in high-liquid money accounted for 42.6% of money supply growth, quasi-money accounted for 53.1%, and the least-liquid components (issued debt securities, credits and restricted deposits), for 4.3%.

During 2002 monetary aggregate M1, including money outside banks and demand deposits in levs, indicated an increase of BGN 658.8 million (13.5%). Taking account of inflation over the review period, high-liquid money posted a growth of 9.3%. Both M1 components are characterized by similar dynamics: money outside banks rose by BGN 253.9 million (8.2% in nominal and 4.3% in real terms), and demand deposits in levs rose by BGN 404.9 million (22.5% in nominal and 18% in real terms). The increase in monetary aggregate M1 may be regarded as an indirect sign of positive developments in economy.

MONETARY AGGREGATES DYNAMICS



Source: BNB.

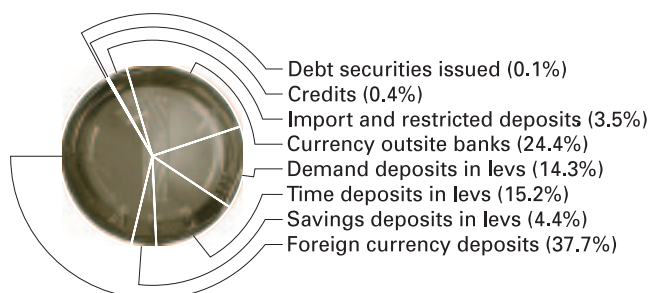
¹ With a view to harmonizing with international evolution in the definition of money stock, changes were made in monetary statistics. *Local government* and *social security fund deposits*, as well as suspense central government accounts are excluded from net claims on the government and are treated as money supply components. Nonoperating banks are excluded from the scope of money stock.

In addition to high-liquid money, supply growth was strongly influenced by the dynamics of broader monetary aggregates. Monetary aggregate M2, including monetary aggregate M1 and quasi-money, grew by BGN 1,480.5 million (12.2% in nominal and 7.3% in real terms). Quasi-money, including time and savings deposits in lev and foreign currency deposits, grew by BGN 821.7 million (11.4% in nominal and 7.3% in real terms). Quasi-money growth reflected both strengthened public confidence in the banking system, and the increased deposit base.

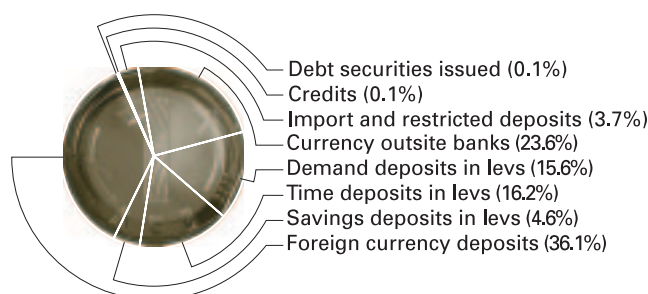
Among quasi-money components, time deposits in levs posted the largest growth (by BGN 380.8 million or 19.9%), with the deposits of nonfinancial enterprises increasing by BGN 129.7 million (34.9%), household deposits by BGN 142.6 million (17.7%), and deposits of nonbank financial institutions by BGN 34.8 million (38%). Savings lev deposits of households increased by BGN 97.9 million (17.8%). Foreign currency deposits contributed significantly to the quasi-money growth: the lev equivalent of foreign currency deposits rose by BGN 343 million (7.2%). Household deposits in foreign currency grew by BGN 263.7 million (7.8%), and foreign currency deposits of enterprises (including nonbank financial institutions), by BGN 76 million (5.5%).

The increase in forex deposits is indicative of a sustained trend toward saving in foreign currency, as well as of a further strengthening of confidence in the banking system. It is of note that funds deposited in the national currencies of eurozone member countries by the end of 2001 were not

MONEY SUPPLY STRUCTURE



December 2001



December 2002

Source: BNB.

withdrawn after the introduction of the euro. This led to an increase in banks' disposable funds, prompting further development of financial intermediacy.

The Money Supply Mechanism

Reserve money dynamics played a decisive role in money stock growth. During 2002 the monetary base increased by BGN 449.9 million (11.2%), including currency in circulation by BGN 365 million (11.19%) and bank reserves by BGN 84.8 million (11.02%). Changes prompted by money multiplication had a limited effect, but they also backed money supply growth. Money multiplier was characterized by a gradual increase over 2002, irrespective of relatively low annual growth reported by the end of the reporting period (by the end of 2002 money multiplier was 3.16 against 3.12 a year earlier). Money multiplier growth was ascribable to a decline in the *currency outside banks to deposits* ratio which fell from 32.4% by end-2001 to 30.8% by the end of the reporting period. While analyzing the ratio, it should be borne in mind that its higher value at the end of 2001

was associated to a great extent with foreign currency cash sales due to the withdrawal of the national currencies of eurozone countries. The value of the *bank reserves to deposits* ratio, another quotient determining the dynamics of money multiplication, was 10.6% by the end of 2002 against 10% a year earlier, and the effect of the increase in this ratio was weaker.

The BNB's agency role in credit relations between the IMF and the government, as well as the government's deposit with the BNB, predetermined the specific nature of the relationship between reserve money and foreign exchange reserves. The deviation between reserve money dynamics and forex reserves dynamics is caused by the specific characteristics of this analysis. Changes in net foreign assets were impacted not only by reserve money but also by the

RESERVE MONEY AND MONEY MULTIPLIER

	VI.2001	XII.2001	VI.2002	XII.2002
Broad money, million BGN	10,651.7	12,600.1	12,335.3	14,146.5
Reserve money, million BGN	3,085.2	4,032.5	3,692.0	4,482.4
Money multiplier	3.45	3.12	3.34	3.16
Currency outside banks/deposits (%)	29.5	32.4	29.8	30.8
Bank reserves/deposits (%)	8.0	10.0	9.1	10.6

Source: BNB.

MONEY MULTIPLIER COMPONENTS



Source: BNB.

BROAD MONEY CHANGE

(million BGN)

	2001	2002
Broad money change driven by:	2,538.9	1,546.3
money multiplier	-693.3	200.4
reserve money	3,505.5	1,745.9
both factors	-273.4	-400.0
Broad money change driven by reserve money source:	3,505.5	1,745.9
Net foreign assets	2,855.1	5,833.8
incl. forex reserves	1,748.6	3,912.3
Net domestic assets	650.4	-4,087.8
incl. net claims on government	13.0	-3,054.0
Claims on banks	-187.5	-106.5

Source: BNB.

government's deposit, and by payments on foreign liabilities (obligations to the IMF). Net domestic assets reflect primarily government liabilities to the BNB (associated with the debt to the IMF) and changes in the volume of the government deposit.

Reserve money dynamics over 2002 was pre-determined by the increase in net foreign assets,

a result of Bulgaria's net repayments of debts to the IMF, and of higher forex reserves (against an increase in reserve money and the government deposit). Concurrently, net domestic assets exhibited a decline, reflecting both government net payments to the BNB on the obligations to the IMF, and the increased government deposit with the Bank.

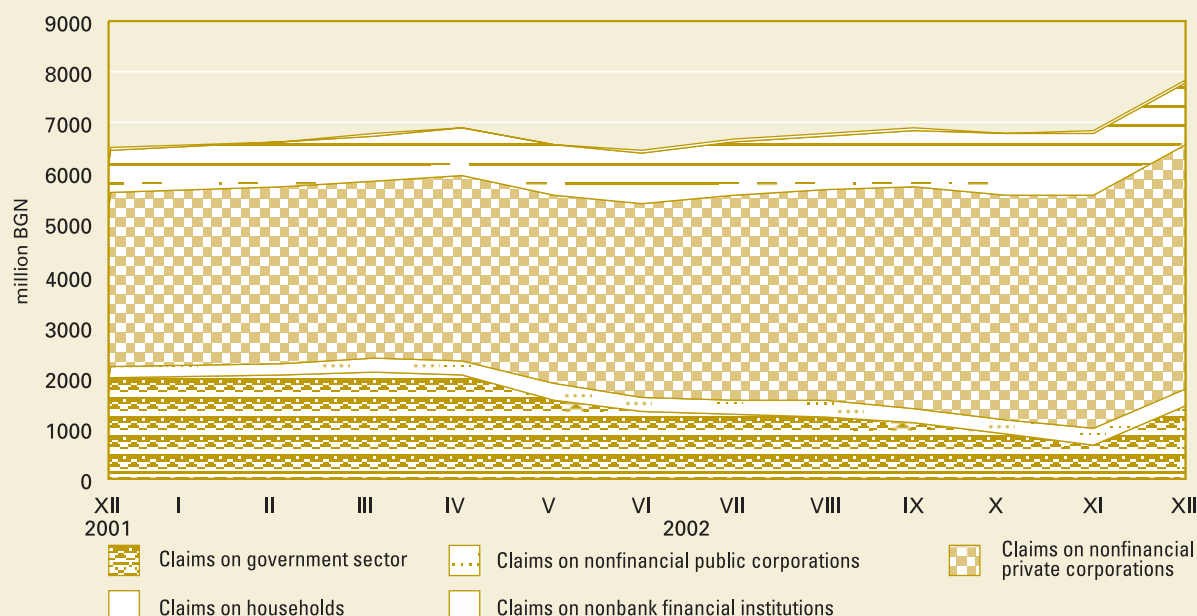
Credit Aggregates

Money supply growth was accompanied by a significant expansion of credit aggregates. Overall domestic credit rose by BGN 1,650.5 million (26.6%), with claims on the government and non-government sectors characterized by divergent developments. Credit to the government sector fell by BGN 314.5 million (18.1%). This decline is entirely due to BNB claims which exhibited a fall, consistent with government net debt payments to the IMF and the increased government deposit with the BNB. Concurrently, claims on the non-government sector posted a significant growth: by BGN 1,965 million (44%). In 2002 the structure of commercial bank assets experienced significant changes, particularly in the ratios of the placements in foreign assets to domestic claims. The previous years' trend in commercial banks' place-

ments of borrowed funds mostly into foreign assets reversed in 2002. Given sustained low interest rates in international markets, banks reduced investment in foreign assets by a significant portion. During 2002 commercial bank foreign assets went down by BGN 809.4 million (17.2%), reflecting primarily the decline of commercial bank funds deposited with foreign financial institutions (by BGN 827 million, or 22.9%). Although this decrease reflected to some extent the depreciation of the US dollar, the major reason behind reduced foreign assets was the conversion of foreign claims into domestic claims.

A portion of the increase in commercial bank domestic assets pertains to the claims on the government sector exhibiting a growth of BGN 589 million (41.9%). Government securities held by

DOMESTIC CREDIT DYNAMICS



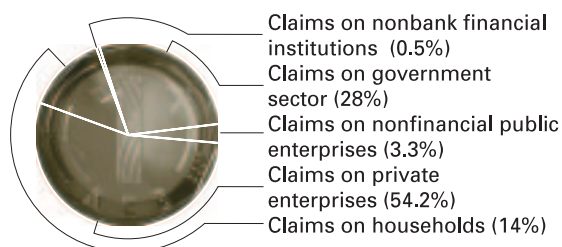
Source: BNB.

commercial banks rose by BGN 609.1 million (45.6%). More than half of this growth was attributable to the foreign debt swap conducted in March, when banks made particular changes in the structure of their assets to acquire global bonds issued by the government on the debt swap transaction. Increased claims on the government sector reflect the BGN 263.4 million or 30.2% growth in government securities for budget deficit financing held by commercial banks.

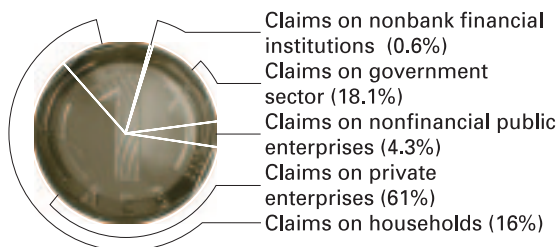
The increase in domestic assets was ascribable primarily to the dynamics of claims on the non-government sector. The trend to intensification in the credit market, which had begun in the previous year, was sustained in 2002. During the year under review commercial bank claims on the non-government sector grew by BGN 1,894.2 million, or 42.4%. Claims on nonfinancial enterprises increased by BGN 1,501.8 million (42.2%), claims on households by BGN 380.8 million (43.6%), and those on nonbank financial institutions by BGN 11.6 million (38.9%). The factors behind this sizable growth involved intensified credit demand under relatively favorable economic conditions, and increased lending by banks. To this end, expansion of the deposit base, relatively low interest rates on foreign assets, and enhanced competition in the banking sector had a positive effect.

Financial intermediacy in Bulgaria stayed at a low level, but increased lending to the real sector indicates that the banks' intermediacy function is reasserting itself. The major challenge to be faced by the banking system in the future is to increase

DOMESTIC CREDIT STRUCTURE



December 2001



December 2002

Source: BNB.

lending to the real sector further while remaining prudent to preserve the quality of credit portfolios and banking system stability.

The Credit Register

In compliance with BNB Regulation No. 22 the Central Credit Register included claims exceeding BGN 10,000. Debt below that amount was reported on an aggregate basis broken down by four indicators: currency, sector, category (standard, watch, *etc.*), and sectoral attribution.

Claims of over BGN 10,000 were recorded in individual records until settlement. Nomenclatures are diverse and contribute to a more comprehensive monitoring and analysis of bank claims.

Interest Rates on Commercial Bank Operations

The changed schedule of three-month discount government securities issues in 2002 caused the frequency of base rate setting to become monthly. Given the unchanged methodology of base rate calculation, the changes in the schedule, and correspondingly the frequency of base rate setting, did not have a strong effect. Moreover, high liquidity maintained in the banking system, along with dynamically changing conditions in international markets (characterized by the policy of de-

creasing interest rates consistently pursued by the US Federal Reserve System and the European Central Bank) helped smooth the effect of seasonal domestic factors to a great extent. This predetermined the gradual and progressive decline in interest rates during the first half of 2002 (from 4.78% in early January to 3.67% in early July) followed by a stabilization at a level of 3.7% and 3.8% until early December and a new record fall to 3.31% since then.

INTEREST RATES

	2001	2002
Average annual base interest rate	4.56	3.96
Average annual interest rate in the interbank lev market	3.75	2.43
Average interest rate on interbank forex deposits		
EUR	4.11	3.30
USD	3.87	1.65

Source: BNB.

With the interbank market primarily deployed as a current liquidity management tool, monthly average interest rate levels greatly depended on short-term transactions which were generally kept below the base rate. The only exceptions in 2002 again occurred in the summer months (traditionally characterized by lower liquidity), reflecting liquidity mismatches by individual banks with the seasonal specifics.

Decreased interest rates in international markets (and particularly their sharp fall on transactions in US dollars) affected interest rate levels of interbank deposits in the respective foreign currencies. This also had a direct effect on commercial bank interest rate policy in operations with customers. Average interest rates on new short-term bank loans fell by 1.92 percentage points on

2001, reaching a record low for recent years. Interest rates on one-month deposits declined insignificantly and the commercial bank interest rate spread narrowed dramatically. Comparatively low consumer price inflation led to a lower drop in lending rates on short-term loans, thus significantly reducing depositors' negative real interest rate result compared with 2001.

The progressively declining profitability of foreign assets for the second consecutive year encouraged banks to seek compensation by converting these assets to domestic. In turn, the narrowed interest rate margin between domestic lev assets and liabilities in levs was offset by asset restructuring by increasing the credit exposure to the nongovernment sector by more than 40%.

INTEREST RATES APPLIED BY COMMERCIAL BANKS ON NEW SHORT-TERM CREDITS AND ONE-MONTH LEV DEPOSITS

	2001	2002
Nominal interest rates on short-term credits disbursed by commercial banks	11.68	9.76
Real annual interest rates on short-term credits disbursed by commercial banks	6.5	5.7
Nominal interest rates on one-month deposits attracted by commercial banks	3.1	2.7
Real interest rates on one-month deposits attracted by commercial banks	-1.7	-1.0

Source: BNB.

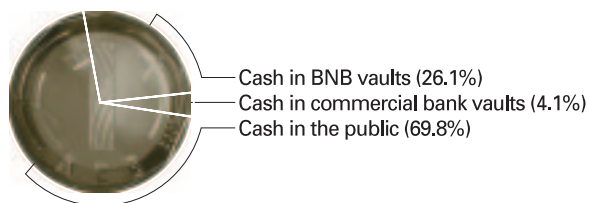
BNB Issuing Policy

Banknotes and Coins outside BNB Vaults

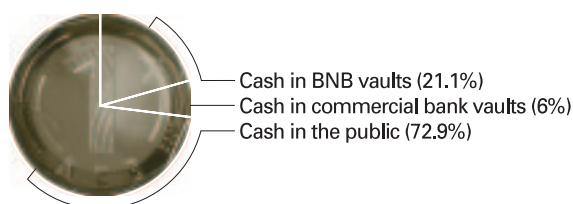
At the end of 2002 banknotes and coins outside BNB vaults reached BGN 3,628 million (including BGN 3,350 million outside the banking system): an increase by BGN 365 million, or 11% on 2001. Of these, banknotes (1999 issue) and coins (1999 and 2000 issues) accounted for 99.5%.

By the close of 2002 banknotes and coins in commercial bank vaults totaled BGN 278 million against BGN 180 million at the end of 2001. Dynamics of cash in the banking system and cash held by the public followed the traditional monthly and seasonal demand pattern for banknotes and coins.

BANKNOTES AND COINS



31 December 2001



31 December 2002

Source: BNB.

Denomination Composition

The number of banknotes in and outside BNB vaults was 295 million worth BGN 4,503 million, including 207 million (BGN 3,565 million) outside BNB vaults. The average banknote in circulation was worth 17 leva against 16 leva at the end of 2001.

As of 31 December 2002 the number of coins in and outside BNB vaults was 425 million worth BGN 48 million, including 404 million (BGN 43 million) outside the BNB. The average coin outside the BNB was 0.11 leva against 0.09 leva at the end of 2001.

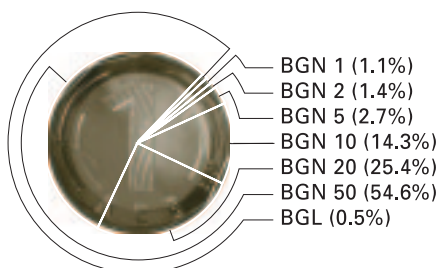
In September the BNB put into circulation a bi-metal circulating coin with a nominal value of BGN 1.

Serviced Customers and Counted Banknotes and Coins

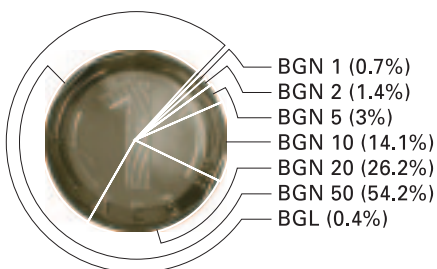
In 2002 the BNB Managing Board adopted the *General Terms and Conditions for Cash Service of BNB Customers with Banknotes and Coins in the Form of Valuable Packages* which came into force on 17 June 2002, superseding cash service con-

DENOMINATION COMPOSITION OF CIRCULATING BANKNOTES AND COINS

BANKNOTES



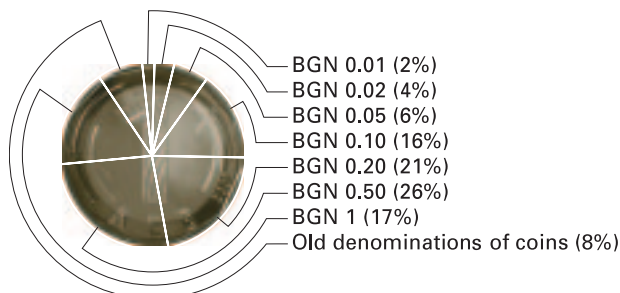
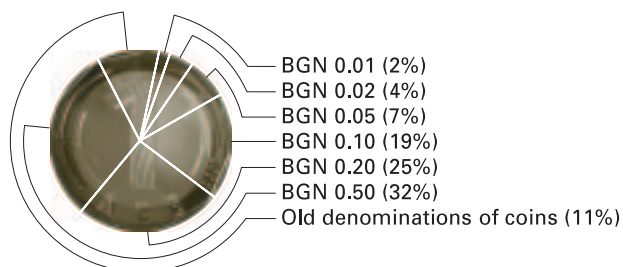
31 December 2001



31 December 2002

Source: BNB.

COINS



tracts with commercial banks. Of the 34 banks serviced by the BNB, 14 had contracts for wholesale cash operations.

In 2002 commercial banks deposited with the BNB banknotes and coins to the value of BGN 3,643 million and withdrew BGN 3,770 million. After the adoption of the *General Terms and Conditions* banks deposited cash amounting to BGN 1,615 million and withdrew cash worth BGN 2,023 million. Banks with BNB contracts deposited BGN 1,537 million and withdrew BGN 2,000 million. This accounted for 97% of the total turnover after 17 June 2002.

In 2002 BNB cash offices counted 330 million banknotes worth BGN 3,690 million, and 74 million coins worth BGN 13 million.

By BNB Managing Board Resolution No. 73 of 4 October 2001, as of 1 October 2002 the regional cash centers of the BNB in Burgas, Ruse and Vratsa were closed.

Banknote and Coin Production and Waste Banknote and Coin Destruction

Banknotes printed in 2002 numbered 84 million, worth BGN 480 million, and 131 million coins worth BGN 18 million, were minted. Destroyed banknotes numbered 103 million (BGN 532 million), including 27 million banknotes (BGN 293 million) of old issues whose term of exchange has not yet expired.

Coins for Collectors

In 2002 the BNB put the following commemorative coins into circulation:

On 19 October 2002 the BNB put into circulation a series of circulating coins, 2002 issue, for sale to collectors. The series includes coins of 1, 2, 5, 10, 20, and 50 stotinkas, and 1 lev nominal value, proof, CuNi, with a run of 10,000. Of this, 139 coins had been sold by the end of 2002.

COIN	Nominal value	Metal	Circulation date	Mintage (pcs.)
'Golden Bulgarian Lev'	1 lev	Au 999	2.IX.2002	2,000
XXVIII Summer Olympic Games, Athens 2004 'Pierre de Coubertain'	5 levs	Au 999	7.X.2002	17,000
XXVIII Summer Olympic Games, Athens 2004 'Gymnastics'	5 levs	Au 999	7.X.2002	12,000
XXVIII Summer Olympic Games, Athens 2004 'Fencing'	5 levs	Au 999	7.X.2002	12,000
XXVIII Summer Olympic Games, Athens 2004 'Weightlifting'	5 levs	Au 999	7.X.2002	12,000
XXVIII Summer Olympic Games, Athens 2004 'Running'	5 levs	Au 999	7.X.2002	12,000
XXVIII Summer Olympic Games, Athens 2004 'Wrestling'	5 levs	Au 999	7.X.2002	12,000
XXVIII Summer Olympic Games, Athens 2004 'Swimming'	5 levs	Au 999	7.X.2002	12,000
XXVIII Summer Olympic Games, Athens 2004 'Archery'	5 levs	Au 999	7.X.2002	12,000
XXVIII Summer Olympic Games, Athens 2004 'Cycling'	5 levs	Au 999	7.X.2002	12,000
XXVIII Summer Olympic Games, Athens 2004 'Tennis'	5 levs	Au 999	7.X.2002	12,000
'Sourvakari'	5 levs	CuNi	6.XII.2002	5,000

Source: BNB.

4.

The Fiscal Sector

In 2002 the major features of government fiscal policy since currency board introduction — a low budget deficit, expanded tax basis, reduced tax rates, decreased government debt and debt service burden — were sustained. The initial cash deficit target was modified in the course of the year to 0.65% from 0.8% of GDP and was met. The downward direct taxation trend was sustained, and the program for the gradual harmonization of excise duty with minimum EU levels continued. Nontax revenue generated from property, fees, and penalties and sanctions,

remained at a high level. Revenue from grants declined following the slowdown in utilization of EU Preaccession Funds, remaining below 2002 projections.

No essential change occurred in expenditure policy compared with 2001. Noninterest expenditure matched the previous year's level and the decline in overall expenditure was due entirely to lower interest payments. In 2002 the unevenness in spending distribution increased, 33.1% of all noninterest expenditure being concentrated in the fourth quarter. Primary balance fell from 3.1% in

2001 to 1.6% of GDP,¹ highlighting 2002 as a year of fiscal expansion.

Revenue from privatization increased on 2001 to remain an important source of budget deficit financing. The year saw a positive net issue of government securities: their growth reflected increased borrowing in Bulgarian levs and the growing share of domestic debt in overall debt. In 2002 the government pursued proactive foreign debt management as witnessed by the swap of a portion of Brady bonds for new global

bonds. As a result, debt forex and interest structures changed and the government deposit with the Issue Department increased by the amount of released security on DISCs. At the close of 2002 the *Government debt/GDP* ratio reached 55.9%. The Law on the Government Debt was published in October. It provides for limits set in the State Budget Law concerning the amount of government debt in a particular year, and its maximum amount at the end of each budget year.

Revenue and Expenditure of the General Government Sector

Implementation of the consolidated fiscal program is the major source of information on developments in this sector. In 2002 for the second consecutive year it contracted, total revenue and grants falling by 1.1 percentage points to 38.7% of GDP, and total expenditure and transfers also dropping by 1.1 percentage points to 39.4% of GDP. Nominal revenue levels expected were attained, though with great deviations from projected individual indicators: a typical problem in recent years. Nontax revenues, direct taxes and grants were the most difficult items to forecast. The tax basis of these sources of revenue is either missing or is extremely variable and dependent on fortuitous factors.

In 2002 total revenue and grants increased nominally by 5.8%. The bulk of this growth was due to tax revenue, and a lesser portion to nontax sources. As to individual taxes, only revenue generated from value added tax, excise duty and road tax grew at a rate similar to, or faster than, GDP. Major changes in the Value Added Tax Law were associated with shortening the period for tax credit recovery from four to three months, and with increasing the tax's cover to medicines and package holidays offered abroad by licensed travel intermediaries where the delivery is in Bulgaria (the latter attracting 7% of effective tax). More changes occurred in excise duty affecting both the tax basis and individual tax rates.²

In early 2002 the insurance contribution of insured persons rose from 20% to 25%. Changes in individuals' income tax were unable to compensate the effect of this rise. The overall tax and insurance burden diminished significantly only for those whose monthly income significantly exceeded the national average. In 2002 the rate of corporate tax was reduced from 20% to 15% for

companies whose profit exceeds BGN 50,000. Thus, the effective tax rate for all entities reached 23.5%.

Nontax revenue increased by BGN 340 million, reaching 8.1% of GDP. The share of revenue from property stayed unchanged, while that of revenue from fees, penalties and sanctions increased. At the close of 2002 they reached 4.2% and 3.4% of GDP respectively. Revenue from grants fell to BGN 301.2 million, the result of slower utilization of EU Preaccession Funds, and remained significantly below the projected BGN 502 million.

The Ministry of Finance continued its conservative spending policy until the close of 2002 when it became clear that the cash deficit target of 0.8% of GDP would be achieved easily. As noninterest expenditure on the consolidated fiscal program reached merely 69% of 2002 projections by the end of September, the fourth quarter saw noninterest expenditure of almost BGN 4 billion (34% of 2002 projections). In 2002 total consolidated fiscal program expenditure increased by 5.3% on the previous year, accounting for BGN 12,732.7 million (39.4% of GDP).

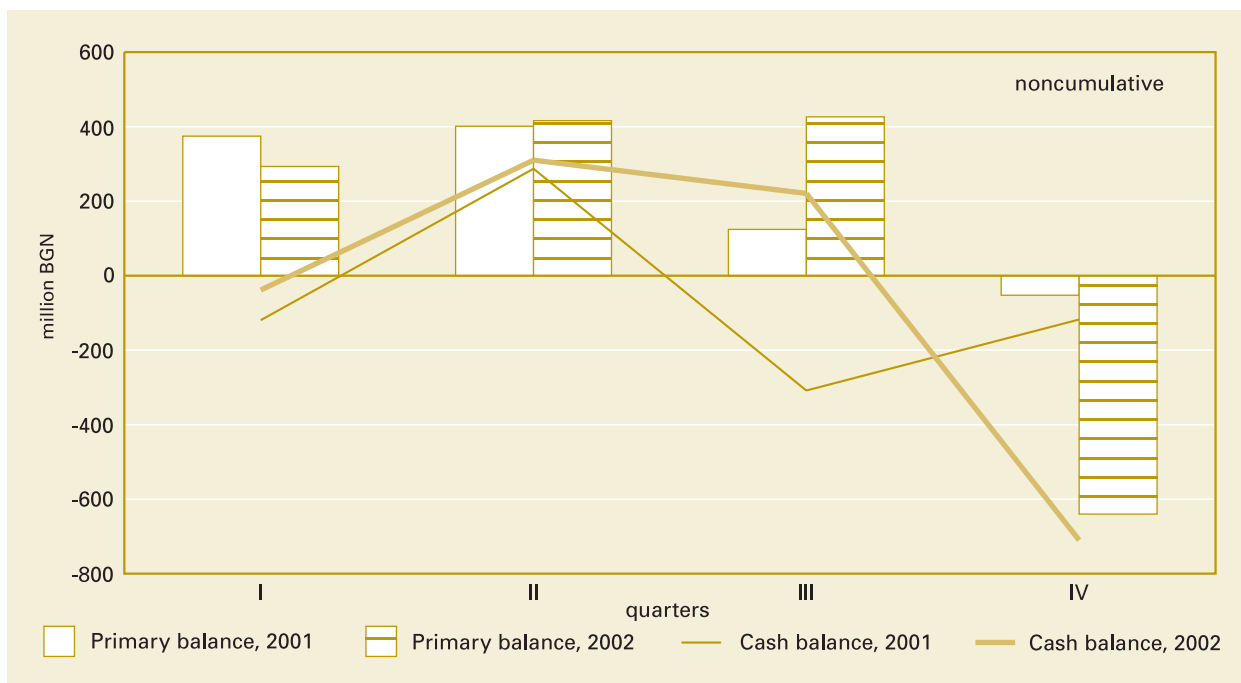
Both by economic element and by major function expenditure structure remained almost unchanged compared with 2001, excepting the significant fall in interest expenditure (by nearly BGN 400 million to BGN 712.8 million, or 2.2% of GDP, by the close of the period). Lower interest payments resulted in a considerably lower than projected primary balance (2.3% of GDP). By the end of 2002 the primary balance reached BGN 503.4 million, or 1.6% of GDP. Interest expenditure on foreign loans contributed most significantly to overall interest expenditure declines.

Spending on major government functions remained unchanged, while expenditure directed at

¹ Expenditure on acquisition of shares, participations and other financial assets (net) and on required financing (net) are excluded from the 2001 expenditure with a view to obtaining data comparability.

² Most affected were tobacco, beer, liquid oil, gas, coffee, and tea.

CONSOLIDATED FISCAL PROGRAM



Source: MF.

improving funds distribution rose from 15.1% to 15.9% of GDP. Spending on income redistribution fell by 0.2 percentage points.¹ Only capital expenditure experienced a more sizeable decline: from 4% to 3.5% of GDP.

The specific feature of data in this sector is that it is reported on a cash basis. Such reporting enables budget entities to accumulate outstanding expenses over the year. Thus data on deficits and spending is underestimated. Obligations to suppliers or other sectors of government management are an important, though temporary, source of deficit financing. The practice of 'clearing' outstanding expenses at the end of each year by additional transfers from the central republican budget to the problem sector was retained in 2002. Obligations of BGN 219.6 million were redeemed under the Program on Gradual Reduction and Liquidation of Municipalities' Outstanding Expenditure signed on 28 June 2002 between the Ministry

of Finance and the Republic of Bulgaria National Association of Municipalities. Furthermore, additional funds were extended to a number of hospitals, thus highlighting the other sector of government management which accumulated significant outstanding expenses.

The issue detailed above concerns the dynamics of transfers from the central republican budget to other budgets. During the fourth quarter of 2002 net transfers from the central republican budget to municipal budgets came to some 45% of the year's total, those to ministries' and agencies' budgets came to about 30%, and those to the legal authorities' budget came to approximately 40%. The restriction set in the State Budget Laws on extending 10% of approved subsidies and transfers where the republican budget deficit would not be exceeded also contributes to accumulation of expenditure at the close of each year.

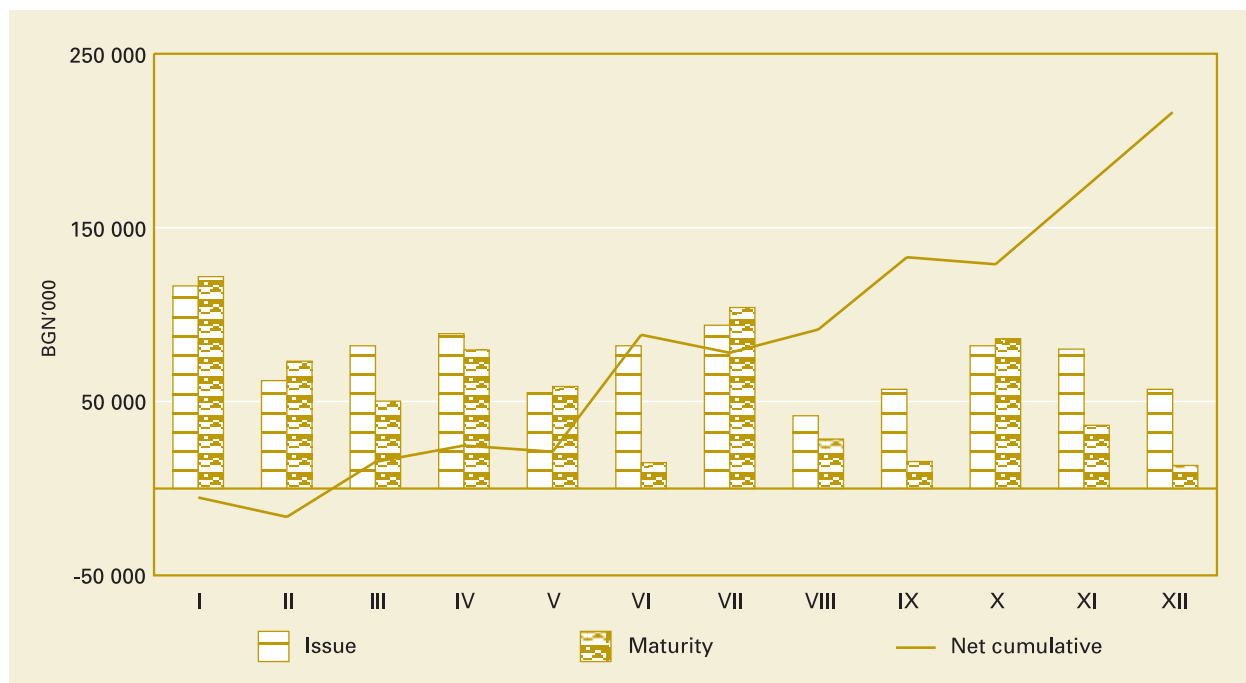
Cash Deficit Financing. Government Debt Amount and Structure

At the end of 2002 privatization revenue totaled BGN 286.1 million, or some 45% of projections. The main reason behind this shortfall was the delayed sales of BTK and Bulgartabak Hold-

ing, which have been scheduled for 2003. The net issue of government securities was positive (BGN 216.4 million) and this upward trend reflected investor interest in lev-denominated funds

¹ Expenditure intended to ensure major government functions include defense and security, executive and legislative bodies, and other administrative services. Expenditure directed at improving funds distribution includes education, healthcare, science and the arts, public utilities, and business. Payments aiming at income redistribution cover social insurance and reliefs.

GOVERNMENT SECURITIES ISSUES AND MATURITIES IN 2002



Source: MF.

and the increased share of domestic debt in total government debt. The average-weighted maturity of outstanding government securities issues rose by 18 months to exceed 53 months. The first ten-year government securities were issued in 2002.

Government deposit and budget entities' deposits with the BNB Issue Department grew by BGN 463.5 million to BGN 3,034.7 million. This was attributable primarily to released security on DISCs as a result of debt restructuring.

By the end of 2002 government and government guaranteed debt amounted to BGN 18,059 million, its ratio to GDP reaching 55.9%. Domestic debt totaled BGN 2,111.7 million (6.5% of GDP) and foreign debt fell to BGN 15,947.3 million (49.3% of GDP). In 2002 the government pursued a proactive debt management, swapping a portion of Brady bonds for newly issued global bonds. In March Brady bonds of USD 1,327.9 million nominal value were swapped, to be followed by another tranche worth USD 866 million in September. As a result of the March transaction, EUR 835.5 million of euro-denominated bonds maturing in 2013, and USD 513 million of dollar-denominated bonds maturing in 2015, were issued. In September the dollar issue was expanded by USD 759 million. These swaps resulted in increasing the share of fixed interest foreign debt by 7.7 percentage points to 37.2%. Debt forex structure also experienced changes: dollar-denominated debt fell from 66.3% to 54%, mostly at the ex-

pense of euro-denominated obligations which rose from 17.4% to 30.5%.

Nominal GDP growth contributed most significantly to the decrease in the *Government debt/GDP* ratio, followed by exchange rate dynamics. The falling US dollar/euro rate resulted in a considerable decrease in the lev equivalent of dollar-denominated obligations. Approximately five percentage points of the *Government debt/GDP* ratio decrease were due to the US dollar depreciation.

Continuing LIBOR falls during 2002 appeared to be the major factor behind the significant reduction both in interest expenditure, and in implicit interest rates on government debt. In 2002 the difference in the price of domestic and foreign debt measured by these interest rates contracted from 2.8 to 2 percentage points.

In 2002 the institutional framework of government debt was updated. Following more than a year of debate, October saw the publication of the Law on the Government Debt. This instrument fixes annual limits on government debt and on its end-of-budget-year maximum. The Law defines the concept of consolidated government debt which is equal to government debt plus those of the municipalities and the social security funds. According to established practice in several EU candidate countries, the Bulgarian law also provides for limits in the increase of the *Consolidated government debt/GDP* ratio which may not exceed the previous year's figure until the ratio reaches above 60%.

III.

Foreign Exchange Asset Management

1.

Amount and Dynamics of Foreign Exchange Assets

In 2002 foreign exchange assets measured by the Issue Department balance sheet figure exceeded EUR 4 billion, continuing its steady upward trend of the last few years. The average foreign exchange reserves' amount increased by EUR 517 million compared with 2001. The average data of selected indicators from the Issue De-

partment balance sheet for the last four years are presented in the table below.

The changes in the amount of foreign exchange assets was due, on the one hand, to assets management and the influence of market risk factors and, on the other, to external inflows and outflows.

SELECTED INDICATORS* OF THE ISSUE DEPARTMENT BALANCE SHEET

(million BGN)

	1999	2000	2001	2002
Foreign exchange reserves	5,201	6,410	6,979	7,991
Net value (Banking Department deposit)	813	875	977	1,108
Government deposits and accounts	2,070	2,644	2,472	2,797
Bank deposits and current accounts	575	638	615	707
Notes and coins in circulation	1,735	2,103	2,602	3,160

* Average annual values.
Source: BNB.

As a result of asset management and the international markets' dynamics, asset market value rose by approximately EUR 223 million.

External flows that contributed to substantial changes in the amount of foreign exchange assets were:

- a) toward increasing of foreign exchange asset share:
 - revenue from released security on Brady bonds – USD 340 million;
 - revenue from purchases of reserve currency by commercial banks totaling EUR 286 million and net purchases of reserve currency in cash amounting to EUR 106 million;
 - net revenue on accounts of commercial

banks with the BNB in compliance with the regulation of minimum required reserves – net deposited EUR 68 million and CHF 29 million, net drawn USD 38 million;

- new loans drawn – SDR 84 million tranches received from the IMF, USD 23 million and EUR 32 million;
- dividends received from equity interest of the BNB in BIS, Basle – CHF 3 million.
- b) toward decreasing of foreign exchange asset share:
 - foreign debt payments – USD 319 million, SDR 182 million, EUR 139 million and JPY 7 billion;
 - SDR 40 million repayments on the BNB debt to the IMF.

FOREIGN EXCHANGE ASSETS, 2002



Source: BNB.

In 2002 the net value (Banking Department deposit) decreased most significantly in April due to the contribution to the state budget of BNB's profit for 2001 amounting to BGN 172.8 million. The minimum value amounted to EUR 460 million

DEPOSIT OF THE BANKING DEPARTMENT, 2002



Source: BNB.

in May following debt repayments to the IMF. The maximum value of EUR 647 million was reached at end-year mainly as a result of foreign exchange reserve management.

2.

Management Strategy for BNB International Foreign Exchange Assets

Foreign exchange assets management is carried out in accordance with the Law on the Bulgarian National Bank and the internal regulations adopted by BNB Investment Committee.

Pursuant to Investment Committee's resolution in early 2002 BNB EUR-denominated portfolio was split into an investment portfolio and a liquidity portfolio, each having its own investment goal and investment constraints.

Positioning of the Investment Portfolio in Euro

Following final portfolio restructuring, funds in the investment portfolio were invested to ensure risk characteristics complying at the highest with those of the newly enforced benchmark.

Portfolio duration was maintained equal to that of the benchmark; some positions of countries and supranational financial institutions in government securities were closed in accordance with the adopted strategy.

During the second half of the year the yield curve slope steepened in the sectors of two and ten-year maturity and the difference between their yield rose from 101 to 148 basis points. Eurozone

data published in the year under review indicated gradually worsening economic climate and a decline in stock exchange markets. By end-summer this prompted a change in market expectations concerning the future central banks' monetary policy.

In the review period management strategy was changed, and as a result deviation of duration stayed within investment constraints. The portfolio was restructured substantially as regards exposures by country and supranational institution. Given transactions' growing number and to avoid the ensuing operations risk, individual positions of high-liquidity and most commonly traded government securities were consolidated.

In early October the portfolio slightly increased due to transfer of funds from liquidity portfolio to investment portfolio.

Positioning of the Liquidity Portfolio in Euro

The introduction of new investment constraints, the dynamic changes and the behavior of the ECB that was difficult to predict in 2002 were the major factors that forced the BNB to pursue a

neutral strategy towards the benchmark.

Portfolio duration was maintained close to that of the benchmark. Government securities with maturity over one year that were excluded from the benchmark took positions in the portfolio. This entailed higher market value of the portfolio compared with that of the benchmark.

The larger cash inflows and outflows in the period under review were driven by euro purchasing and selling by commercial banks, exports of banknotes and flow of funds on commercial banks' minimum required reserves accounts. In October the portfolio was decreased due to transfer of funds to investment portfolio. This had no effect on the implemented strategy.

Positioning of the Portfolio in US Dollars

In early 2002 an improvement of economic conditions in the USA and a corresponding rise in Federal Reserve interest rates were expected. *Enron's* failures and the ensuing financial scandals led to erosion in investment confidence and stock exchange avoidance. Corporate problems, slowdown in fiscal stimuli and deteriorated relations between the USA and Iraq changed Federal Reserve's position concerning monetary policy from neutral to expansionary in August and reduced interest rates

by 50 basis points in November.

High economic and geopolitical uncertainty caused intense market dynamism and a decrease in the yield of all government securities by 122 to 160 basis points for the different terms to maturity.

In compliance with the adopted neutral policy concerning benchmark's major risk indicators, in 2002 the structure of this portfolio was maintained close to that of the benchmark. Funds were invested mainly in short-term US government securities and in extending of deposits.

In view of the existing uncertainty, duration was maintained close to that of the benchmark during most of the review period. The higher market value of the portfolio compared with that of the benchmark was attributable to investments in depreciated government securities, and to inclusion of countries outside the benchmark, supranational institutions and agencies.

In 2002 portfolio value was inconsistent as a result of frequent and different in value inflows and outflows. The larger ones were related to government debt payment, selling of released security on Brady bonds and regulation of commercial banks' minimum required reserves. Some of these flows caused short-lived significant deviations of portfolio duration although as a whole they did not impact the strategy that was pursued.

3.

Structure of International Foreign Exchange Assets

Currency Structure

In the period under review assets and liabilities in US dollars increased owing mainly to the release of security in the two-fold swapping of Brady bonds for global Eurobonds. The decreased

share of assets in gold was due to the increased absolute volume of all assets in the second half of 2002. Three-month average currency structure data of all assets based on the trade date are presented in the tables below.

CURRENCY STRUCTURE OF ASSETS, 2002

Currency	I quarter	II quarter	III quarter	IV quarter
EUR	81.65	78.56	79.65	80.64
USD	4.23	7.49	7.98	8.12
XAU	10.97	11.10	9.62	9.00
SDR	2.70	2.04	1.80	1.31
CHF	0.33	0.79	0.90	0.92
GBP	0.02	0.01	0.01	0.00
JPY	0.11	0.01	0.04	0.00

Source: BNB.

CURRENCY STRUCTURE OF LIABILITIES, 2002

Currency	I quarter	II quarter	III quarter	IV quarter
BGN	77.03	73.52	73.32	73.32
EUR	19.16	17.70	16.71	16.33
USD	2.93	7.65	8.55	9.19
CHF	0.35	0.91	1.05	1.09
SDR	0.44	0.21	0.36	0.07
JPY	0.08	0.02	0.01	0.00
GBP	0.00	0.00	0.00	0.00

Source: BNB.

In 2002 the major part of the liabilities (totaling about 90%) in the BNB Issue Department's balance sheet was denominated in Bulgarian leva and euro.

Structure of Forex Assets by Maturity

The share of instruments with a residual term to maturity of up to one year (current accounts, short-term deposits in foreign currency and gold, and short-term government securities) declined throughout the period: from 57% in the first quarter to 43% in the fourth quarter. This reflects to a great extent foreign debt payments in liquid funds in the first quarter and the substantial increase in long-term management assets differentiated in

the BNB EUR portfolio in the second half of the year. In the fourth quarter securities with a residual term to maturity of over five years rose to 22%.

MATURITY STRUCTURE, 2002

(%)				
Sectors	I quarter	II quarter	III quarter	IV quarter
up to 1 year	56.68	48.77	49.33	43.45
from 1 to 3 years	16.62	16.31	17.36	18.41
from 3 to 5 years	14.72	16.73	15.21	16.24
from 5 to 10 years	11.98	18.19	18.11	21.89

Source: BNB.

4.

Risk Management Policy and Types of Risk

Risk management is an essential issue in foreign exchange reserves management. Its major objectives over 2002 involved:

- the strategic structuring of assets;
- defining and measuring risks associated with assets and liabilities;
- analyzing the efficiency of foreign exchange reserve management;
- overseeing the compliance with investment constraints and procedures regulating the conduct of foreign currency operations; and
- preparing reports used for the operational portfolio management and for the needs of the Bank's management.

The strategic structuring of assets set out the investment objectives and benchmarks of individual

portfolios, the types of financial instruments to be used, the investment constraints at equilibrium level, and their distribution by portfolio.

Depending on currency and investment objective, foreign currency assets have been separated into several portfolios. *Liquidity portfolios* are used for the purchase and sale of reserve currency (euro), and for covering all the Bank's foreign currency payments. The *investment portfolio* is designated for generating higher profitability and contains higher market risk than liquidity portfolios. To diversify management styles and attain higher profitability and exchange expertise in investment, a portion of foreign exchange assets have been placed for management by external managers.

INCOME * FROM ASSETS DENOMINATED IN MAJOR ** CURRENCIES IN 2002

	Assets by major currency			Income from assets	Expenditure (interest) on liabilities	Profit (loss)	Profitability of the net value
	EUR	USD	XAU				
Average weight (%)	80	7	10				
Average amount (million)	3,337	293	421				
Income (million)	217.46	-5.84	33.91	245.52	-34.92	210.60	32.29
Share*** (%)	5.20	-0.14	0.81	5.88	-0.84	5.04	

* Income is not considered in accounting but in financial context, i.e. the balance between market values of assets at the end and at the beginning of the period less cumulative net forex flow.

** Income from assets in other currencies affects insignificantly the final financial result.

*** Share of assets in a particular currency in equilibrium profitability.

Source: BNB.

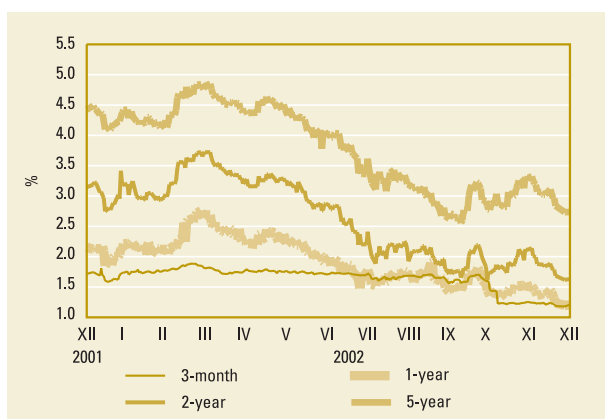
In accordance with investment constraints on foreign exchange reserve management the share of investment into commercial banks (the so-called bank exposure of the BNB) may not exceed 30% of total assets. Over the review period average bank exposure accounted for 20.21% of total assets.

Net Income and Profit from Foreign Exchange Reserve Management

The net value of the Issue Department balance sheet is the major indicator of currency board stability. Changes resulting from market risk factors (interest rate and foreign currency risks) pertain to:

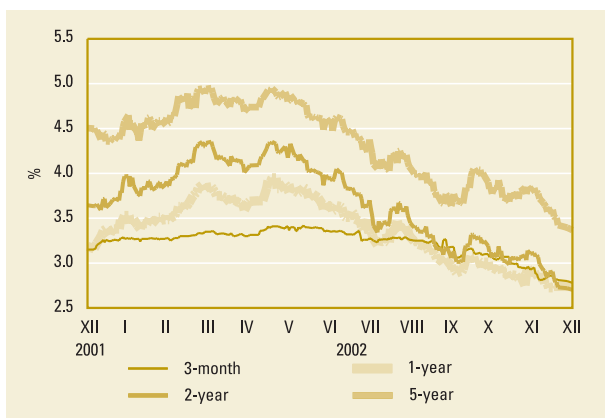
- income from assets and the imbalance between the foreign currency structures of assets and liabilities, and
- expenditure on liabilities.

YIELD TO MATURITY OF GOVERNMENT SECURITIES IN US DOLLARS



Source: BNB.

YIELD TO MATURITY OF GOVERNMENT SECURITIES IN EURO



Source: BNB.

GOLD PRICE DYNAMICS IN US DOLLARS



Source: BNB.

USD PRICE DYNAMICS IN EURO



Source: BNB.

GOLD PRICE DYNAMICS IN EURO



Source: BNB.

In 2002 interest rate levels both in the US and European government securities markets fell significantly, despite increases early in the year.

The dramatic interest rate decline resulted in a profitability of 5.33% for all foreign currency reserves. This was mostly attributable to the change in interest rates in the European market, since 80% of forex reserves was invested in this market. Given the approximately two-year average duration of reserves (*i. e.*, the interest rate risk), this is seen as a very good result, consistent with the increase in the market value of foreign exchange assets by approximately EUR 223 million. *The effect of the imbalance between the foreign currency structures* of assets and liabilities was relatively small. The long balanced position in US dollars against the falling dollar/euro rate on the one hand, and the long balanced position in gold against the rising value of gold in euro (see Charts on page 48) led to a net result of EUR 22.76 million.

Expenditure on liabilities (interest accrued and paid in the review period) amounted to EUR 34.92 million. As a result of the components mentioned above interacting, net income (correspondingly the increase of the net value) in 2002

was EUR 210 million, corresponding to total profitability of 32.29%.

Risk, Profitability, and Efficiency

The Sharp's ratio¹ is used as a management efficiency criterion for individual portfolios. It allows for correct comparison of a particular portfolio with its benchmark, taking into account not only the expected return but also the degree of assumed risk. The information coefficient is another criterion for the efficiency of *active* management used for comparison of portfolios. The relative risk² to the benchmark is an indicator of the degree of the portfolios' active management. It reflects the opportunity for total portfolio profitability to be lower than benchmark (*i. e.*, for relative profitability to be negative). If the profitability is negative, it will be interpreted as a loss of profit in portfolio management. The positive relative return is a profit in respect of benchmark profitability.

Over the review period the relative return both in terms of portfolio and in terms of equilibrium was within the adopted tactical risk budget of EUR 10 million.

RISK AND PROFITABILITY OF INDIVIDUAL PORTFOLIOS IN 2002

Portfolio	Portfolio base currency	Profitability			Risk		
		Portfolio (%)	Benchmark (%)	Relative profitability (basis points)	Portfolio (%)	Benchmark (%)	Relative risk (basis points)
Investment	EUR	8.26	8.73	-47	2.74	3.13	153
Liquidity	EUR	3.60	3.60	0	0.21	0.20	10
Liquidity	USD	1.90	1.88	2	0.22	0.18	18
Gold	XAU	0.13	0.13	0	0.33	0.01	33
External manager A	EUR	7.01	6.90	11	2.11	2.05	99
External manager B	EUR	6.84	6.90	6	1.98	1.96	76

Source: BNB.

¹ The Sharp's ratio is a measure of expected extra return over the risk-free return *per* unit of assumed risk.

² The so-called *tracking error*.

IV.

Liquidity and the Financial Markets

1.

Liquidity

The Interbank Money Market

Following the previous year's jump the volume of time transactions fell 4.9% by BGN 859.5 million in 2002. This reflected reorientation by the most active banks in the market from repo agreements (a fall of BGN 743.8 million, or 43.1%) to euro, US dollar and pound sterling deposits (an increase of over 150%).

No significant change occurred in past years' ratios within the market structure by type of transaction: the share of deposits reached 90.3% in the total lev money market (against 87.2% in 2001), followed by repo agreements (5%), and outright transactions in government securities (4.6%) against 8.4% and 4.4% respectively in 2001.

The share of secured deposits rose by 2.3% in total deposits following the dramatic decline to just 0.5% in 2001.

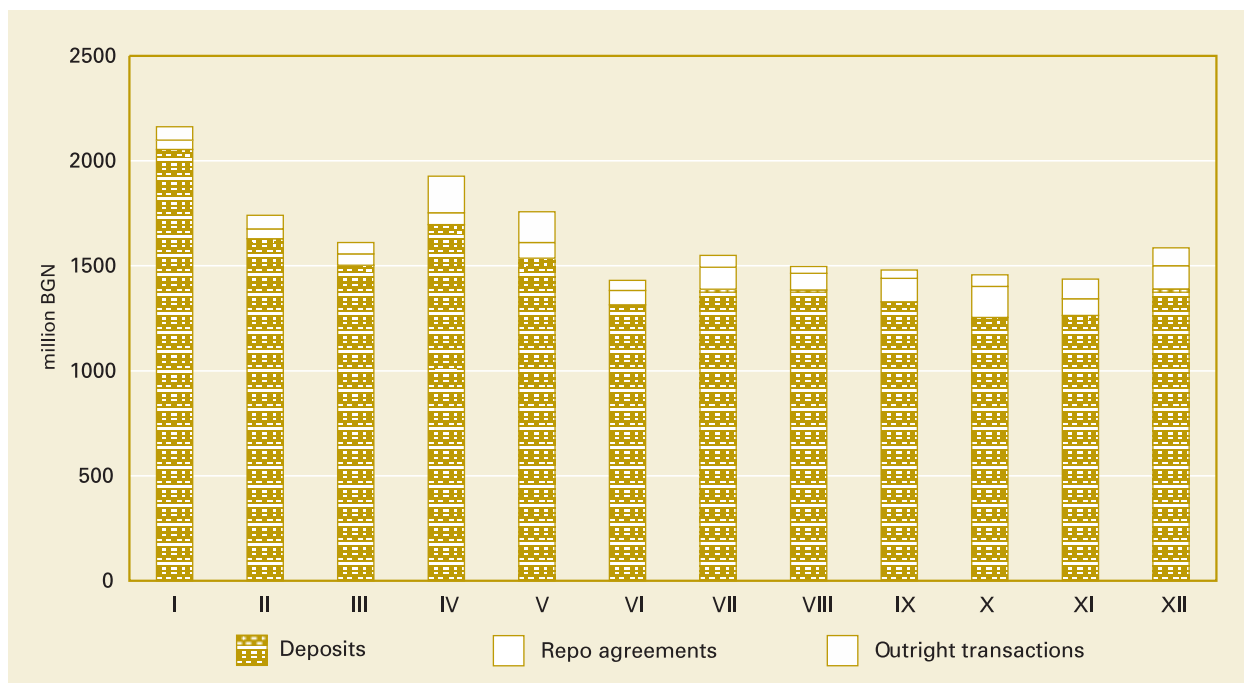
The volume of outright transactions in government securities grew by 1.1%. This is attributable entirely to traded lev issues (an increase of 8.9%), while government securities denominated in US dollars and euro fell to almost a quarter of their previous volume.

Ratios within the market structure by term of conducted transactions continued to be formed under conditions of generally high liquidity in the banking system. The dominating role of short-term transactions further enhanced: overnight transactions reached 71.2%, and those with a term of two to three days 18.3% (against 65.8% and 17.2% respectively in 2001). The figures clearly show that interbank market transactions are more intensively employed mainly as an instrument for current liquidity management, rather than for medium and longer-term investment.

Interest rates on interbank money market transactions reflect the ratio between demand and supply. In 2002 the major factors impacting interest rates continued to be Ministry of Finance fiscal operations and international forex market conditions. This predetermined the wide volatility range over the review period: from 0.99% in January (traditionally a time of increased liquidity as a result of Ministry of Finance interest payments and a portion of principal payments on ZUNK bonds denominated in US dollars) to 6.81% in June and 4.38% in July (due to seasonally decreased liquidity, and to inflexible liquidity management by some banks). In general, the average interest rate on interbank market transactions fell to 2.43% per annum (against 3.75% in 2001) and traditionally remained well below the average base rate (3.96%).

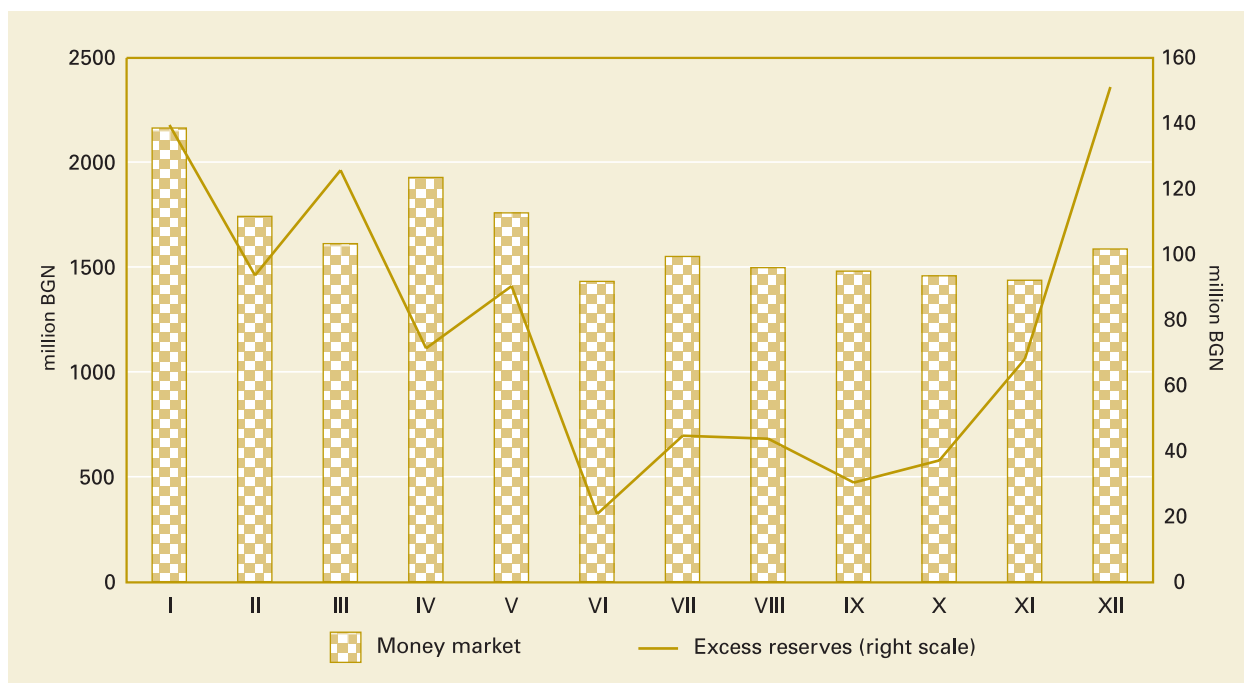
Preparations for money market indices was completed in 2002 at the initiative of commercial banks with methodological assistance by the BNB and support by the Ministry of Finance. For *offer* prices the index shall be SOFIBOR (Sofia Interbank Offer Rate), and for *bid* prices it shall be SOFIBID (Sofia Interbank Bid Rate). Following co-ordination of formulated indices and index creation rules, a sponsorship agreement between the BNB, the Association of Commercial Banks, and the Bulgarian Dealer Association was concluded on 14 October 2002. A Regulation Indices Committee comprising sponsors' nominees was formed by 14 November 2002 at the Association of Commercial Banks. After software issues and test periods were finalized, the SOFIBOR and SOFIBID indices for five terms were quoted for the first time on 17 February 2003. Distributor of the indices is the BNB.

THE INTERBANK MONEY MARKET IN 2002



Source: BNB.

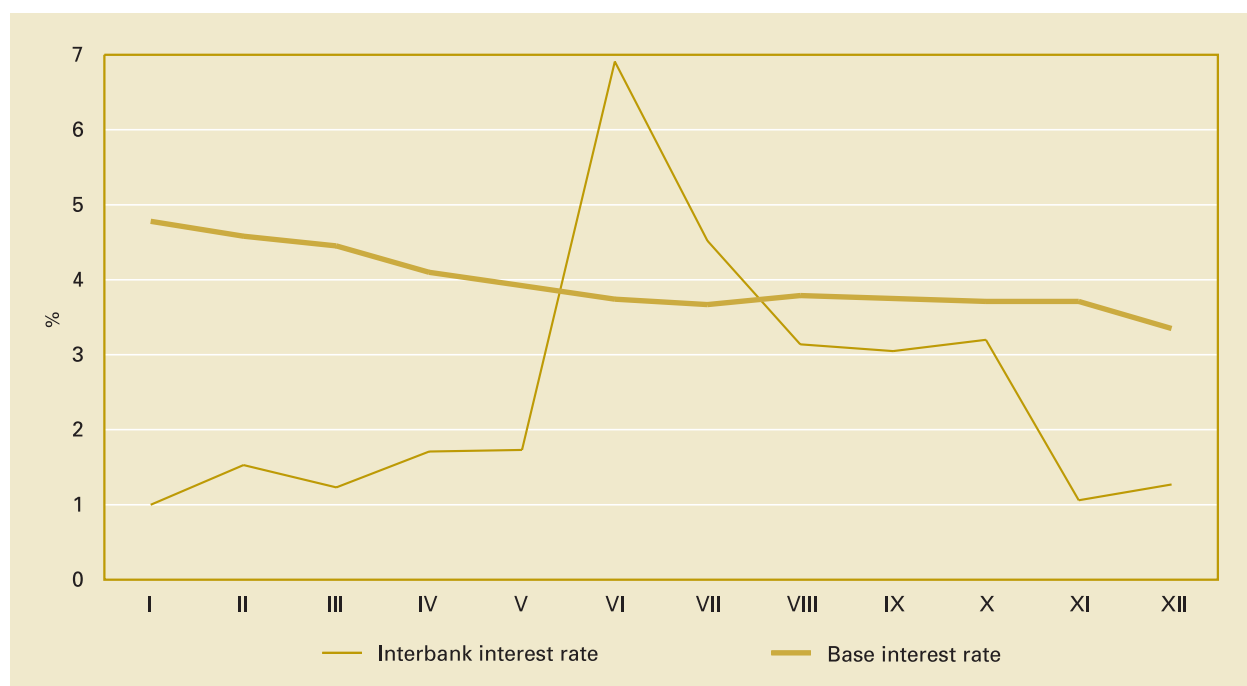
INTERBANK MONEY MARKET AND EXCESS RESERVES, 2002*



* Average monthly values.

Source: BNB.

BASE INTEREST RATE AND INTERBANK INTEREST RATE IN 2002



Source: BNB.

Commercial Bank Reserves

Over 2002 minimum required reserve levels remained unchanged at 8% of the deposit base. The past year saw a gradual increase of borrowed funds forming the deposit base used for determining minimum required reserves. On an annual basis these funds rose by 21.1% on 2001. Lev-denominated liabilities grew by 15.4%, and those in foreign currency (at lev equivalent) by 25.4%. In individual months deposits increased gradually with no significant deviations. This was typical of an economy showing confidence in the financial system and exhibiting no stress. Insignificant falls were reported only in May and June, reflecting the exclusion of borrowed funds with a term of over two years from the deposit base pursuant to BNB Managing Board Resolution No. 2.

No dramatic deviations from the average values of borrowed funds denominated in various foreign currencies were reported for individual months throughout 2002. Deposited foreign currency as reserve capital varied widely and ensured the required amount of minimum reserves on the deposit base in foreign currency: from 19% in January to 51% in July. The low level of foreign currency used in the first quarter was attributable to interest and partial principal payments by the Ministry of Finance on US dollar and euro-denominated ZUNK bonds. Given the high lev liquidity, the reserve assets in foreign currency ap-

peared less attractive for banks both on monthly and annual bases.

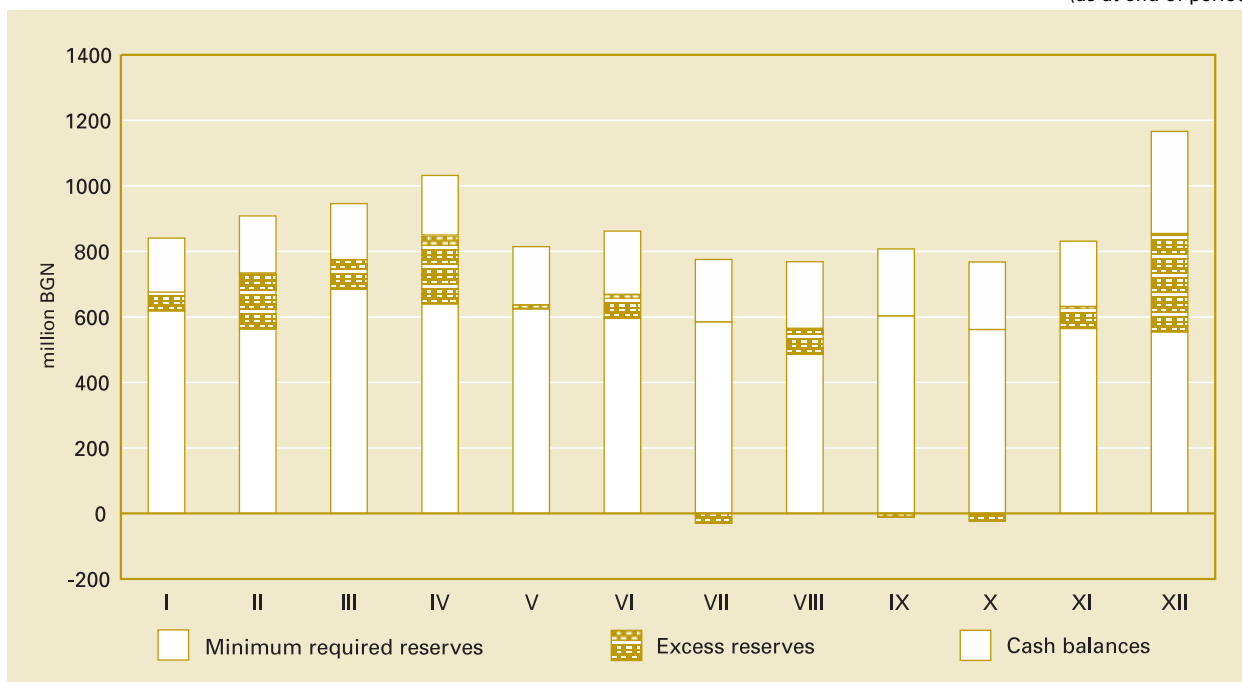
The structure of maintained reserve assets by type of currency dramatically changed in keeping with changed conditions in international markets. Due to lower international US dollar interest rates, banks preferred to hold reserve assets in dollars, while higher interest rates on the euro made it the preferred currency for investment abroad. As a result, the euro's share in reserve assets fell below 10%. In managing their current liquidity banks made extensive use of the opportunity provided by the central bank for euro sales to the BNB with a spot value date.

In general, over the entire review period lev liquidity in the banking system stayed high. The BNB Managing Board Resolution of 1 July 2002 under which 100% of banks' lev cash balances are recognized as a reserve asset led to a release of BGN 80 million, thus additionally contributing to the high liquidity maintained in the banking system in 2002. The effect of the Ministry of Finance fiscal policy on the banking system liquidity proved to be balanced with issues slightly exceeding matured issues.

Excess reserves of commercial banks grew significantly on 2001. They were evenly distributed by funds being sufficient to maintain a stable volume of interbank market transactions providing daily liquidity.

COMMERCIAL BANK RESERVES, 2002

(as at end of period)



Source: BNB.

Despite high overall bank liquidity, a few banks faced some difficulties in maintaining minimum required reserves, on certain days using more than 50% of reserve assets. These banks were

sanctioned under Regulation No. 21. Totalling BGN 13,341, the penalties were distributed among 15 commercial banks.

2.

The Financial Markets

The Government Securities Market

The Primary Market

The following changes occurred in the Ministry of Finance's 2002 issue calendar compared with the previous year:

- the interval between three-month discount government securities were additionally increased by up to a month;
- terms were selected so as to form a series of consecutive odd numbers: one, three, five and seven years. Two-year government securities were abolished and three-year issues were reinstated (issues with terms of over one year remained tap).

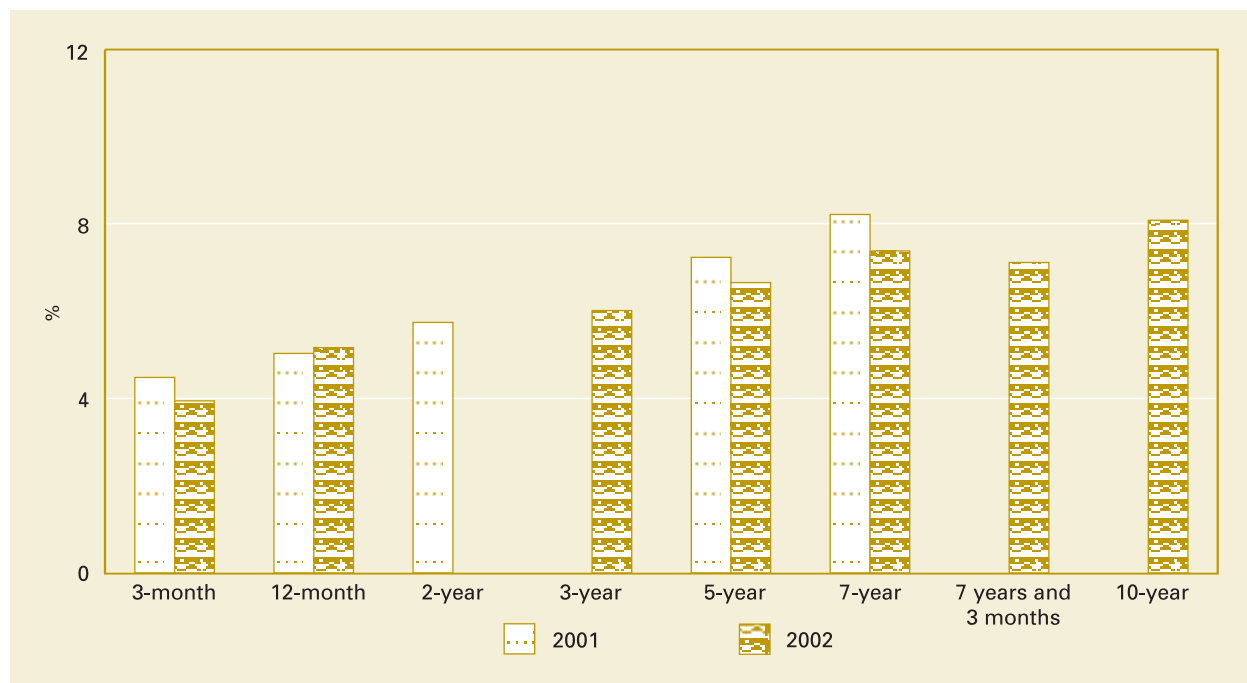
Additional issues were launched in 2002. This partially reflected enhanced demand for the seven-year government securities issue which was sold out ahead of schedule in January:

- a seven year and a three month government securities issue was launched in February and sold by May;
- a ten-year government securities issue was launched in April and sold by July;
- an extraordinary three-year government securities issue was launched in July and sold by November.

In early 2002 bids received for the first three-month issue were insufficient and the base rate attained at the auction increased to 4.78%. In the rest of the period the bid-to-cover ratio stayed around 2:1 and the base rate gradually fell to 3.31% by the end of the year.

As regards other terms, interest in the auctions varied significantly dependent on banking system liquidity and changing forex market conditions. In

AVERAGE ANNUAL YIELD OF GOVERNMENT SECURITIES AT ISSUE



Source: BNB.

the first quarter high (over 2:1) bid-to-cover ratios were maintained, yield at issue declining. In the second quarter of 2002 bid-to-cover ratios fell below 2:1. Yield at issue rose: the fall was limited to a minimum pace. Lower liquidity in the summer months led to a further decline in the third quarter, and the offered amounts in the three of the auctions remained unsubscribed: in July (for the last portion of the ten-year issue and the first portion of the extraordinary three-year issue) and in August (for the second portion of the five-year issue). The unsold portion of the three-year issue was offset by an increase in the third portion which was sold in November. The nominal value of the other two issues remained below projected figures. In the fourth quarter bid-to-cover ratios rose to about 3:1 (in particular cases to 6:1). However yield at issue went down.

Monthly sales of target issues earmarked for individuals moved between BGN 1 million and BGN 1.5 million, except in January and July when sales almost doubled. Monthly repayments exhibited similar trends, tending to exceed new issue amounts.

Bulgaria's global bonds issue of EUR 835.5 million nominal value, 7.5% annual interest and maturity date 15 January 2013, was sold on 22 March 2002, partly swapping Brady bonds, and partly for cash. The issue price was 96.617%. Simultaneously, Bulgaria's global bonds issue of

USD 511.5 million, 8.25% annual interest and maturity date 15 January 2015 was sold, fully swapping Brady bonds. The issue price was 93.681%. In addition, the issue maturing in 2015 was extended by a new swap of Brady bonds on 26 September, totaling USD 759 million nominal value, to reach USD 1,270.6 million. These international market transactions were followed by a new upgrading of Bulgaria's credit rating. On 7 October 2002 Standard & Poor's Rating Services upgraded Bulgaria's long-term sovereign foreign currency credit rating to BB+. Bulgaria's long-term credit rating for foreign currency was upgraded to BB with a positive outlook by Fitch Ratings on 29 October 2002. On 16 December 2002 Moody's Investors Service changed the outlook of the ceiling on Bulgaria's foreign currency denominated bonds, along with assigning B1+ rating to foreign currency government bonds.

The Secondary Market

Outright commercial bank transactions in government securities issued in Bulgaria (including transactions by investment intermediaries approved as primary dealers) rose just 1.1% on a year earlier. The volume of lev-denominated bonds went up by 8.9%, while the volume of foreign currency bonds (US dollar ZUNK bonds and analogous euro bonds) exhibited a four-fold decline. Government securities were traded only

outside the Bulgarian Stock Exchange.

Over the review period yield curves in Bulgaria and the eurozone moved downward, the convergence of the two yield curves' shape remaining almost unchanged with the exception of a stronger convergence at the three-month term point. Seven-year and ten-year government securities issues were included in the Reuters benchmark curve in January and August respectively.

Market participants did not renew previous years' attempts to trade government securities in the domestic market and euro bonds on the Bulgarian Stock Exchange in Sofia. Compensatory instruments (compensatory notes, housing compensatory notes and bearer bills) were the only government instruments accepted for trade in the *unofficial market* as of September. By the end of 2002 turnover amounted to BGN 61.8 million (two thirds in regular transactions and a third in block transactions). After an initial increase from a fifth to a third of nominal value, prices consolidated around a quarter of nominal value. Price movements reflected privatization expectations.

At the beginning of March Bulgarian Brady

bonds appreciated in the international market, reaching the 90% price line following the announcement of the pending Brady bond swap. In May Bulgarian Brady bond prices were again underpinned by expectations that the depreciated US dollar would raise the price of bonds issued by East European countries trading mostly with eurozone countries and having essential USD-denominated debts. By year-end prices ranged within the 92.5 to 95 band. The euro bond issue maturing in 2007 (denominated in euro) and new global bonds maturing in 2013 (denominated in euro) and 2015 (denominated in US dollars) have been appreciating most of the time, quotations reaching price levels of 102, 97 and 100 by mid-2002. Appreciated US long-term government securities crowded out the issue maturing in August to 103, and the expected higher liquidity pushed up the price to 103.75 a week prior to the extension made by a second Brady bond swap in September. Prices of the three issues went up immediately after the new credit rating upgrade in October, and by December prices reached levels of 107, 105 and 110 respectively.

The Forex Market and Registered Transactions between Residents and Nonresidents

The Forex Market

Overview of the Forex Market. In 2002 the total volume of transactions with two-day payment value day (spot, same and next day) increased by 11.3% on 2001 to reach EUR 23,366.6 million. The volume of transactions was evenly distributed in the two half-year periods (47.9% in the first half-year period against 52.1% in the second half of 2002). The negative balance between purchases and sales in the first half of 2002 was offset and by the end of the year banks (BNB included) reported net purchases, though amounting to just EUR 20.4 million. The BNB was again the main buyer in the market with net purchases of EUR 296 million.

Market Sectors. The total volume of bank transactions with final customers rose by 14.9% on 2001. Market developments throughout the year almost matched those of the previous year: 47% of the volume realized in the first half of the year and 53% in the second half of 2002 (against 45.6% and 54.4% respectively in 2001).

In 2002 the BNB share in the total volume of forex market was sustained close to the previous year's level (4.3% against 4.5% in 2001). The positive balance between BNB purchases and sales of

foreign exchange was a result of interbank market transactions (including commercial bank purchases of banknotes of euro components out of circulation of EUR 38.9 million). Compared with previous years, the trade with final customers (budget organizations serviced by the BNB) indicated a negative balance.

SPOT OPERATIONS WITH CUSTOMERS, 2002

(million EUR)

	Bought	Sold	Balance
Total	5,675.7	5,655.3	20.4
incl.			
commercial banks	5,478.3	5,304.5	173.8
BNB	197.4	350.8	-153.4
January – June	2,533.0	2,797.8	-264.8
incl.			
commercial banks	2,465.7	2,522.3	-56.6
BNB	67.3	275.5	-208.2
July – December	3,142.7	2,857.5	285.2
incl.			
commercial banks	3,012.6	2,782.2	230.4
BNB	130.1	75.3	54.8

Source: BNB.

THE INTERBANK SPOT MARKET, 2002

(million EUR)

	Bought	Sold	Balance
Total	6,017.6	5,568.1	449.5
incl.			
commercial banks*	5,568.2	5,568.1	0.1
BNB with commercial banks	449.3	0.0	449.3
January – June	2,927.7	2,856.8	70.9
incl.			
commercial banks*	2,856.9	2,856.8	0.1
BNB with commercial banks	70.8	0.0	70.8
July – December	3,089.9	2,711.3	378.6
incl.			
commercial banks	2,711.3	2,711.3	0.0
BNB with commercial banks	3,78.6	0.0	378.6

* Some imperfections in reporting lead to a minimal difference between the *Bought* and *Sold* columns, which should be equal.
Source: BNB.

BNB SPOT TRANSACTIONS, 2002

(million EUR)

	Bought	Sold	Balance
Total	646.8	350.8	296.0
BNB with commercial banks	449.4	0.0	449.4
BNB with final customers	197.4	350.8	-153.4
incl.			
with companies and budget organizations	140.6	327.6	-187.0
cash operations at tills	56.8	23.2	33.6
January – June	138.1	275.5	-137.4
BNB with commercial banks	70.8	0.0	70.8
BNB with final customers	67.3	275.5	-208.2
incl.			
with companies and budget organizations	38.9	256.7	-217.8
cash operations at tills	28.4	18.8	9.6
July – December	508.7	75.3	433.4
BNB with commercial banks	378.6	0.0	378.6
BNB with final customers	130.1	75.3	54.8
incl.			
with companies and budget organizations	101.7	70.9	30.8
cash operations at tills	28.4	4.4	24.0

Source: BNB.

Market Structure by Currency. In 2002 the euro continued to crowd out other foreign currencies from the forex market. The share of the single European currency reached 69% of total turnover against 65% a year earlier. This upward trend was sustained both in the interbank market (with a share of 81% against 75% in 2001), and in trade with final customers (56% against 53% in 2001).

Market Exchange Rates. Following record highs at the end of January, a result of US Federal Reserve System interest rate policy, the US dollar rate to the euro and other benchmark currencies gradually started to decline. In the fourth quarter the decline speeded up in line with the deepening Iraq crisis. Banks reacted adequately: the average weighted market rate maintained throughout 2002 (BGN 2.0549 *per* USD 1) was over two stotinkas lower than the official exchange rate (BGN 2.0770 *per* USD 1), while in the previous years this difference was usually less than a stotinka.

Transactions Registered at the BNB between Residents and Nonresidents

In 2002 registered transactions between residents and nonresidents in compliance with Bulgarian foreign exchange legislation totaled BGN 2,097.3 million. Financial credit transactions (financial credits from residents to nonresidents) dominated, amounting to BGN 1,923.3 million (91.7%). The bulk of these transactions included credits (including investment credits) extended to local companies with foreign participation or enterprises privatized by sale to foreign investors. By origin, European Monetary Union countries had the largest share (46.5%). In currency terms, euro credits (54.4%) ranked first, followed by credits in US dollars (32.6%).

Credits disbursed by residents to nonresidents totaled BGN 53.2 million against BGN 62.2 million in 2001.

Of the remaining transactions subject to registration, residents' deposits (accounts) with foreign banks comprised the largest share (4.45%) amounting to more than BGN 90 million (against approximately BGN 10.5 million in 2001).

Registered transactions on residents' collateral set in favor of nonresidents totaled about BGN 25 million against BGN 106 million in 2001. The decline of more than four times is indicative of strengthened nonresidents' confidence in residents.

Registered transactions of resident interest acquisition in foreign companies amounted to just BGN 1.6 million. Of note is that under Bulgarian law direct investment abroad (whereby more than 20% of the votes in the General Meeting of the foreign company is acquired) is not subject to registration with the BNB.

The Equity and Corporate Debt Securities' Markets

Trade Performance

The primary market (*the primary public offering market*) of the Bulgarian Stock Exchange, Sofia, was activated in May. By the end of the year bank and municipal bonds of BGN 14.7 million were sold on the *bourse* primary market. Other transactions with issuer participation in the secondary market included buybacks (repayment of shares by the issuers), worth BGN 0.4 million on the *unofficial market* in the first quarter, and a compensatory instruments swap for shares worth BGN 0.1 million on the privatization market at the end of 2002. Outside the stock exchange, primary market activity focused on banks' mortgage bond issues (lev- and euro-denominated). A corporate bond issue traded on the *bourse* fell due in early 2002.

The secondary market was reorganized in accordance with the provisions of the Law on Public Offering of Securities. The former Bulgarian Stock Exchange *free market* was transformed into an *unofficial bourse market*. Additional segments were established within the

unofficial bourse market: a compensatory instruments market launched in September, and an *unofficial miscellaneous book-entry securities market* with the first share acquisition rights traded in November. The volume of secondary *bourse* transactions in corporate securities totaled BGN 401.4 million (including BGN 0.5 million from share buybacks and compensatory instruments swapped for shares), or 98.6% of total turnover, worth BGN 407.2 million, plus insignificant over-the-counter turnover. Compared with 2001, *bourse* trade in corporate securities increased 2.5 times, and total trade turnover: 2.2 times. This growth was mainly attributable to big block and auction transactions in the *unofficial market*, to increased regular trade in the *equity unofficial market* (while *official market* trading was characterized only by transfers of block transactions into regular transactions), to enhanced bond trade (though limited only to corporate issues), and to acceptance of compensatory instruments for *bourse* trade.

VOLUME OF BULGARIAN STOCK EXCHANGE SECURITIES TRANSACTIONS

(million BGN)

MARKETS	EQUITY MARKET		BOND MARKET				OTHER	
	official market	unofficial market	official bond market			unofficial market	unofficial market	
Segments at which the instruments are registered	segments A, B, C	unofficial share market	government securities	municipal bonds	corporate bonds	unofficial bond market	compensatory instruments market	unofficial market of other book-entry securities
INSTRUMENTS AND TRANSACTIONS								
Trade in primary instruments, incl.:	23.2	295.8	-	-	2.5	17.1	61.8	0.2
regular	14.4	68.8	-	-	2.5	17.1	40.8	0.2
block, transfers	8.8	214.9	-	-	-	-	21.1	-
tenders	-	8.9	-	-	-	-	-	-
buyback	-	0.4	-	-	-	-	-	-
privatization market transactions (number)	-	2.9	-	-	-	-	-	-
Privatization market (against compensatory instruments)	-	0.1	-	-	-	-	-	-
Derivatives (BDCs), incl.:	-	0.7	-	-	-	-	-	-
regular	-	0.7	-	-	-	-	-	-

Source: Daily BSE – Sofia and Reuters reports.

Equity

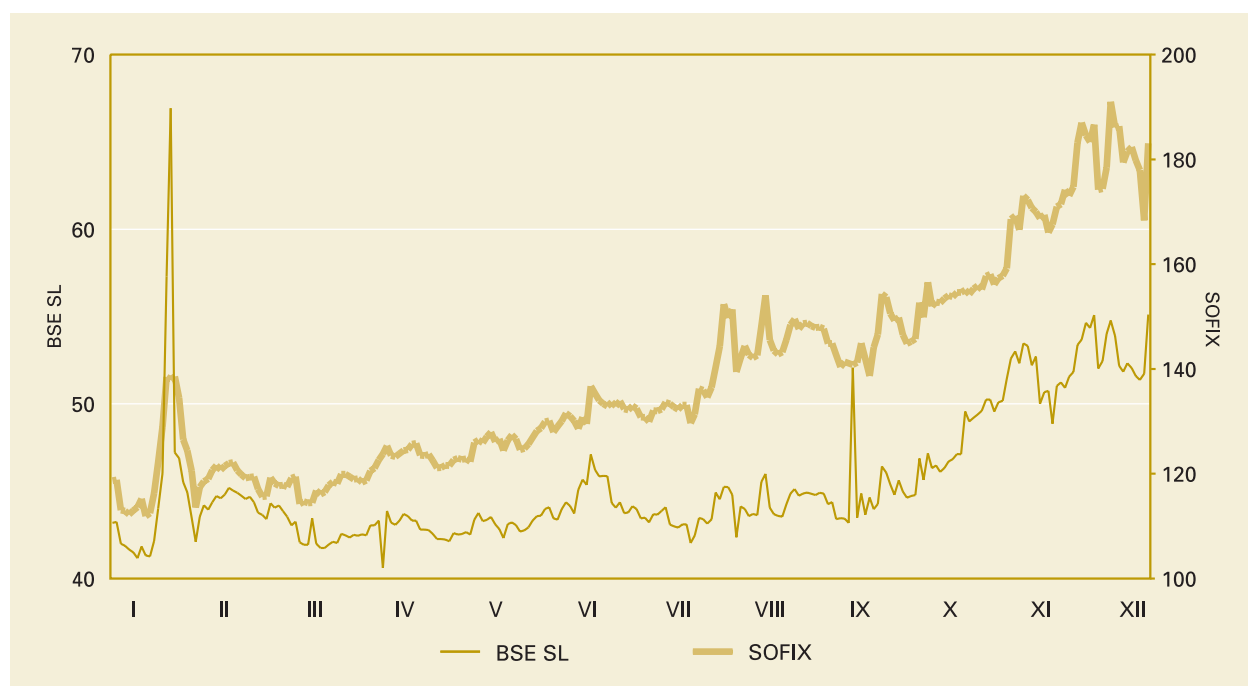
Stock exchange equity trade totaled BGN 319 million (the volume of over-the-counter transactions was BGN 5.8 million). *Official market* trading was more evenly distributed between regular and block deals. *Unofficial market* block deals (BGN 214.9 million) traditionally dominated *bourse* trade, particularly in the first half of 2002. The largest equity transactions included sales of shares of an oil refinery, a hotel, a paper mill, and a brewery. Big transaction prices normally exceeded those of regular transactions significantly.

SOFIX, the official price index of the Bulgarian Stock Exchange, Sofia, rose strongly in January due to the appreciation of chemical and tobacco shares. SOFIX reached a high of 138.59 percentage points on 23 January (a day earlier the *BSE*

Sofia Lazard index indicated a peak for 2002: to 66.92 percentage points and to 70.50 percentage points the *BSE Sofia Lazard –10* component). The high was followed by a slide, but by mid-year the SOFIX index again approached a high. A series of peaks were registered, with the highest on 10 December reaching 190.97 percentage points. The *bourse* index at the end of 2002 was 183.08 percentage points.

On the last business day, 20 December, market capitalization of companies whose shares were registered for trade on the Bulgarian Stock Exchange amounted to BGN 1,374.6 million (BGN 252.9 million for companies included in the *official market* list and BGN 1,121.7 for companies' shares accepted for trade on the *unofficial market*).

BOURSE PRICE INDICES, 2002



Source: Bulgarian Stock Exchange.

Bonds

Secondary market transactions in corporate debt securities registered at the Central Depository AD were effected only on the *bourse*. The number of instruments traded on the Bulgarian

Stock Exchange, Sofia, increased, reflecting placements in the *bourse primary market* and the acceptance for *bourse* trade of instruments placed out of the *bourse*. Exchange trade in bonds hit a historic high, totaling BGN 19.5 million.

3.

The Payment System and Settlement

Payments through BISERA

In 2002 the number of payments effected through BISERA increased by 3.5% on a year earlier and amounted to 24.6 million. The reported daily average number for the year was almost 98,000.

The value of total payments increased even more (by 11%), reaching BGN 71.4 billion. The average daily value for the period was BGN 283 million. The average amount *per* settlement also increased: from BGN 2,702 in 2001 to BGN 2,897 in 2002.

Budget payments again accounted for the largest share in 2002, at 64.15% by number and 48.52% by value.

At the end of the year the number of direct participants in the system was 751, or 14 more than that at the close of 2001.

Payments through BORICA

In 2002 transactions through the BORICA card payments system numbered 26.1 million, totaling BGN 2.23 billion. Compared with 2001, they rose by 69.45% in number and 75.2% in value. At the end of 2002 there were 829 ATMs (29% more than in 2001). The total number of POS terminals was 2,554 and the number of issued cards was 1,614,105: an increase of 63% on 2001. Comparison of data indicates a minimal improvement in bank card use, and substantial utilization of card infrastructure.

Payments on Transactions in Corporate Securities

In the review period 42,406 transactions in corporate securities were effected, totaling

BGN 422.1 million. The number of transactions decreased by 66% and their value increased by 120% compared with 2001. The value increase was attributable to the growing number of *bourse* transactions, and the smaller number reflected the decreasing number of over-the-counter transactions.

Settlement System Development

In 2002 the BNB, commercial banks, and system operators BORICA EOOD, Bankservice AD and Central Depository AD continued working on the RINGS project on the introduction of a Real Time Gross Settlement System.

During the reporting year preparation of the future national payment system's legal framework was completed. BNB Regulation No. 3 on noncash payments and the national payment system (to supersede the existing BNB Regulation No. 3 on payments), instructions to BNB Regulation No. 3 to supersede the existing banking unified standards, amendments to BNB Regulation No. 16 on the payments initiated by bank cards and BNB Regulation No. 19 on securities central depository were adopted. Rules and procedures for operating the Real Time Gross Settlement System and system operators were prepared and approved.

Projects on Reserve Collateral Pool Management and Procedures Regulation, and on Internal Rules for Operating the Real Time Gross Settlement System by the BNB were prepared for adoption.

A comprehensive program for training BNB and various commercial bank employees was implemented. Bank system and system operator trial programs were also initiated.

V.

The Banking Sector and Banking Supervision

1.

The Banking Sector

In 2002 international macroeconomic conditions were characterized by the efforts of developed countries' governments and central banks to boost business activity and economic growth. Substantial interest rate cuts in these countries, coupled with enhanced local economic agents' activity related to their increased borrowing requirements forced banks in Bulgaria to decrease their deposits in foreign banks and enhance lending.

During the reporting period the trend to growth in the volume of banking operations that was set in previous years continued. By the end of 2002 total banking system assets amounted to BGN 14,637 million, 19.9% up on the end of 2001. This growth reflected to a great extent an increase in the banks' lev component deposit base. Since banks consistently maintain forex assets and liabilities almost entirely in US dollars and euro, and since over the year the dollar/lev exchange rate fell by 15%, the increase in assets and liabilities in real terms was even greater. Due to the appreciation of the US dollar against the euro in 2002, and given the uncertainty about its future behavior, the major part of funds additionally invested in the banking system was in euro. Thus the liabilities of the banking system rose by EUR 658 million and USD 330 million, and its assets by EUR 520 million and USD 335 million.

Group I banks¹ (Bulbank, the DSK Bank, and the United Bulgarian Bank) reduced their market share from 46.1% to 43.4% over the year. This reflects mainly the decreased lev equivalent of USD-

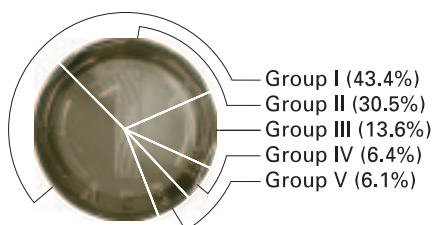
denominated Bulbank and United Bulgarian Bank assets. The Group's major feature was enhanced lending which posted a growth of BGN 682 million. To finance lending banks used part of BGN 539 million released from claims on banks, BGN 122 million of their cash, and part of BGN 428 million additionally accumulated deposits. The main reason for the increasing activity of Bulbank and the United Bulgarian Bank were the changed international and local conditions which forced them to reconsider their policy with a view to relying on alternative income sources providing higher efficiency. As a result in 2002 the Group's credit portfolio share in its total assets rose from 25.1% to 32.9%. Owing to the increase of total banking system assets, the Group's share in terms of this aggregate in total commercial bank credit rose insignificantly: from 34.1% to 34.7%. By 31 December 2002 Group I banks had 49.2% of the total deposits from nonfinancial institutions and individuals in the banking system and 44.6% of the system's total deposits. Over the review period the Group increased its deposits from nonfinancial institutions by 9.7% and its total deposits by 9.3%. This was attributable mostly to the sustainable growth of time deposits (by 9.8%) and savings deposits (by 18.6%).

Group II includes seven banks² with balance sheet figures of BGN 300 million to BGN 800 million. All banks in the Group increased their assets in the period under review. As a result, their share in total banking system assets rose

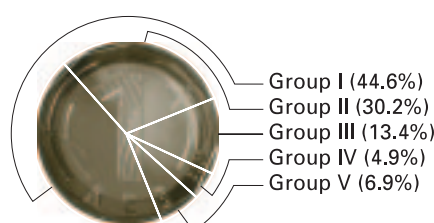
¹ To ensure precise monitoring of market share surveys, the nature of business profile and comparability in terms of supervisory regulations commercial banks were divided into four classification groups according to balance sheet figure as of 31 December 2001: Group I, over BGN 800 million; Group II, BGN 300 million to BGN 800 million; Group III, BGN 100 million to BGN 300 million; and Group IV, up to BGN 100 million. Group V comprises foreign banks' branches.

² In 2002 Raiffeisenbank was included into this Group.

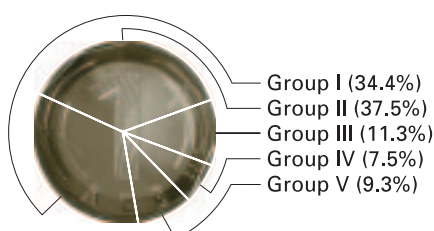
ASSETS, DEPOSITS AND CREDITS BY BANK GROUP



Assets as of 31 December 2002



Deposits as of 31 December 2002



Credits as of 31 December 2002

Source: BNB.

from 25.2% to 30.5%. All categories of assets in Group II increased, with credits rising the most to almost double. Thus, by end-2002 the credit portfolio of Group II banks comprised 37.4% of total banking system credit portfolio (against 28.1% by end-2001) exceeding the share of each of the other four Groups. Concurrently, the share of Group II banks in the deposits attracted from customers in the nonfinancial sector amounted to 30.3% at the close of the year. The share of credits

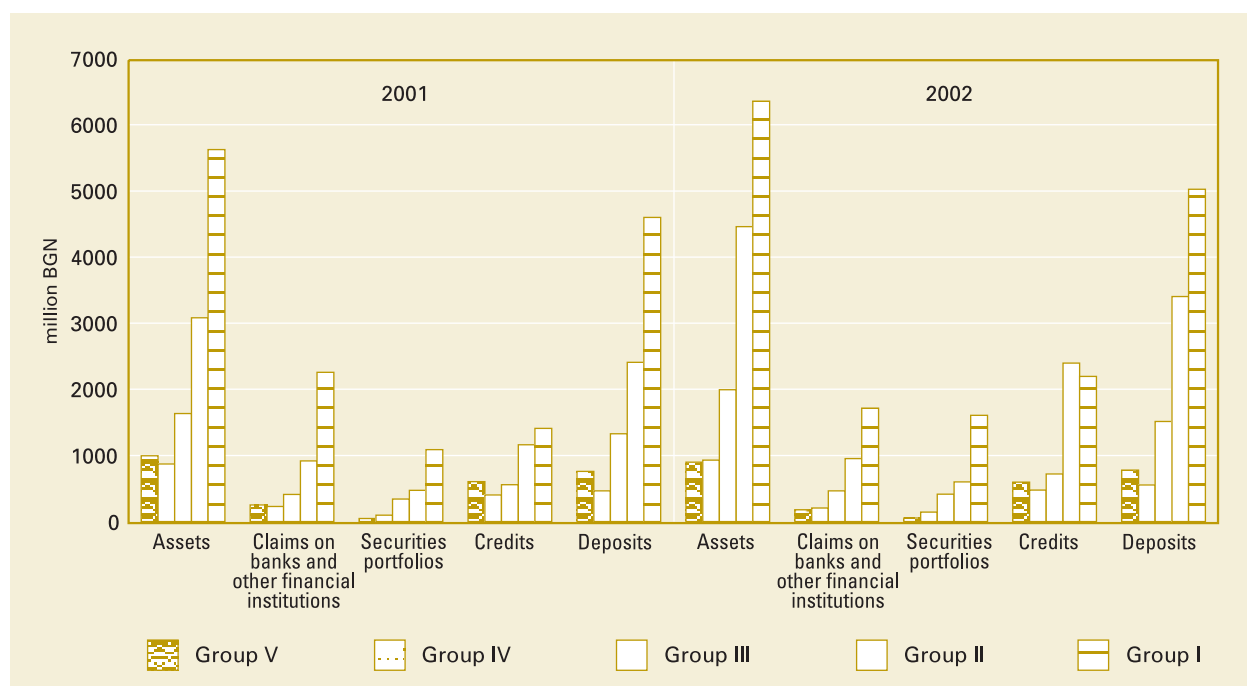
in the group's assets was 50.5%, the highest balance-sheet aggregate value compared with all the other commercial bank groups. The share of claims on banks and other financial institutions in the total amount of the group's assets came to 21.4% and that of securities in investment and trading portfolios comprised 2.4% and 11% respectively. The group posted the fastest growth rate of deposits (41.2%); however, this to a great extent reflected the merger of Biochim Commercial Bank with Hypovereinsbank. Even if this effect were disregarded, the increase would match the total rise in banking system deposits.

Group III includes eight institutions¹ with assets between BGN 100 million and BGN 300 million. Its market share stayed at 13.6%. The share of the Group's lending in total banking system credit decreased from 13.5% at the end of 2001 to 11.1% at the end of 2002, while deposits in banks increased from 10.1% to 13.1%. Additionally accumulated funds were invested in bank deposits, trading government securities and credits, and a large part of them remained in the form of funds (their share of total banking system funds was 23.7%). The increase in credit (19.6%) was comparable with that of total assets (21.6%) and their share in total Group's assets stayed low (33.5%) compared with that of the banking system (over 41.2%). The growth of deposits was moderate at 13.8%, the most significant increase being by deposits of other financial institutions (62.7%) and interest-bearing deposits (62.1%).

Group IV includes 11 banks with a balance sheet figure of up to BGN 100 million. Although two banks (Evrobank and the Bulgarian-American Credit Bank) were excluded from this Group, its share in total banking system assets decreased by less than a *per cent* to 6.4% by the end of the review period. In 2002 the major feature of this Group was investment of additionally attracted deposits, and conversion of part of the bank deposits into trading government securities and credits. Therefore, the share of trading portfolio government securities in total Group assets rose from 9.9% to 13.9%, the share of credits rising from 45.9% to 47.3%. Nevertheless, owing to enhanced lending by most banks in other Groups, Group IV lost 2.4% of its share of total banking system portfolio credit and by end-2002 its share was 7.3%. Deposit growth in the Group was among the highest in the banking system (19.5%); the largest increase was posted by the *Interest-bearing deposits from banks* (167.4%) and *Inter-*

¹ In 2002 the Bulgarian-American Credit Bank and Evrobank were in this group. Hypovereinsbank was also in Group III prior to its merging with the Biochim Commercial Bank.

DISTRIBUTION OF MAJOR MARKET SHARES BY BANK GROUP



Source: BNB.

est-bearing demand deposits (90.1%) aggregates.

The changes in **Group V**, including all foreign banks' branches, involved the exclusion of Hypovereinsbank's assets as implied above. If this effect were disregarded, the Group's activity was slightly enhanced. The three branches of Greek banks in Bulgaria increased their assets, the Citibank branch sustained its activity, while ING Bank's activity contracted as a result of repaid short-term bank finance.

In 2002 owing to the high activity of almost all banks in terms of lending and deposits attraction, the *Loans, deposits from customers in the non-financial sector* and *Total assets* aggregates, measured by the Herfindahl-Hirschman Index,¹ indicated a lack of market concentrations.

Privatization of the Biochim Commercial Bank ended in the second half of 2002. The new owner Bank Austria Creditanstalt acquired 99.59% of the Bulgarian bank's capital for EUR 82.5 million. As a result state ownership of banking system assets decreased from 18% at the end of 2001 to 14.2% at the end of 2002. Municipal ownership stayed at 2.4%. The other 83.4% of total banking assets were owned privately. The share of bank assets owned by foreign banks and investors in the sec-

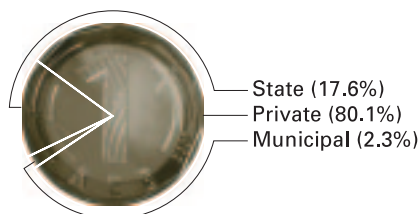
tor also changed, reflecting the Biochim sale: it rose from 70% at the end of 2001 to 72%.

Bank Assets and Liabilities

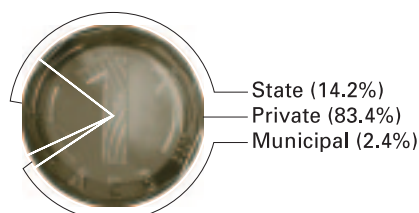
Deposits accumulated by the banking system in 2002, earning assets, and total assets, rose at comparable rates within the 18 to 20% band. The internal structure of earning assets also changed. The period was characterized by considerable lending expansion which reflected the major part of assets growth. Practically the entire banks' deposit base increase (BGN 1,718 million) was directed at credit investment which rose by BGN 1,890 million. In 2002 credit growth outstripped that of total assets by more than two-fold, its share in total assets increasing from 33.9% to 41.15%. The other most characteristic process of the reporting period was the fall in banks' placements by BGN 529 million, and the rise in government securities by BGN 795 million. This applied mostly to the forex component of the respective aggregates. Government securities newly bought by banks were mostly Eurobonds issued by EU countries' governments and American government agencies. In percentage terms, reductions in claims on banks amounted to 15.5%, while the

¹ The Herfindahl-Hirschman Index (HHI) accepts values of up to 10,000. A value below 1,000 indicates a lack of concentration. Values between 1,000 and 1,800 indicate acceptable concentration. Values over 1,800 are considered to indicate high concentration.

MARKET SHARE* BY TYPE OF OWNERSHIP



2001



2002

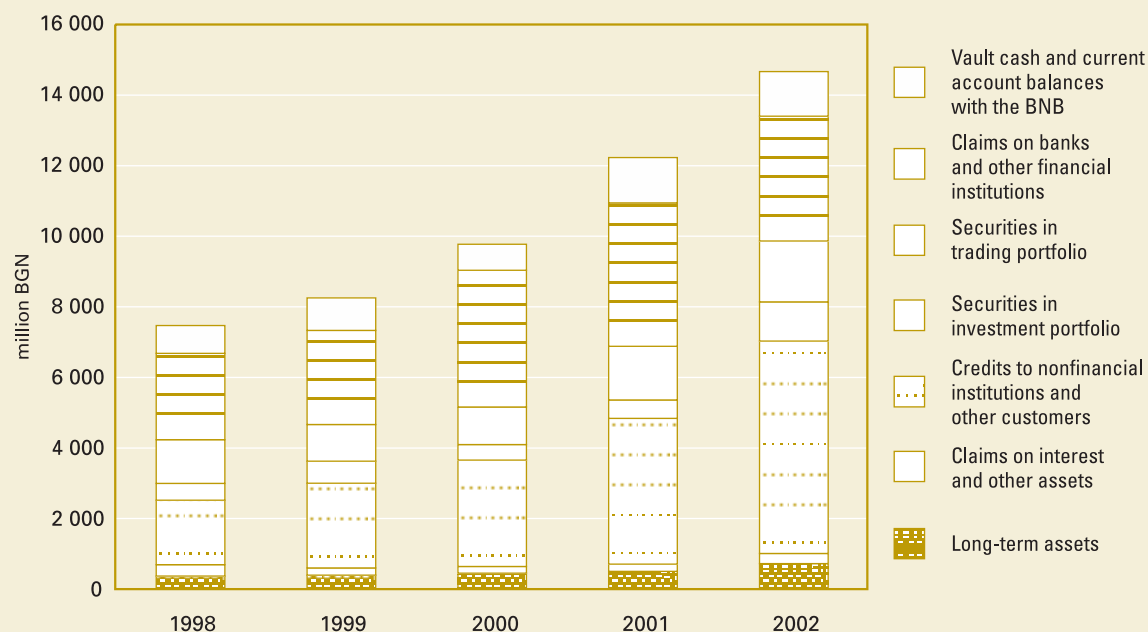
* Based on assets amount.
Source: BNB.

rise of government securities in the investment portfolio was more than two-fold. Thus, the share of claims on banks and other financial institutions declined from 33.3% at end-2001 to 24.2% at end-2002. Government securities in the investment portfolio accounted for 7.6%, and those in the trading portfolio for 11.8% (4.2% and 12.5% respectively at the end of 2001).

A sustained credit increase occurred both as a share of total assets and in absolute terms. The structure of the banking system balance sheet by bank group matched the policy pursued: enhancement of bank intermediacy through lending and the introduction of new banking services; an increase in the volume of securities in the investment portfolio; and maintenance of a high asset liquidity structure through a prudent level of bank deposits and securities in the trading portfolio.

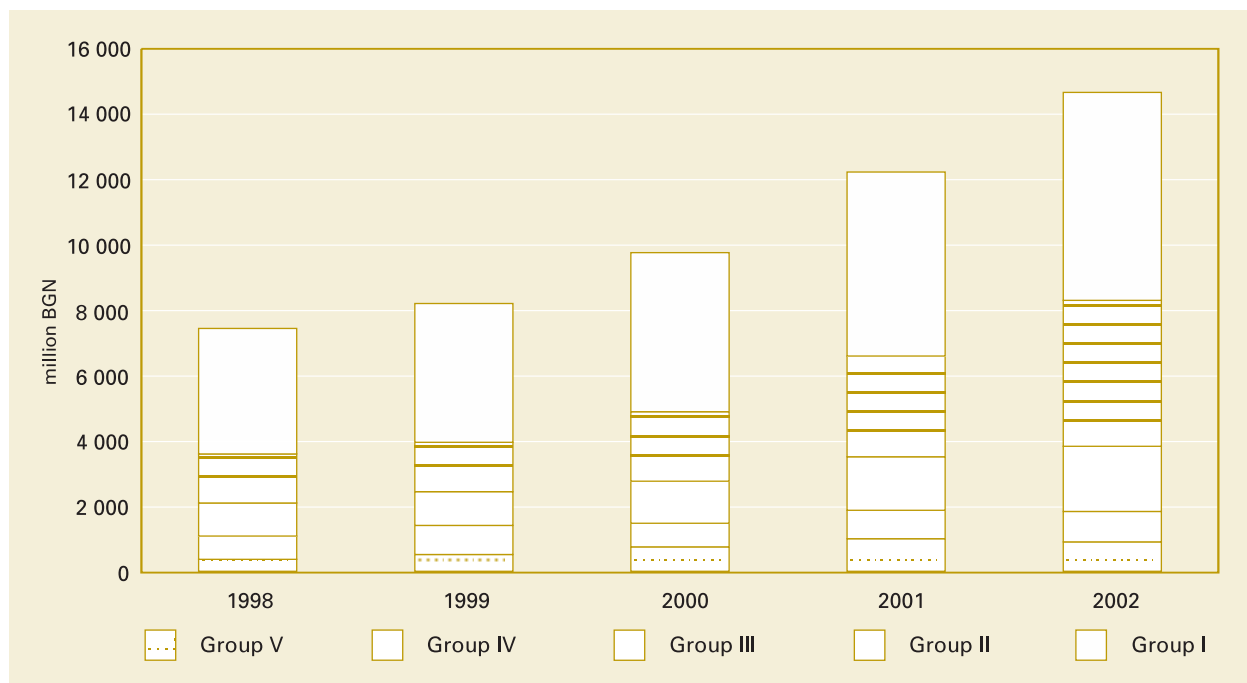
The sustained increase in deposits from nonfinancial institutions (by 16.2% compared with 2001) reflected the trend to a strengthening of confidence in banks. Overall deposit growth was 18.9%; the following financial aggregates posted the highest growth by individual component: time deposits from nonfinancial institutions (by 15.7%, or BGN 656 million), interest-bearing demand deposits (by 19.9%, or BGN 606 million), and bank deposits (by 41.6%, or BGN 291 million). Operations financing outside the deposit base also

VOLUME AND STRUCTURE OF BANKING SECTOR ASSETS



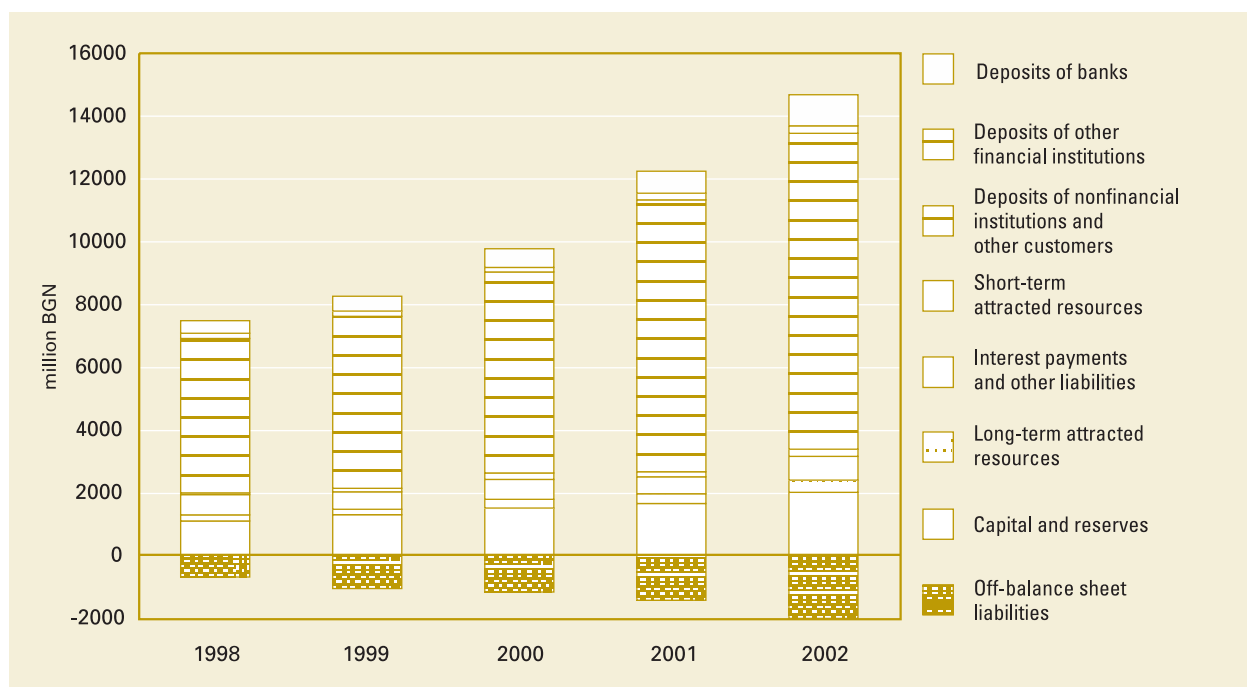
Source: BNB.

BANKING SECTOR ASSETS BY BANK GROUP



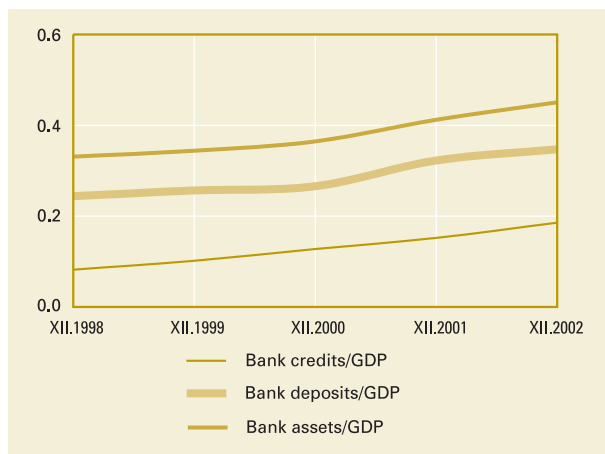
Source: BNB.

VOLUME AND STRUCTURE OF BANKING SECTOR LIABILITIES



Source: BNB.

DEGREE OF BANKING INTERMEDIACY IN THE ECONOMY



Source: BNB.

changed: short-term borrowed funds grew by 41.5% (BGN 67 million) and long-term borrowed funds by 25.2% (BGN 78 million). The increase ensured credit growth financing at the expense of borrowed funds and allowed banks to have asset reserves with a view to maintaining high liquidity.

As a result of the sustained banking system stabilization over recent years which broadened the range and improved the quality of banking services, the amount of bank assets increased. Measured by the *Banking system assets to GDP* ratio, their growth over 2002 amounted to 45.3%. Bank lending measured by the *Credit to GDP* ratio also rose by 19.8% in 2002. A similar trend emerged in the *Deposits to GDP* ratio which increased to 34.9% reflecting the extent of consumer confidence in banks. (By comparison, the *Credit to GDP* indicator in the eurozone stood at 250%, and in the Central and East European countries it was about 150%.) Analyses of these ratios and trends should take into account the limiting effect of the deposit level and its growth rate on banking system credit growth. It should also be borne in mind that transformation of deposits into credit measured by the *Credits/Deposits* ratio, stayed at levels comparable with those of developed market economies: the ratio rose from 48.5% at the end of 2001 to 56.7% a year later. In the bank intermediacy sector Bulgaria remains far behind the achievements of the developed market economies, though all major bank indicators characterizing it have recently shown sustainable upward trends.

Revenue, Expenditure, and Profit

Banking system post-tax profit amounted to BGN 262 million in 2002: down 13% on the previous year. However, almost half of it in 2001 was a result from provisions reintegrated by Bulbank to cover forex risk: a one-off extra revenue. If its effect were disregarded, 2002 bank profit was higher than in 2001.

Group I banks continued to have the largest share of profit last year: 65.8%. In the period under review enhanced activity by Group II banks contributed to the significant improvement of their financial results and to a higher share in total banking system profit: up from 18.6% in 2001 to 24.9%. Given the growing efficiency of banks, only three reported a loss at the end of 2002, while in 2001 they had been seven. However, in both cases the lossmakers were small banks which found it difficult to resist increased competition in the sector, or branches of foreign banks whose poor financial results were due to the specific character of their relations with parent banks. In 2002 the major source of revenue remained net interest income although its growth rate (10%) was half that of total assets computed as an annual average (19%). This reflected competition-driven contracting interest margins and interest rate falls in international markets. The growth rate of operating expenditure (9%) comparable to that of revenue from bank operations (9% for net interest income and 7% for profit from trade and revaluation) had a positive effect on banking system profitability.

In 2002 the banking system faced the following challenges to the level and quality of its profitability:

- overcoming falling deposit and debt interest rates by increasing the credit;
- maintaining revenue, spending, and profit (under low dependence on extra operations);
- balancing foreign currency positions to limit the effects of revaluation;
- maintaining stable resource costs while gradually decreasing credit interest rates;
- ensuring the prevalence of earning assets over interest liabilities which, coupled with unchanged asset quality, would ensure net interest income stability;
- keeping the 2001 level of operating expenditure.

The year saw major profitability components stay stable in amount and balanced as a share. *Net interest income* amounted to BGN 522 million: an increase of 10% on 2001. *Net profit from earning assets* was BGN 698 million: a decrease

BANKING SECTOR INCOME AND EXPENDITURE



Source: BNB.

of 4%. Although 2002 profit was less than in 2001, if the effect of reintegrated provisions and extra operations were disregarded, the result was comparable to the previous year (BGN 334 million in 2002 against BGN 309 million in 2001).

Year-on-year *return on assets* (ROA) was 2.01% compared with 2.74% in 2001 and year-on-year *return on equity* (ROE) was 15.58% against 20.49% in 2001. These indicators' values showed a good average level of operating efficiency and pointed to the presence of sources in the banking system for capital growth from own funds. However, it should be noted that, as a rule, banks which in principle do not need capitalization enjoy high profitability. Conversely, those which need additional capital are unable to ensure growth on the account of their operations.

Despite the insignificant net interest income reduction (from 4.35% at the end of 2001 to 4.02% at the end of 2002), stabilization of spread and income at levels ensuring permanent and significant total interest income was reported. From the beginning of 2002 interest income was 2.41% for deposits, 10.95% for loans, 7.79% for investment securities, and 7.76% for interest assets. Over 2002 the financing price of operations accounted for 2.21%. Obviously, the reduced price was offset

by increased amounts: in 2002 growth reached some BGN 1,644 million. These interest spread figures coupled with the large share of high quality earning assets (provided that banks adhere to existing bank operations and risk management practices) may be treated as an *indicator of stable interest income in a medium run of six to 12 months*.

In 2002 *trade and revaluation* income reached BGN 189 million against BGN 176 million in 2001. Compared with total assets, this indicator decreased slightly from 1.61% in 2001 to 1.45% in 2002. The significance of this revenue source reflects banks' willingness to form a sound package of instruments in the trading portfolio which ensures both liquidity risk cover and institutions' profitability balancing.

Analysis of the return on assets measured through income from bank operations (the so-called adjusted ROA¹) indicated a value of 2.57% for the banking system; some banks reported negative values.

At the close of the year the number of full-time employed in the banking system was 21,616 (against 22,266 at the end of 2001); assets totaled approximately BGN 677,000 *per employee*.

¹ Adjusted ROA is calculated by subtracting net reintegrated provisions from operating pre-tax profit/loss and the result is correlated to assets.

RATIOS AS A PERCENT OF AVERAGE ASSETS

(%)

	XII.2002	XII.2001
Net result (post-tax ROA)	2.01	2.74
Pre-tax profit/loss (pre-tax ROA)	2.66	3.81
Net interest income	4.02	4.35
Profit from trade and revaluation	1.45	1.61
Operating expenditure	4.63	5.05
Foreign currency revaluation	0.07	0.02
Extra revenue	0.02	0.28
Net interest income/average interest-bearing assets	5.30	5.52
Interest income/average interest-bearing assets	7.51	7.99
Interest expenditure/average interest-bearing assets	2.21	2.46
Return on equity (ROE)	15.58	20.49

Source: BNB.

2.

Compliance with Prudent Banking Requirements

System Risk Profile and Major Types of Risk

During the period under review no changes occurred in the parameters of the major risk types typical of the system. The increase in borrowed funds as a result of asset restructuring did not stimulate banks to conduct high risk transactions, instead prompting them to attract new types of customer by diversifying products and services. *System risk profile* retained its major features: a high degree of borrowed funds cover with liquid investments; successful diversification of credit risk through enhanced lending and mortgage products; covering the trade lending segment (which permanently needs working and investment capital) and guaranteed borrowers' ability to service obligations; moderate growth and share of the developed and emerging markets instruments investment portfolio in banks' assets. Banks' financial intermediacy policies, central to changes in their role within the system, tended to be more flexible.

In respect of major types of risk, the picture was as follows: credit risk remained dominant, with practically all banks indicating enhanced lending. Over the review period loans increased by 42.15% (BGN 1,890 million); of this, approximately BGN 1,595 million (the increase in consumer loans excluded) was loans disbursed to private companies. Prudent management of this type of risk was evidenced by the analysis of the credit risk forex component. The amount of EUR-denominated loans by the end of 2002 totaled

EUR 1,193 million, and US dollar-denominated ones came to USD 454 million. Loans denominated in euro exhibited 93% growth, while USD component growth was 17%. Obviously, banks made efforts to resist the temptation of combining forex and credit risk. Analysis of the degree of concentration risk shows similar processes. A study of the entire system's loans exceeding BGN 1 million (based on commercial bank credit portfolios processed by the Banking Supervision Department) suggests that the loans total (excluding allocated provisions) amounted to BGN 3,492 million. Standard loans accounted for 90.65% of this, and those classified as loss made up 2.14%. Data analysis shows the lowest risk to be in **consumer loans** (standard loans accounted for 97.52%) and **housing loans** (95.84%), and the highest risk to be in **trade** (87.68%) and **miscellaneous loans** (88.37%). This reflects the ambition of most institutions to enhance placements in the consumer segment, as well as the high liquidity in the market for mortgage bonds, which were intensively issued in 2002. The dramatic decline in the average amount of newly extended consumer loans (in some institutions the average amount fell under BGN 1,000) also pertains to these processes.

Currency risk was efficiently controlled and limited to a short position, accounting for 3.75% of banking system capital by the end of 2002. Foreign currency assets subject to regulation totaled BGN 3,728 million, and foreign currency liabilities: BGN 3,751 million. Within the regulatory position the US dollar position continued to dominate with

assets of USD 1,976 million and liabilities of USD 1,988 million, individually forming an exposure to the capital as a short position of 5.63%. In the aggregate position, the euro accounted for EUR 2,125 million in assets and EUR 1,661 million in liabilities. This structure is typical of the banking system and reflects banks' efforts to minimize the risk of devaluing foreign currency exposures. There were no signals of forming foreign currency exposures with market, credit and foreign currency risks layered to levels exceeding the admissible decrease in the capital of an individual institution.

Despite the efficient control over market risk (clearly pronounced in institutions of systemic importance, in subsidiaries, and in some foreign banks' branches) it may be asserted that it is a problem issue for some local institutions. On-site inspection findings suggest insufficient knowledge of major risks associated with the formation of instrument packages extremely sensitive to market changes; an inclination to dealing in derivatives; and underestimation of the need to formulate detailed rules for loss management and minimization as a result of such operations. Irrespective of the fact that such operations are isolated rather than regular, the occurrence of such risks requires heightened attention by supervisory authorities, and where necessary corrective supervisory measures.

Liquidity risk remained among the least acute and threatening problems of the banking system. The cover of borrowed funds with tradable assets stayed good despite the lack of signs of deposit pressure and/or cashflow reorientation in the system. There were no indications of problems in BNB minimum required reserve maintenance.

The Banking Supervision Department stress test, including such major hypotheses as currency risk sharpening, interest rate fluctuation, and credit portfolio deterioration, did not indicate serious threats where any of the above scenarios might apply sporadically. In practice no bank was sensitive to the currency stress hypothesis.

Capital Position State and Trends

Despite the decrease by some 6% on the end of 2001, the banking system's *capital adequacy ratio*¹ remained high at 25.16%.

This was attributable to the higher growth of the total risk component compared with own funds. Risk component growth reflects the increase in banking system assets (19% on an annual basis) accompanied by continuous restruc-

turing and lending expansion. The share of placements in banks with the lowest risk component exhibited a decline. Banking system own funds have been increasing mostly at the expense of additional capital reserves (from positive financial result and reserves from assets revaluation), rather than from permanent sources such as shareholder capital. Banks' shareholder capital rose by BGN 72 million. *Decreased capital ratios have not caused concerns* yet due to the low problem assets ratio: by the end of 2002 problem assets accounted for 26.5% of banking system assets and provisions remained almost unchanged.

The distribution of banks by average capital adequacy ratio stayed unchanged. The capital adequacy ratios of banks of systemic importance and most Group IV banks were higher than the banking system average. *The risk of credit concentration to a limited number of credit borrowers in smaller banks also requires a higher level of own funds.*

No reasons for supervisory concern were established in banks reporting capital adequacy ratios close to the minimum regulatory requirement. However, it should be taken into account that such capital levels and capital adequacy ratios may become an internal hindrance to asset growth. Approximately one third of all banks reported capital adequacy ratios ranging between 15% and 25%.

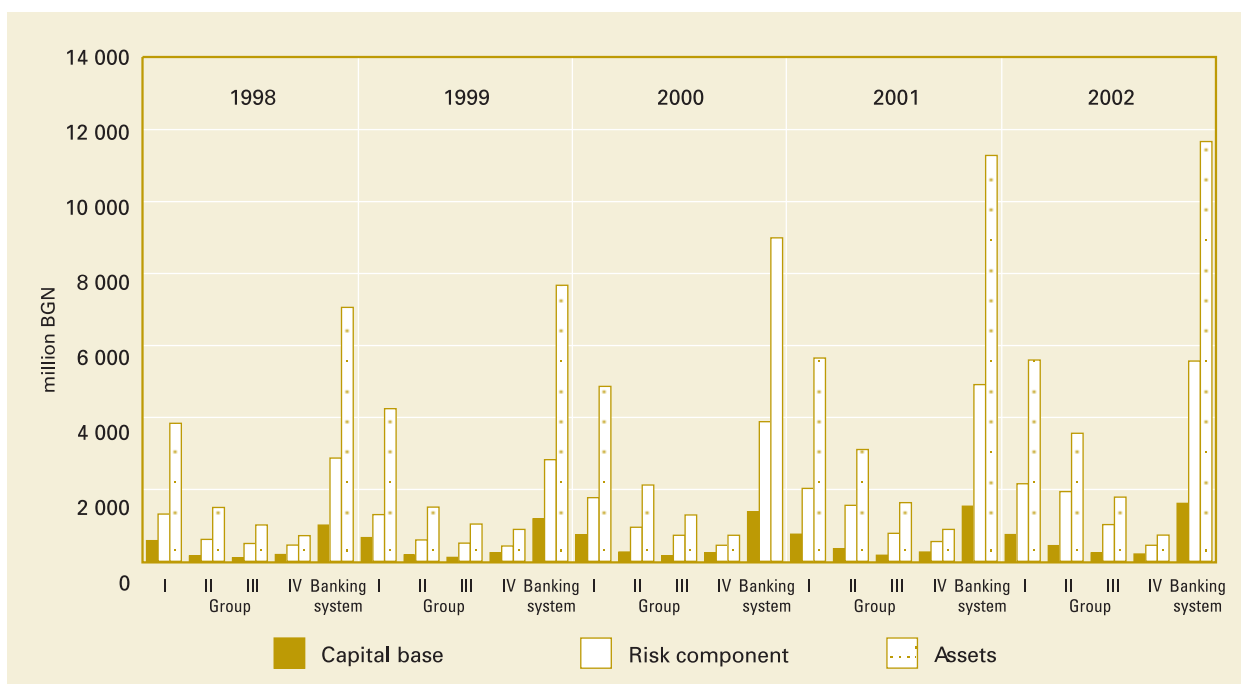
The surplus of risk-weighted capital, reflecting the balance between the reported values and minimum admissible capital level required to maintain the statutory 12% capital adequacy ratio, was sustained in the banking system. This surplus totaled BGN 907 million for the whole banking system. By bank group it was distributed as follows:

- Group I: a surplus of approximately BGN 465 million
- Group II: a surplus of approximately BGN 188 million
- Group III: a surplus of approximately BGN 105 million
- Group IV: a surplus of approximately BGN 149 million.

These values were based only on the 12% capital adequacy ratio indicator. *Upon introduction of the limit on minimum own funds (capital base) under the Law on Banks, the capital surplus reported by Groups III and IV, as well as the total banking system surplus, shall decline by BGN 40 million.*

¹ In computing capital indicators foreign banks' branches are excluded.

DYNAMICS OF ASSETS, RISK COMPONENT AND CAPITAL BASE



Source: BNB.

CAPITAL ADEQUACY RATIOS FOR TOTAL BANKING SYSTEM AND BY BANK GROUP

(%)

	Total capital adequacy				Primary capital adequacy				Degree of assets coverage			
	1999	2000	2001	2002	1999	2000	2001	2002	1999	2000	2001	2002
Group I	50.0	42.0	37.0	28.7	34.9	26.3	23.3	17.4	15.5	15.2	13.3	12.6
Group II	28.8	27.4	22.6	19.3	18.4	19.3	14.9	12.5	11.2	12.2	11.3	11.1
Group III	22.3	20.5	21.8	23.1	17.7	16.5	17.2	17.5	10.7	11.4	10.4	10.9
Group IV	52.8	51.3	46.7	37.3	45.6	44.8	40.2	32.3	26.0	31.7	28.8	23.5
Total	41.3	35.5	31.1	25.2	30.3	24.9	21.6	17.0	15.3	15.2	13.6	12.6

Source: BNB.

Banking System Asset Quality

Despite the increase and restructuring of balance sheets typical of the whole review period, the indicators measuring the quality of bank assets remained stable.

Problem assets¹ accounted for 26.15% of own funds and provisions, a decrease by some 3% on 2001. In absolute terms, the amount of problem assets was BGN 514 million.

Classified assets as a share of capital and provi-

sions accounted for 25.48% (against 28.8% in 2001).

The share of classified loans extended to nonfinancial institutions² fell to 7.72% of total loans against 10.6% a year earlier.

The positive evaluation of credit risk control was supported by the indicator showing the share of classified loans as *doubtful* exposures and *unprovisioned* loss: it went down to 1.49% in total lending, increasing insignificantly by some BGN 8 million in absolute terms.

¹ Problem assets are loans to nonfinancial institutions, claims on banks and other financial institutions, other assets and off-balance sheet items classified as *watch*, *substandard* and *doubtful* exposures, and those classified as *loss*, less the provisions on loans classified as *loss* plus resale assets.

² Classified loans extended to nonfinancial institutions are loans to nonfinancial institutions classified as *watch*, *substandard* and *doubtful* exposures, and those classified as *loss*, less the provisions on loans to nonfinancial institutions classified as *loss*.

The acuteness of credit risk in the *banking system* clearly remained low irrespective of progressively growing lending both as a share of total assets and in absolute terms.

Over 2002 the amount of big exposures exhibited continuous moderate growth to reach 94.59% of the capital base (against 56% in 2001).

The aggregate data based on commercial bank reports on *classified risk exposures* reveals that these assets also maintained their good quality. By the end of 2002 they totaled BGN 10,067 million, with the share of standard exposures accounting for 93.51%, and that of exposures classified as loss: for 2.09%.

Identical trends occurred in *loans*. The share of standard loans to nonfinancial institutions and other customers made up 90.20%, and loans classified as loss accounted for 2.88%. (At the end of 2001 these indicators stood at 85.87% for *standard exposures* and 4.53% for those classified as *loss*.)

Group I banks continued to maintain the lowest degree of portfolio classification. Standard exposures accounted for 95.92% of the Group I credit portfolio. Loans classified as doubtful and loss accounted for 2.43% of the portfolio. This group featured significant credit potential and sizable capital which allows it to assume bigger concentrations.

The quality of *Group II banks' loans* was sustained as a whole: standard loans comprised

88.89% of the portfolio, and the share of loans classified as doubtful or loss fell to 4.75%.

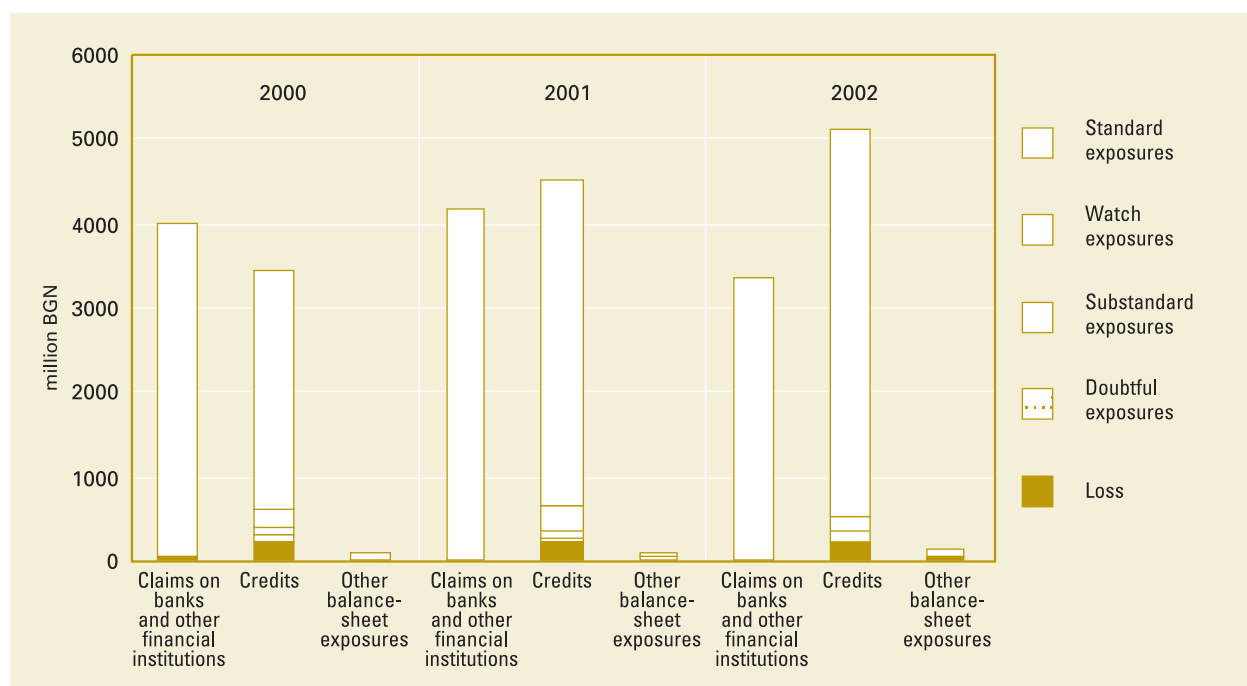
The review of the loan portfolio of *Group III banks* reveals a sustained share of standard claims: 81.44%, or well below the shares of Groups I and II. The share of loans classified as doubtful and loss comprised 5.99%.

The share of *Group IV banks' loans* increased slightly to 7.5% in total loans. Standard loans accounted for 85.94% of this, and those classified as loss: for 4.54%.

The level of classified exposures of *foreign bank branches* also remained low: standard exposures comprised 88.44%, while those classified as loss accounted for 0.05%.

The conclusions that credit risk was controlled adequately and acuteness was low should be evaluated against the background of the entire range of services. Banks remained conservative in respect of credit facilities and very stringent in selecting borrowers. They clearly show an interest in intensifying consumer and housing lending where the combination of the credit amount and collateral liquidity ensures a claim classification below the average for the portfolio. Concurrently, the attempts to intensify lending, particularly to small and medium companies, bring particular difficulties for banks. Some companies still have problems making their business and turnover transparent when applying for loans: something

VOLUME AND CLASSIFICATION OF EXPOSURES IN THE BANKING SECTOR



Source: BNB.

essential in considering their applications. There are grounds for assuming that most of these companies are genuine and comparatively successful businesses, which however dabble in the shadow economy. The need for working capital has forced them to seek bank intermediacy but the need to provide a business history (in many cases going back at least three years) impeded their access to credit. In this context, a certain relaxation in the criteria for parties of whom it is known that they may utilize loans successfully, would not be surprising. However, experience suggests that this may result in worsened exposure classification.

Banking System Liquidity Position

As a result of continuous balance sheet restructuring and of the shift of assets into high-risk assets, the *tradable assets to total assets* ratio¹ decreased from 48.04% at the end of 2001 to 40.03% a year later.

Throughout 2002 liquidity risk stayed low.

There were no banks experiencing liquidity deficiencies, with a higher share of tradable assets used as resources in payments. The *tradable assets to borrowed funds* ratio stayed high (48.88%) and proved sufficient to meet potential runs. Of note is that commercial banks' prudence reflects efforts to maintain a significant volume of tradable assets despite the lending increase both in absolute terms and as a share in the assets structure. Asset growth (especially loans) continued to be financed from stable sources with the share of noncore borrowed funds² remaining small (9.92%), and their cover with tradable assets increased more than four fold. By the end of December the *loans to deposits* ratio was 56.7% against 48.4% a year earlier. Given the unchanged structure of financing and the reduced share of classified loans, the value of this indicator did not cause concerns.

A possible run on deposits (within 20 to 40% band) in the short run would not threaten banking system stability.

3.

Banking Supervision throughout 2002

Supervisory Policy, Regulations, and Accounting Methodology

In compliance with the National Program for Adoption of *acquis communautaire*, and particularly with the adoption of best banking practice, in 2002 the Banking Supervision Department aimed at improving the legal framework and supervisory activity. Along with the gradual harmonization with EU standards, banking supervision policy and activity were aimed both at maintaining the stability of the financial system, and at creating prerequisites for establishing a sound basis for the further development of financial intermediacy in the economy.

Bulgarian progress on compliance with Copenhagen criteria on the freedom to provide financial services was deliberated in negotiations with European Commission Subcommittee 2 held in April 2002 on Bulgarian accession to the EU. The Committee noted the significant degree of harmonizing the internal banking and banking supervision legal framework with EU Directives on credit institutions.

Prior to the last European Commission review in November 2002, experts from EU member country supervisory institutions conducted a *peer review* of the state of Bulgaria's financial sector and the progress of supervision over it. The team evaluated the state of the financial sector and of supervision as very good in the context of the Basle Committee on Banking Supervision efficiency principles and of European Community Directives. The amendments to the Law on Banks and adoption of the Law on Bank Bankruptcy were also positively appraised. The review addressed issues related to, *inter alia*, supervision on a consolidated basis, capital adequacy with market risk reporting, and bank transactions with related persons. The results of the review were included in the February to March 2003 expert group report. The European Commission evaluation will be published later.

In compliance with the supervisory policy, and with previous years' recommendations by international financial institutions (the IMF, the World Bank and the Bank for International Settlements), the Banking Supervision Department prepared

¹ Tradable assets include: cash, deposits with banks (excluding those classified other than standard) and all treasury bills and bonds issued by the Bulgarian government.

² Including all banks' borrowed funds by banks, other financial institutions and short-term borrowings.

and proposed amendments to the Law on Banks. Amendments adopted by the National Assembly in the first half of 2002 were intended to apply the principle of transparency of equity ownership and bank structure in a consistent manner. With the adoption of the amendments to the Law qualification criteria and requirements to persons applying for a management position in a commercial bank were liberalized and those for experience in banking were made explicit.

The Banking Supervision Department actively participated in the work on the Law on Bank Bankruptcy which was adopted by the National Assembly in the fall of 2002. The philosophy of this Law rests on the need for faster and more efficient bankruptcy proceedings against insolvent credit institutions, and for more stringent control over assignees-in-bankruptcy intended to ensure fair repayment to depositors and other creditors. Banking Supervision Department experts took part in interagency work groups on harmonizing the Law on Measures against Money Laundering and the Foreign Exchange Law with EU Directives, improving the legal framework on commercial bankruptcy. The experts also participated in working parties of the Coordination Committee which is preparing Bulgarian accession to the EU.

In respect of BNB and banking sector preparations for smooth accession and full integration into the EU financial system, a Cooperation Agreement was concluded between the BNB, on the one hand, and the Banque de France and De Nederlandsche Bank, on the other. In the field of banking supervision the project under the Agreement includes further harmonization and regulation of banking legislation. Special attention is paid to the scope and enactment of the Law on Banks and of its definition; launching and regulating new instruments generating additional bank capital; improving bank licensing; improving supervisory measures for rehabilitating credit institutions; and license revocation. Banking supervision efforts will focus on trade financial instruments and measuring risks associated with them in regulating capital adequacy ratio.

Changes in bank accounting. During 2002 the Banking Supervision Department prepared new forms of commercial bank financial and supervisory accounting intended to improve the bank supervision system in line with International Accounting Standards for Financial Institutions by early 2003.

New accountancy forms include items for additional, risk-oriented information on credit institutions' operations and their results.

The system of supervision over banks is an important instrument for monitoring trends in the banking system, and for maintaining and guaranteeing its security and stability. To this end, the new financial reports will enforce best banking supervision practice and implement Basle Committee on Banking Supervision recommendations. The information provided in the new financial report forms allows more efficient risk analysis of individual banks and of the banking system as a whole, and lays bare commercial banks' risk management policies. Financial reporting and publication of risk exposures will result in a more stringent observance of financial discipline by disclosing the real financial performance of banks. Statistical reporting both for internal and external use will also improve. The new financial reports are designed for the purposes of banking supervision and do not replace banks' IAS probity accounts for shareholders and the public. With the introduction of the new financial reports the number of report forms and their format under BNB regulations and the additional information to be regularly provided to the Banking Supervision Department was changed and approved. The report on capital adequacy ratio was radically changed. By the end of 2002 instructions on preparing supervision reports had been revised in line with the changes in banks' financial accountancy.

Changes in Supervisory Regulations.

Regulation No. 8 on the Capital Adequacy of Banks was amended in compliance with the updated list of OECD member countries. The group of zero-weighted bank assets was extended. Claims on countries and their central banks outside the list under Appendix No. 1 to Regulation No. 8 shall also be included in this group, provided they are denominated and financed in the national currency of the respective country. The application of zero weights is tied to the ratings assigned by internationally recognized credit agencies (Standard and Poor's, Fitch IBCA, and Moody's) of the countries included in Appendix No. 1. Treatment of bank exposures fully secured by assets of these countries and central banks was liberalized. The required risk weights shall apply only to the unsecured portion of exposures.

The risk weighting of claims on international and regional banks and other financial institutions, as well as claims secured by securities issued by them or any other security, was brought into line with the recommendations of Directive 2000/12EU. The weight of these claims was increased from 0 to 20%.

Regulation No. 7 on the Big Exposures of Banks was also amended in line with the amendments to Regulation No. 8. These amendments also comply with the provisions of Directive 2000/12EU. Exposures to which no constraints obtain under the Law on Banks Article 29 now also include those to countries and central banks or those guaranteed by them, provided they are denominated and financed in their national currency. Should the residual term to maturity be up to one year, exposures to banks licensed in the countries specified in Appendix No. 1 to Regulation No. 8 shall decrease. Constraints are to be imposed dependent on the assigned credit rating. A new Regulation No. 9 on the evaluation and classification of risk exposures of banks and the allocation of provisions for impairment loss was adopted, consistent with the enforcement of the principles prescribed by International Accounting Standards for Financial Institutions (IAS): IAS 39, *Financial Instruments: Recognition and Evaluation*; IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*; and IAS 32 *Financial Instruments: Publication and Presentation*. The new Regulation provides for the enforcement of claims evaluation principles under International Accounting Standards. Risk exposures shall be classified individually and on a portfolio principle. Special provisions on exposures to individual countries shall be formed. A new approach shall be applied in considering high-liquid securities (of best quality): they shall be included in the expected cash flow of respective claims.

The new *Regulation No. 20* establishing the procedure for issuing and revoking certificates of adequate qualification and experience in banking was adopted in line with Law on Banks requirements.

Preparatory work for the new Basle

Agreement on Capital. The new Basle agreement on capital comes into effect in 2006. On 1 October 2002 the Basle Committee on Banking Supervision sent national supervisory authorities a set of questionnaires and methodological instructions to test the draft of the new Agreement, which will replace the 1988 one. The Quantitative Impact Study 3 (QIS 3) is aimed at establishing how the new methods of computing risk-weighted assets, and those for computing operational risk, will impact the capital adequacy ratios of banks in individual countries. The results will be used to improve the project.

The Bank for International Settlements and the European Commission agreed that EU accession countries would be represented in the test by bigger banks concentrating a significant portion of banking system assets. Bulgaria is represented by

eight banks holding 64% of banking system assets. Participation will help organize the enactment of these new supervision requirements.

Upon introduction of the new Basle Agreement's standardized approach, credit risk capital requirements (mostly in exposures to countries and banks) are expected to increase. The capital base will be additionally burdened due to reporting the operational risk. Provided present levels of own funds are sustained, Bulgarian banks would comply with capital adequacy requirements.

Supervisory Administration, Licenses, and Permits

In 2002 legal and administration activities took two major directions: comprehensive Banking Supervision Department legal measures, and administering applications for issue of licenses to conduct bank transactions and permits under the Law on Banks and its application guidelines, and certificates under Article 9, para. 2 of the Law on Banks. The Banking Supervision Department continued to oversee the work of assignees-in-bankruptcy in insolvent banks.

The major legal measures activity of the Department involved acting against banks violating statutory requirements. Over the review period supervisory measures on 23 commercial banks were enforced. These included orders, memoranda for initiation of rehabilitation measures, and letters of recommendation. In respect of administration, two procedures for issuing bank licenses commenced. On one of them the Department issued a detailed statement requiring new documents and new incorporation due to noncompliance of the provided documents. The second licensing procedure was discontinued due to a change in the founders' objectives. A new incorporation procedure was effected, and a new licensing procedure started which is now nearing completion after several removals of drawbacks and submission of new documents.

Thirty permits were issued, including *inter alia* ones for acquisition of over 10% of bank capital, acquisition of a qualified equity interest in non-bank companies, extending bank licenses, a takeover, a nonmonetary increase of bank capital, and conversion of subordinated term debt into fixed capital. Thirty eight certificates of qualification and professional experience in banking were issued to members of commercial bank management bodies. The BNB prepared and sent two statements of opinion on the sale of three banks in liquidation which were approved in Court.

On-site Supervision (Inspections)

In 2002 inspections comprehensively encompassed the entire supervision process in accordance with efficient and consistent on-site inspection procedure principles. Progress was made in applying the adopted risk evaluation approach and CAMELS complex, and in component evaluation of credit institutions' performance. The frequency and scope of on-site inspections depended mostly on the degree of risk in a particular bank established by previous inspections and on the data obtained from current analyses based on commercial bank reports. Supervisory measures for removing breaches and weaknesses established in the course of inspections were prepared and recommended to banks.

Nineteen comprehensive inspections were carried out during the year in accordance with the approved annual schedule, including 16 of banks and three of foreign bank branches. As a result, five banks were assigned higher ratings, one bank (Procreditbank) was rated for the first time, the rating of one bank was lowered, and the remaining banks retained their ratings. Current management of bank transactions improved as a whole contributing to the higher assets quality and improved structure. Implementation of rehabilitation measures enforced by previous inspections, more stringent observance of internal rules and bank legislation led to a decrease in the share of classified assets and required provisions. As a result of greater bank efficiency in evaluating, managing, and overseeing credit risk, the structure of risk assets experienced positive changes despite increased lending.

Breaches of the statutory framework and the need to recommend improvements to bank functioning also diminished. However, some banks with an insignificant share in the banking system did exceed the supervisory limits on big and internal loans, and on admissible shareholder participation. Weaknesses were established in the procedures for monitoring direct and business relatedness between borrowers which exposed banks to a potential risk of losses. There were still cases of negotiating one-off repayment loans on the maturity date. The survey of such exposures suggests that most often they were negotiated without careful study of credit borrowers' financial performance, and that it was a matter of time before they turned into problem claims. In essence, disregarding credit risk results in the superficial appearance of good asset quality until the principal payments fall due. Lack of financial and other information in several banks' credit files impeded precise evaluation of loans. In a number of cases

errors and mismatches in compiling reports required under supervisory regulations reflect non-compliance with, or unawareness of, reporting requirements. Most often recommendations to improve bank operations were associated with the need to design rules and procedures for market risk management and methods for evaluating packages of corporate securities, documenting management decisions related to current bank operations, and improving credit activity: the functional differentiation between advance study and loan negotiation, and borrower administering and monitoring.

Capital positions of a number of inspected banks exhibited an improvement. The bigger amount of capital was attributable to increasing shareholder capital by monetary contributions and from internal sources (income from bank transactions). Significant spending on provisions and insufficient income from bank transactions to cover comparatively big operating expenditure remained the most serious threat for the capital of some banks.

Structural changes initiated in a number of banks resulted in positive trends. To improve asset and liability management, fund management powers were centralized: a condition for minimizing bank risks and establishing more efficient banking practice. Enhanced competition associated with the launch of new higher quality banking products and services entailed new organizational structures and the implementation of new information systems. Improvements to banking involve, *inter alia*, replacing the old statutory framework by new more flexible rules and procedures consistent with the increased volume of transactions, introducing market risk evaluation systems, and closing inefficient structural units.

Despite efforts to improve management procedures, weaknesses still impacted management evaluations. At some banks enhanced operations had not been accompanied by the implementation of adequate risk analysis and evaluation systems which, coupled with high risk profile, may lead to an increase in losses.

Off-site Supervision

Off-site supervision efforts were concentrated on these directions: improving methods for early risk identification based on banks' supervisory reports; designing and enforcing a stress test establishing the sensitivity of banks to major risks (credit, forex, interest rate and liquidity); improving supervisory methods at problem banks; assisting the development of packages of reporting forms; issuing supervisory regulations and in-

structions consistent with International Accounting Standards and with directives on the operation of credit institutions.

Efforts were made to improve the quality of monthly and quarterly analytical reports aimed at identifying the scope of major bank risks and the risk sensitivity ceiling of individual banks and of the banking system.

Work started on a new analytical product: a uniform report analyzing banks' performance.

Special Supervision

In 2002 target supervisory inspections were carried out in 17 commercial banks, one bank in liquidation, and 20 finance brokerage houses. Inspections of commercial banks aimed to review compliance with the provisions of the Law on Bank Deposit Guaranty, the Foreign Exchange Law, the Law on Measures against Money Laundering, these Laws' application guidelines, and with Regulation No. 26 on Foreign Exchange Transactions of Finance Brokerage Houses.

Major inspection findings and conclusions include:

- breaches of the Law on Measures against Money Laundering associated with incorrectly set annual premiums by some banks;
- banks and finance brokerage houses provided adequate organization for applying the measures against money laundering pursuant to the Law on Measures against Money Laundering; nevertheless, inspection findings revealed that there were customer files which had not been updated, incompletely identified customers, uncompleted declarations of the origin of funds, lack of data on customers making transactions subject to licensing, poor identification procedures for suspicious e-banking transactions; lack of staff training complying with the specificity of this bank activity, obsolescent internal

- rules for preventing money laundering;
- inspection findings on compliance with the Foreign Exchange Law and related regulations revealed cases where foreign exchange transfers had been effected by resident and nonresident legal entities or individuals without formal grounds-for-payment documents, submission of incorrect information about cross-border payments in violation of BNB instructions on the enactment of BNB Regulation No. 28, non-compliance with the provisions of BNB Regulation No. 27 on the registration by the BNB of transactions between residents and nonresidents, inconsistencies between the grounds for particular payments and statements in statistics and balance of payments declarations, breaches in electronic registers kept by banks under Article 7 of the Foreign Exchange Law, inadmissible use of a single document for several cross-border transfers, and gaps in the monthly information to be provided by commercial banks for the purposes of bank statistics.

The Special Supervision Department jointly with the Financial Intelligence Agency took part in organizing and holding seminars for commercial banks and finance brokerage houses on controlling financial fraud and money laundering.

In 2002 the Special Supervision Department carried out joint inspections with other BNB departments, the Ministry of Finance, the Securities State Agency, the Financial Intelligence Agency, and the Deposit Insurance Fund. In the course of these, Special Supervision Department experts exchanged information with Ministry of Finance, Ministry of Justice, Supreme Cassation Prosecutor's Office, Sofia City Prosecutor's Office, Sofia City Court, National Intelligence Service, National Service for Combating Organized Crime, and Sofia Intelligence Service counterparts.

VI.

European Integration and
International Activity

1.

European Integration

BNB priorities in the negotiations for Bulgarian accession to the European Union include creating a banking and financial sector legal framework in line with European requirements, liberalizing capital movement, developing settlement systems, forming the institutional capacity to implement the legal framework, adopting EU countries' central bank practices, and preparing the Bank for European System of Central Banks membership. In 2002 the BNB discharged a working program as a result of obligations on negotiation positions. Harmonizing legislation with *acquis communautaire* emphasized cross-border payments, money and securities settlement, and liberalizing capital movement. Besides official negotiations, the BNB was included in European Central Bank (ECB) initiatives for preparing the integration of the national central banks of EU candidate countries into the European System of Central Banks (ESCB). Much was done towards ECB requirements in accountancy, payment systems and money and banking statistics, as well as ECB and EUROSTAT requirements in balance of payments statistics.

At the close of 2002 the Bulgarian government declared its standpoints and negotiations were opened on all 30 chapters of the EU Membership Treaty at an intergovernmental conference on Bulgarian accession. Negotiations on 23 chapters had closed ahead of schedule.

In March 2002, during the Spanish Presidency, negotiations began on Chapter 11, *Economic and Monetary Union* (EMU), reflecting substantial progress in the free movement of capital and the freedom to provide services. The negotiating positions on these (temporarily closed) chapters highlighted Bulgaria's remarkable achievements, its readiness to adopt EU financial and banking services law, and the high degree of capital flow lib-

eralization. Priorities in the Bulgarian position on *Economic and Monetary Union* are: budget policy, central bank independence, prohibition of direct government financing by the central bank, and prohibition of privileged access by government institutions to financial institutions' resources.

Bulgaria declared its adoption of EU legislation in the field of *Economic and Monetary Union* and its readiness to apply it as of the date of accession. The Law on the BNB meets to a great degree the requirements for institutional, personal, functional, and financial central bank independence. Bulgaria undertook to define more precisely specific texts of the Law on the BNB and State Budget Law related to the prohibition of direct public sector financing, and to central bank institutional and organizational independence. From the date of accession Bulgaria will participate in the Economic and Monetary Union as a derogation member under Article 122 of the Maastricht Treaty (the Treaty on the European Union). The officially declared Bulgarian position on accession to the Economic and Monetary Union is in line with the requirements and position of the European Central Bank and the European Commission, and is linked with the retention of the currency board until full eurozone membership. Therefore Bulgaria has to keep the currency board until EU membership and when it becomes a derogation member of the Economic and Monetary Union. Following intensive negotiations, a common position was reached and in April 2002 Chapter 11, *Economic and Monetary Union*, was temporarily closed.

Subsequently Bulgaria assumed additional obligations to harmonize national legislation with newly adopted EU law. These are undertaken six monthly at intergovernmental conference and become an integral part of the national negotiation

position on the chapter. By the end of 2002 in addition to Bulgaria's negotiation position on Chapter 3, *The Freedom to Provide Services*, and Chapter 4, *The Free Movement of Capital*, obligations were included in supervision on service provider certification, credit institution recovery and insolvency, preventing money laundering by financial institutions, and financial collateral agreements. The obligation to fulfill Recommendation 97/489/EU on electronic payment instrument operations (particularly issuer and holder relationships) by the close of 2004, and to implement Regulation 2560/2001 on cross-border payments in euro after accession was also undertaken.

In 2002 Bulgarian banking legislation was changed to harmonize with *acquis communautaire*. Changes to the Law on Banks concerning shareholder structure reflect the requirements of Directive 2000/12/EC on Credit Institution Activities. Provisions with EU instruments were implemented with the newly adopted Regulation No. 3 on Noncash Payments and the National Payment System, and amendments to Regulations Nos. 7, 8 and 16.

The Preaccession Economic Program

In connection with a European Commission (EC) 2001 initiative, each candidate state is drawing up a Preaccession Economic Program. It formulates medium-term goals and priorities (a five-year look) and includes an assessment of, and the prospects for, macroeconomic development, public finance, and structural reform consistent with Copenhagen criteria.

The *Macroeconomic Framework*, *Monetary and Exchange Rate Policy*, and *Financial Sector Structural Reform* sections, and Bulgaria's 2002 Preaccession Economic Program were formulated by an interinstitutional working party at the Agency for Economic Analysis and Forecasting with the participation of BNB representatives. In October 2002 the EC published assessments of candidate countries' programs. The assessment of Bulgaria's 2002 Preaccession Economic Program was positive overall: 'Bulgaria's 2002 Preaccession Economic Program includes much more details and analysis and is much more consistent than previous ones ... The Program adequately emphasizes the continuation of structural reform ...'

The Financial Services Supervisory System Assessment

In November 2002 the European Commission assessed the financial services supervisory system in a so-called *peer review*. The team of experts from EU member states supervisory institutions assessed the development of adequate financial sector supervisory systems and fulfilment of EU requirements on the domestic financial services market. The experts collected documents and met representatives of Bulgarian financial sector supervisory institutions. A report on supervisory system quality and the implementation of financial sector supervision legislation was submitted. This was coordinated with the Bulgarian side before adoption and publication.

According to the preliminary banking sector assessment, bank supervision in Bulgaria corresponds in high degree to the core Basle principles for effective banking supervision, as well as to EU regulations.

For measuring up indispensable standards candidate countries draw up National Action Plans on the basis of report-recommended measures as of the date of accession. The *peer review* process includes an observation period of some two years whose continuation depends on national capability to promulgate statutory instruments and adapt structures.

Within negotiation process framework, BNB experts took part in the April regular sitting of Subcommittee 4, *Economic and Foreign Exchange Issues, Movement of Capital and Statistics*, in Brussels. Issues on the current state of the Bulgarian economy and its prospects were discussed, with the main *foci* falling on macroeconomic indicators, the budget, the balance of payments, foreign investment, financial sector reform, and financial intermediacy. BNB representatives took part in the successive sitting of the Committee on Bulgarian Association with the EU Subcommittee 2, *The Domestic Market*, also in April. The Subcommittee's review noted Bulgaria's progress in harmonizing legislation with EU banking sector law, as well as its application of EU standards and practice. Forthcoming changes in Bulgarian legislation in the fields of cross-border payments, money and securities settlement were also discussed.

2.

Relations with Central Banks

In September 2002 in Sofia the Governors of the Banque de France and the BNB signed the twinning covenant *Strengthening Central Bank Institutional Capacity* between the Bulgarian National Bank, and the Banque de France and De Nederlandsche Bank. The twinning will last 24 months and is financed mainly by the PHARE 2001 Program with EUR 1.4 million. As a counterparty, the Bulgarian National Bank will provide EUR 100,000 of cofinancing.

The main reason for selecting the Banque de France and De Nederlandsche Bank consortium as twinning partners was their proven professionalism and experience in such projects.

The partnership between the three central banks aims to prepare the Bulgarian National Bank and the Bulgarian banking sector for smooth accession to, and full integration in, the financial system of the European Union and the European System of Cen-

tral Banks. Main project priorities are: further harmonization of Bulgarian banking legislation with EU law, adopting and applying ECB and ESCB standards and requirements, and upgrading BNB staff qualifications. Banque de France provides expert assistance in monetary and balance of payments statistics, internal audit, payment and accounting systems, Economic and Monetary Union. De Nederlandsche Bank participates in bank supervision, treasury and human resources management.

The basic forms of cooperation within the framework of the twinning covenant are the experts' meetings, seminars and documents exchanges. Ten working visits of BNB experts took place between October and December within the framework of seven project components. As a result of cooperation, new legislation, internal rules and procedures, and BNB staff qualification improvement are underway.

3.

Relations with International Financial Institutions

The International Monetary Fund (IMF)

In February 2002 the Executive Board of the International Monetary Fund approved a two-year standby agreement with the Republic of Bulgaria totaling SDR 240 million. The financing is intended to strengthen the government economic program, aiming to achieve stable growth, a steady balance of payments, and a decrease in unemployment through flexible fiscal policy and a continuation of privatization and structural reform. SDR 84 million were drawn under the agreement by the end of 2002.

The Financial Sector Assessment Program (FSAP)

The IMF and World Bank report was approved in July 2002 within the FSAP framework. The report was compiled after IMF and World Bank missions in October and November 2001, the visit by an expert on payment systems in June 2002, and cooperation between financial sector supervisory institutions in Bulgaria.

To a high degree Bulgaria has attained compliance with international rules and standards and has posted the most significant results in banking sector and transparency. The report praises the stability of the Bulgarian banking sector which operates under clear and fair rules and regulations

in accordance with EU standards and the basic principles of effective banking supervision issued by the Basle Committee on Banking Supervision. BNB rules and regulations were comprehensive, and their observance was continuously being monitored. The efficiency of banking supervision was increasing and was expected to be in line with future market development including more advanced bank products and services.

Compliance of systemically important payment systems with the basic principles of the Bank for International Settlements Committee on Payment and Settlement Systems was also evaluated positively. According to the report, the BNB had reached a high degree of transparency in its monetary policy and banking supervision. The goals of banking supervision and the obligations of supervision officers were clearly defined in law, and effective instruments for its application were provided. Consolidated data and analyses were available and regularly updated on the BNB web site.

According to stress tests by the mission the banking system was stable as regards interest and exchange rate risks and was able to assume significant credit risk.

The *Financial System Stability Assessment and the Report on the Observance of Standards and Codes – Update*, were published on the IMF web site in August 2002.

VII.

BNB Group Consolidated Financial Statements



1.

Annual Financial Statements

Report of the Independent Auditor to the Managing Board of the Bulgarian National Bank

We have audited the accompanying balance sheet of the Bulgarian National Bank as of 31 December 2002 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Managing Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Managing Board, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Bulgarian National Bank as of 31 December 2002, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards adopted by the International Accounting Standards Board.

KPMG Audit Plc
Chartered Accountants
London
29 April 2003

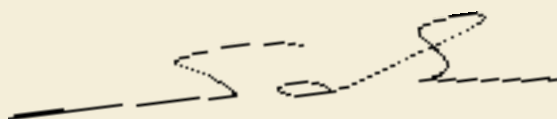
KPMG Bulgaria OOD
Chartered Accountants
Sofia
29 April 2003

**Statement of Responsibilities
of the Managing Board
of the Bulgarian National Bank**

The Law on the Bulgarian National Bank requires the Managing Board of the Bulgarian National Bank to prepare financial statements for each reporting period to present the financial position of the Bulgarian National Bank and the profit or loss for the period.

The financial statements prepared by the Bulgarian National Bank are based on the accounting principles approved by the Managing Board in compliance with International Financial Reporting Standards (formerly IAS's).

The Managing Board of the Bulgarian National Bank is responsible for maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bulgarian National Bank. It has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Bulgarian National Bank and to prevent or detect fraud and other irregularities.

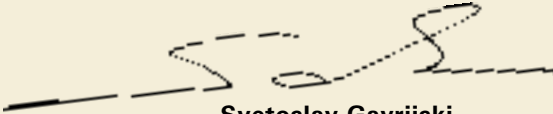


Svetoslav Gavriiski
Governor of the BNB

Consolidated Balance Sheet
as at 31 December 2002

	Note	2002 BGN'000	2001 BGN'000
ASSETS			
Cash and deposits in foreign currencies	11	1,319,215	1,679,746
Gold, instruments in gold and other precious metals	12	828,797	882,346
Debt securities	13	6,877,502	5,540,093
Equity investments and quota in IMF	15	1,642,948	1,786,689
Receivable from the Republic of Bulgaria	14	1,937,943	2,314,570
Property and equipment	16	176,035	111,977
Other assets	17	31,454	27,289
Total assets		12,813,894	12,342,710
LIABILITIES			
Banknotes and coins in circulation	22	3,627,928	3,262,881
Due to banks and other financial institutions	18	814,091	780,744
Liabilities to government institutions and other borrowings	19	3,200,163	2,764,935
Borrowings against Republic of Bulgaria's IMF participation	20	1,556,968	1,692,597
Borrowings from general resources of the IMF	21	1,977,930	2,461,240
Accruals and other liabilities	23	8,401	6,668
Total liabilities		11,185,481	10,969,065
EQUITY			
Capital	24	20,000	20,000
Reserves	25	1,608,413	1,353,645
Total equity		1,628,413	1,373,645
Total liabilities and equity		12,813,894	12,342,710

The accompanying notes on pages 92 to 108 form an integral part of these consolidated financial statements.
The Managing Board approved the financial statements for 2002 on 22 April 2003.


Svetoslav Gavriiski
 Governor of the BNB

Consolidated Income Statement
for the Year Ended
31 December 2002

	Note	2002 BGN'000	2001 BGN'000
Interest and similar income	7	267,478	267,929
Interest expense and similar charges	7	(70,815)	(47,403)
Net interest income		196,663	220,526
Fee and commission income		2,480	1,769
Fee and commission expense		(2,758)	(1,650)
Net fee and commission expense		(278)	119
Other net income	8	199,982	121,793
Other operating income	9	23,563	16,466
Total income from banking operations		419,930	358,904
General and administrative expenses	10	(65,945)	(43,511)
Net income from banking and subsidiaries' operations		353,985	315,393
Transfer to special reserves		(173,914)	(81,883)
Net income from banking and subsidiaries' operations after special reserve transfer		180,071	233,510
Appropriations and transfers (to)/from reserves			
Proposed contribution to the budget of the Republic of Bulgaria		(132,562)	(172,798)
Transfer to other reserves		(47,509)	(60,712)

The income statement is to be read in conjunction with the notes forming an integral part of the consolidated financial statements set out on pages 92 to 108.

Consolidated Statement of Recognized Gains and Losses

	Note	2002 BGN'000	2001 BGN'000
Impairment loss recognized against revaluation reserve		-	(27,374)
Revaluation of noncurrent assets		74,009	-
Net gain/(loss) not recognized in the income statement		74,009	(27,374)
Transfer to other reserves	25	47,509	60,712
Total recognized gains and losses		121,518	33,338

The accompanying notes on pages 92 to 108 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended 31 December 2002

	Notes	2002 BGN'000	2001 BGN'000
Net cash flow from operating activities			
Net income from banking operations		353,985	315,393
Adjustment for noncash and nonoperating items:			
Depreciation	10,16	10,871	10,982
(Profit) on disposal of noncurrent assets		-	(216)
Donation of noncurrent assets		5,874	-
Other noncash items		(4,046)	(4,055)
Exchange (gains) on working capital		(297,471)	(30,720)
Net cash flow from operating activities before changes in operating assets and liabilities		69,213	291,384
Change in operating assets			
(Increase)/decrease in gold and other precious metals		85,591	(822)
(Increase)/decrease in securities		(1,173,724)	(771,997)
(Increase)/decrease in receivable from government		202,702	245,729
(Increase)/decrease in other assets		(780)	1,205
Change in operating liabilities			
Increase/(decrease) in due to banks and other financial institutions		64,306	264,806
Increase/(decrease) in government deposits and current accounts		513,881	(561,245)
Increase/(decrease) in borrowings from the IMF		(302,706)	(318,833)
Increase in currency in circulation		365,047	758,188
Increase/(decrease) in accruals and other liabilities		1,687	(1,270)
Net cash flow from operating activities		(174,783)	(92,855)
Cash flow from investing activities			
Purchase/sale of noncurrent assets		(7,051)	(9,506)
Dividends received		4,046	3,704
Proceeds from sale of noncurrent assets		-	784
Net cash flow from investing activities		(3,005)	(5,018)
Cash flow from financing activities			
Payment to government		(172,798)	(178,159)
Net cash flow from financing activities		(172,798)	(178,159)
Net (decrease)/increase in cash and cash equivalents		(350,586)	(276,032)
Cash and cash equivalents at beginning of period		1,679,746	1,955,778
Cash and cash equivalents at end of period	11,17	1,329,160	1,679,746

The accompanying notes on pages 92 to 108 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Statute and principal activities

The Bulgarian National Bank (the 'Bank') is 100% owned by the Republic of Bulgaria.

The Bank is the central bank of the Republic of Bulgaria. The operation of the Bank is governed by the Law on the Bulgarian National Bank, which has been effective from 10 June 1997.

Under this law, the primary objectives of the Bank may be summarized as:

- maintaining the stability of the national currency;
- the exclusive right to issue banknotes and coins; and
- regulation and supervision of other banks' activities.

The principal operations as a result of this law may be summarized as:

- the Bank may not provide credit to the state or to state-owned institutions other than credit for purchase of Special Drawing Rights from the International Monetary Fund in accordance with terms set by law;
- the Bank may not lend to commercial banks except in the case of liquidity risk threatening to affect the stability of the banking system;
- the Bank may not deal in Bulgarian government bonds;
- the Bank may not issue Bulgarian levs in excess of the Bulgarian levs equivalent of the gross international foreign currency reserves;
- the Bank must prepare its accounts in accordance with International Financial Reporting Standards (formerly International Accounting Standards), and
- under terms agreed upon with the Minister of Finance, the Bank acts as agent for public debts or for debts guaranteed by the state. Accordingly, the Bank acts as central depository of government securities.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (formerly IAS's) issued by the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the IASB.

3. Basis of preparation

The financial statements are presented in Bulgarian levs (BGN) rounded to the nearest thousand. They are prepared under the historical cost convention as modified for by the revaluation of certain assets and liabilities to fair value.

The accounting policies have been consistently applied by the Bank.

4. Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. Control exists when the bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All receivables and payables, income and expenses, as well as intragroup profits resulting from transactions between Group companies are eliminated unless they are immaterial. The BNB subsidiaries (BORICA and the State Mint) have enlarged and the Bank has fully consolidated their accounts in 2002. The effect on net assets and reserves is an increase of BGN 4,857 thousand and BGN 2,857 thousand respectively. Due to the impact of prior years' activities being immaterial, these figures have not been restated.

The Bank consolidated the financial statements of its subsidiaries the Printing Works (refer note 6), BORICA and the State Mint for the first time.

5. Summary of significant accounting policies

(a) Income recognition

Interest income and expense are recognized in the income statement as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense in-

clude the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Fee and commission income and expense arise on financial services provided by the Bank and are recognized when the corresponding service is provided.

Net income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading and available for sale assets.

(b) Financial instruments

(i) Classification

For the purposes of measuring the financial instruments subsequent to initial recognition, the Bank classifies the financial instruments into four categories:

Trading instruments are those that the Bank principally holds for the purpose of short-term profit taking. These include investments that are not designated and effective hedging instruments, and liabilities from short-term sales of financial instruments. Trading derivatives in a net receivable position (positive fair value), as well as options purchased, if any, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, if any, are reported as trading liabilities.

Originated loans and receivables are loans and receivables created by the Bank providing money to a debtor other than those created with the intention of short-term profit taking.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Bank, or held to maturity.

(ii) Recognition

The Bank recognizes financial assets held for trading, held to maturity and available for sale assets on settlement date. From the date it commits to purchase the assets, any gains and losses arising from changes in fair value of the assets are recognized.

The BNB, in its role as holder of Bulgaria's international reserves, has the primary objective of maintaining a high degree of asset liquidity and underlying quality of such assets. The opportunity is taken to maximize returns within these overriding constraints, and the whole portfolio is therefore classified as 'available for sale' in terms of IFRS (formerly IAS).

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition, all trading instruments and all available for sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value may not be reliably measured is stated at cost, including transaction costs, less impairment losses.

All nontrading financial liabilities, originated loans and receivables and held to maturity assets are measured at amortized cost less impairment losses. Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives, if any, that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of trading instruments and those available for sale are recognized in the income statement and then transferred to a special reserve account as

required by the Law on the BNB.

(vi) Derecognition

A financial asset is derecognized on the value date after the Bank loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or are surrendered.

A financial liability is derecognized when it is extinguished.

Available for sale assets and assets held for trading that are sold are derecognized and corresponding receivables from the buyer for the payment are recognized as of the date the Bank commits to sell the assets. The Bank uses the specific identification method to determine the gain or loss on derecognition.

(vii) Impairment

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

(c) Gold and other precious metals

Gold and other precious metals are valued at market value based on the official 3 p.m. London closing Bullion Market price at the balance sheet date.

(d) Equity investments

For the purposes of measuring the equity investments subsequent to initial recognition, they are classified as available for sale financial assets. The fair value of these investments is not reliably measurable. Therefore they are stated at cost.

The subsidiaries controlled by the Bank included in the financial statements are consolidated.

Equity investments in Bulgarian institutions which are regarded as associates have been included at cost as any adjustments under the equity method are not considered material in the context of the financial statements taken as a whole.

Details of investments held are set out in note 15.

(e) Property and equipment

Property and equipment are stated in the balance sheet at their purchase cost as modified by any revaluation, less accumulated depreciation and impairment losses. A revaluation of the bank's lands and buildings was conducted as at 31 December 2002 by an independent valuer (refer note 16).

(i) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. The depreciation rates used are as follows:

	(%)
Buildings	4
Equipment	4 – 20
Computers	15 – 34
Fixtures and fittings	15 – 20
Motor vehicles	8 – 20
Intangible assets	15 – 20

Assets in progress are not depreciated until completed or ready for use.

(iii) Calculation of recoverable amount

The recoverable amount of the Bank's property plant and equipment is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the Bank's incremental borrowing rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(iv) Reversals of impairment

In respect of property, plant and equipment, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized.

(f) Foreign currencies

Income and expenditure arising in foreign currencies are translated to BGN at the official rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the official exchange rate ruling on that day. Foreign exchange gains and losses are recognized in the income statement. Gains and losses are then transferred to or from a special reserve as permitted by the Law on the Bulgarian National Bank, refer note 5 (i). Foreign currency denominated nonmonetary assets and liabilities are valued at the historical rate at acquisition.

Open forward foreign exchange contracts are valued at market value.

The exchange rates of major foreign currencies at 31 December 2002 and 31 December 2001 were:

Currency	31 December 2002	31 December 2001
US Dollar (USD)	1 : BGN 1.88496	1 : BGN 2.21926
Euro (EUR)	1 : BGN 1.95583	1 : BGN 1.95583
Special Drawing Rights (SDR)	1 : BGN 2.56265	1 : BGN 2.78655
Gold (XAU)	1 troy ounce : BGN 639.048	1 troy ounce : BGN 615.089

(g) Taxation

The Bank is not subject to income tax on revenues from its main activities.

Tax on the profit from subsidiaries for the period comprises current tax and the change in deferred tax. For the subsidiaries, current tax comprises tax payable calculated on the basis of the expected taxable income for the period, using the tax rates enacted by the balance sheet date. Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

(h) Loans from the International Monetary Fund (IMF)

The borrowings from the IMF are denominated in Special Drawing Rights (SDRs). Any unrealized exchange gains or losses are accounted for in accordance with note 5(i).

(i) Capital and reserves

Capital represents nondistributable capital of the Bank.

In accordance with the Law on the Bulgarian National Bank, the Bank is required to transfer to reserves 25% of the annual excess of revenue over expenditure. Special reserves are established as follows: the net gains and losses arising from the revaluation of assets and liabilities denominated in foreign currencies or gold; or upon a decision of the Managing Board.

After transfers to reserves, the balance of the revenue over expenditure is credited to the account of the state budget. In accordance with IAS 10 'Events after the balance sheet date', this contribution is treated as a dividend payment to the state and held in a reserve account until paid.

(j) Cash and deposits in foreign currency

Cash and cash equivalents consist of cash in hand, current accounts and term deposits with maturities of less than three months.

(k) Comparative information

Comparative information has been restated in respect of changes in accounting policy.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

6. Acquisition of subsidiaries

Following a decision of the Managing Board, the BNB's Printing Department has now been separated as a legal entity named 'Printing Works of the Bulgarian National bank' EAD effective from 1 January 2002. The entity is 100 percent owned by the BNB, and the BNB acquired all the shares in the Printing Works via exchange for an installment in kind valued at BGN 68,840 thousand. The

newly established entity produces mainly banknotes, excise labels and other documents for the Ministry of Finance and other government agencies.

7. Interest income and expense

(BGN'000)

	2002	2001
Interest and similar income		
- in BGN	14	10
- in foreign currencies	267,464	267,919
	<u>267,478</u>	<u>267,929</u>
Interest and similar expense		
- in BGN	34,775	27,636
- in foreign currencies	36,040	19,767
	<u>70,815</u>	<u>47,403</u>

8. Other net trading income

(BGN'000)

	2002	2001
Net gains from trading in operations in securities	9,378	34,609
Net gains from trading in operations in foreign currency	6,188	9,172
Net losses from trading in operations in precious metals	(114)	-
Net revaluation of securities	163,685	8,812
Net revaluation of foreign currency assets and liabilities	(11,197)	12,198
Net revaluation of gold and precious metals	32,042	57,002
	<u>199,982</u>	<u>121,793</u>

9. Other operating income

(BGN'000)

	2002	2001
Disposal of noncurrent assets	610	862
Sales of subsidiaries	15,227	5,990
Sale of coins	1,655	410
Dividend income	4,046	3,704
Other income, net	2,025	5,500
	<u>23,563</u>	<u>16,466</u>

In 2002 net income of subsidiaries comprises BGN 2,033 thousand of BORICA; BGN 19 thousand of the State Mint and loss of BGN 339 thousand of the Printing Works.

10. General and administrative expenses

(BGN'000)

	2002	2001
Personnel costs	18,255	13,883
Administration	22,156	17,748
Depreciation	10,871	10,981
Other expenses	2,223	899
Revaluation of commemorative coins for sale	6,566	-
Gifts of branch property and equipment	5,874	-
	<u>65,945</u>	<u>43,511</u>

Personnel costs include salaries, social and health security contributions to the unemployment fund under the provision of local legislation. The number of employees of the BNB Group is 1,245 including BNB staff of 948.

General administrative expenses include the administrative expenses of the BNB. The BNB personnel costs amount to BGN 13,922 thousand, the BNB administrative expenses were BGN 9,298 thousand and the BNB depreciation totaled BGN 5,787 thousand.

In 2002 the BNB paid to the Printing Works BGN 7,145 thousand for the banknote production and BGN 1,625 thousand to the State Mint for the coin production.

11. Cash and deposits in foreign currencies

(BGN'000)

	2002	2001
Foreign currency cash	6,483	157,867
Current accounts with other banks	62,672	187,705
Deposits in foreign currency	1,250,060	1,334,174
	<u>1,319,215</u>	<u>1,679,746</u>

Deposits in EUR earn interest rates between 2% and 4% per annum. Deposits in USD earn interest rates between 1.21% and 2.5% per annum.

12. Gold, instruments in gold and other precious metals

	2002 Troy ounces'000	2002 BGN'000	2001 Troy ounces'000	2001 BGN'000
Gold bullion in standard form	513	328,019	1,031	634,294
Gold deposits in standard form	609	389,014	252	156,227
Gold in other form	-	3,587	-	71,509
Other precious metals	-	6,132	-	20,316
Other instruments in gold	160	102,045	-	-
		<u>828,797</u>		<u>882,346</u>

Gold deposits in standard form include gold held with correspondents. This gold earns interest at rates between 0.05% and 0.5% per annum.

The other instruments denominated in gold are held to maturity and earn interest between 1.00% and 1.31% per annum.

13. Debt securities

(BGN'000)

	2002	2001
Securities available for sale		
Foreign treasury bills, notes and bonds	6,877,502	99,764
Securities held for trading		
Foreign treasury bills	-	5,440,329
	<u>6,877,502</u>	<u>5,540,093</u>

Debt securities comprise both EUR- and USD-denominated coupon and discount securities. The EUR-denominated securities earn average interest of 5.11% and securities in USD earn average interest of 5.68%.

14. Receivable from the Republic of Bulgaria

The value of the receivable from the Government of the Republic of Bulgaria at 31 December 2002 is SDR 756 million (2001: SDR 831 million).

The receivable bears interest at the same rates as those incurred on the borrowings from the IMF and is repayable as follows:

(BGN'000)

Year	2002	2001
2002	-	441,378
2003	156,503	170,177
2004	181,185	197,015
2005	293,129	267,189
2006	375,693	291,483
2007	328,284	291,483
2008	268,062	291,483
2009	201,048	218,614
2010	111,697	121,455
2011	22,342	24,293
	<u>1,937,943</u>	<u>2,314,570</u>

15. Equity investments and quota in the IMF

(BGN'000)

	2002	2001
Republic of Bulgaria's quota in the IMF	1,640,483	1,783,564
Equity investments in international financial institutions	832	832
Equity investments in associated companies	1,633	2,293
	<u>1,642,948</u>	<u>1,786,689</u>

BGN 83,999 thousand of the Republic of Bulgaria's quota in the IMF represents the reserve tranche held with the IMF. The IMF pays remuneration (interest) to those members who have a remunerated reserve tranche position at 1.91% – 2.33% annual floating rate, paid quarterly.

The equity investments in international financial institutions include the equity investment in the Bank for International Settlements (BIS), Basle. The investment represents 8,000 shares of 2,500 gold francs, of which 25% paid up. The current market value of these shares is USD 9,707 thousand (ref. note 29).

None of the equity investments in international financial institutions exceeds 10% of the issued share capital of those entities. The significant equity investments in Bulgarian institutions may be analyzed as follows:

Name of institution	Holding, %	Principal activity
<i>Associated companies</i>		
Bankservice	36	Interbank clearing
International Bank Institute	42	Financial training and research
Central Depository	20	Agent for corporate securities

During 2002 the BNB wrote off its participation (equity interest) in Agrobusinessbank and in the Bank for Agricultural Credit, amounting to BGN 0.213 million and BGN 0.156 million, following a decision of the Court striking them from the Commercial Register. These amounts have been fully provided for in prior years.

For valuation purposes, the equity investments are classified as assets available for sale.

16. Property and equipment

(BGN'000)

	Land and buildings	Equipment	Motor vehicles	Fixtures and fittings	Assets in progress	Other	Intangible assets	Total
Cost or valuation								
At 1 January 2002	63,243	96,284	3,714	4,780	3,229	220	2,589	174,059
Additions	1,112	4,223	163	81	5,328	41	934	11,882
Disposals	(8,917)	(4,145)	(449)	(473)	(655)	(1)	(598)	(15,238)
Transfers	41	2,591	-	493	(3,628)	(114)	617	-
Revaluation	73,780	384	-	-	-	-	16	74,180
Elimination adjustment	(14,903)	(30,490)	(79)	(610)	-	-	-	(46,082)
At 31 December 2002	114,356	68,847	3,349	4,271	4,274	146	3,558	198,801
Depreciation and impairment								
At 1 January 2002	(15,196)	(42,069)	(1,828)	(1,870)	-	(35)	(1,084)	(62,082)
Charge for the period	(1,950)	(7,339)	(539)	(540)	-	(8)	(495)	(10,871)
On disposals	1,236	1,746	407	126	-	22	568	4,105
Elimination adjustment	14,903	30,490	79	610	-	-	-	46,082
At 31 December 2002	(1,007)	(17,172)	(1,881)	(1,674)	-	(21)	(1,011)	(22,766)
Net book value at 31 December 2002	113,349	51,675	1,468	2,597	4,274	125	2,547	176,035
Net book value at 31 December 2001	48,047	54,215	1,886	2,910	3,229	185	1,505	111,977

The BNB revalued its land and buildings to market prices based on valuation by an independent valuer with recognized qualification at 31 December 2002.

Three branch offices with no further use to BNB operations were donated to government institutions following a decision of the Managing Board in 2002. These noncurrent assets with a net book value of BGN 5,874 thousand are included within the disposals.

The elimination adjustment arises from reassessment of value and estimated useful life at the time of transfer of relevant assets to the Printing Works.

17. Other assets

(BGN'000)

	2002	2001
Balances with local banks	40	13
Balances of subsidiaries held with local banks	9,945	-
Precious metal commemorative coins for sale	11,315	18,178
Inventories (including spare parts)	7,071	6,430
Accounts receivable	1,273	1,170
Prepaid expenses	705	795
Other	1,105	703
	<u>31,454</u>	<u>27,289</u>

Commemorative coin holdings were revalued on the basis of the precious metal content (refer note 25).

18. Due to banks and other financial institutions

(BGN'000)

	2002	2001
Demand deposits from banks and other financial institutions		
- in BGN	594,553	429,529
- in foreign currencies	<u>219,538</u>	<u>351,215</u>
	<u>814,091</u>	<u>780,744</u>

The Bank does not pay interest on demand deposits from banks and other financial institutions. Included in demand deposits is BGN 209 million representing the obligatory reserves, which all local banks are required to maintain with the Bank as part of their current accounts.

19. Liabilities to government institutions and other borrowings

(BGN'000)

	2002	2001
Current accounts:		
- in BGN	296,995	833,579
- in foreign currencies	183,000	268,783
Deposit accounts		
- in BGN	1,080,404	601,641
- in foreign currencies	1,639,764	1,060,932
	<u>3,200,163</u>	<u>2,764,935</u>

Deposits and current accounts of government institutions with the Bank comprise funds held on behalf of the Government of the Republic of Bulgaria and state budget organizations. No interest is payable on the current accounts. Government deposit accounts in USD earn interest between 0.91% and 1.49%. Government deposit accounts in EUR earn interest between 2.45 % and 3.15% and in BGN earn interest between 2.44% and 2.96%.

20. Borrowings against the Republic of Bulgaria's IMF participation

The borrowings against Bulgaria's IMF participation as at 31 December 2002 amounted to SDR 605,821,000 (31 December 2001: SDR 605,821,000).

21. Borrowings from general resources of the IMF

(BGN'000)

	2002	2001
Compensatory and contingency financing	-	44,597
Standby facilities	295,098	532,249
Extended fund facility	1,608,371	1,749,410
Systematic transformation facility	74,461	134,984
	<u>1,977,930</u>	<u>2,461,240</u>

Borrowings from the IMF are denominated in SDRs. Borrowings related to Bulgaria's IMF quota are noninterest bearing with no stated maturity, while borrowings from the general resources of the IMF bear interest at rates set by the IMF on a weekly basis and are repayable according to the repayment schedules of the agreements. The interest rate amounts to 2.53% as at 31 December 2002.

Borrowings from the IMF are guaranteed by promissory notes, which have been cosigned by the Government and the Bank. The total promissory notes outstanding as at 31 December 2002 were BGN 3.791 million (31 December 2001: BGN 4.438 million), refer note 29.

22. Banknotes and coins in circulation

(BGN'000)

	2002	2001
Banknotes in circulation	3,579,526	3,228,171
Coins in circulation	48,402	34,710
Money in circulation	<u>3,627,928</u>	<u>3,262,881</u>
Including:		
Old banknotes issued before 5 July 1999	14,435	15,228
Old coins issued before 5 July 1999	3,699	3,703

Old banknotes and coins presented above comprise of those banknotes and coins which are still held by other parties or lost/destroyed and have not yet been exchanged for new levs. The BNB has an obligation to exchange them for new banknotes and coins. No deadline for the cessation of the exchange has been determined.

23. Accruals and other liabilities

(BGN'000)

	2002	2001
Salaries and social security payable	765	841
Deferred income	150	138
Other payables	7,486	6,959
	<u>8,401</u>	<u>7,938</u>

24. Capital

The capital of the Bank is determined in the Law on the BNB and amounts to BGN 20 million.

25. Reserves**Table of movement in reserves for the year ended 31 December 2002**

(BGN'000)

	Noncurrent asset revaluation reserve	Monetary asset revaluation reserve	Commemorative coin revaluation reserve	Other reserves	Total
Balance at 1 January 2002	16,130	771,732	18,179	547,604	1,353,645
Revaluation of assets	74,009	-	-	-	74,009
Transfer of unrealized gold revaluation gain	-	32,042	-	-	32,042
Transfer of net foreign exchange losses	-	(11,197)	-	-	(11,197)
Transfer of net revaluation of securities	-	163,685	-	-	163,685
Other transfers	(888)	-	(269)	7,036	5,879
Donation of noncurrent assets	(4,483)	-	(5,874)	(10,357)	(6,566)
Revaluation of commemorative coins	-	-	(6,566)	-	(6,566)
Payment of the prior year contribution to the budget of Republic of Bulgaria	-	-	-	(172,798)	(172,798)
Current year contribution to the budget of Republic of Bulgaria	-	-	-	132,562	132,562
Profit for the year after the contribution to the budget of Republic of Bulgaria	-	-	-	47,509	47,509
Balance at 31 December 2002	84,768	956,262	11,344	556,039	1,608,413

Following a decision of the Managing Board, the Bank does not allocate 1 percent of the annual excess of revenue over expenditure as special reserve with effect from 1 January 2002.

The BNB reviewed the sales history for a number of commemorative coins and assessed that the

current fair value of such coin stocks would be better reflected by only including their precious metal content in the balance sheet as an asset (refer note 17: other assets).

Other transfers to other reserves represents movement of reserves of subsidiaries in the consolidation (BORICA and the State Mint).

Table of movement in reserves for the year ended 31 December 2001

(BGN'000)

	Noncurrent asset revaluation reserve	Monetary asset revaluation reserve	Commemorative coin revaluation reserve	Other reserves	Total
Balance at 1 January 2001	44,057	693,720	17,974	488,385	1,244,136
Transfer of unrealized gold revaluation gain	-	57,002	-	-	57,002
Impairment of assets	(27,374)	-	-	-	(27,374)
Transfer of net foreign exchange gain	-	12,198	-	-	12,198
Transfer of net revaluation of securities	-	8,812	-	-	8,812
Other transfers	(553)	-	-	3,868	3,315
Revaluation of commemorative coins	-	-	205	-	205
Change of accounting policy regarding previous year contribution to the budget of Republic of Bulgaria treated as dividend	-	-	-	(178,159)	(178,159)
Change of accounting policy regarding current year contribution to the budget of Republic of Bulgaria treated as dividend	-	-	-	175,133	175,133
Change of accounting policy regarding profit for the year after the contribution to the budget of Republic of Bulgaria	-	-	-	58,377	58,377
Balance at 31 December 2001	16,130	771,732	18,179	547,604	1,353,645

26. Monetary liabilities and gross international foreign exchange reserves

(BGN'000)

	2002	2001
Gross international foreign exchange reserves		
Cash and deposits in foreign currencies	1,317,940	1,678,235
Gold and other precious metals	640,858	642,607
Debt securities	6,722,210	5,463,904
Equity investments and quota in IMF	83,999	91,339
Interest receivable	156,622	77,700
	<u>8,921,629</u>	<u>7,953,785</u>
Monetary liabilities		
Banknotes and coins in circulation	3,627,928	3,262,881
Due to banks and other financial institutions	814,091	780,744
Liabilities to government institutions	3,034,849	2,571,261
Other borrowings	163,056	190,538
Accruals and other liabilities	2,595	2,909
	<u>7,642,519</u>	<u>6,808,333</u>
Surplus of gross international foreign exchange reserves over monetary liabilities	<u>1,279,110</u>	<u>1,145,452</u>

For disclosure purposes of the monetary liabilities and gross international foreign exchange reserves in accordance with the Law on the Bulgarian National Bank, monetary gold is valued at the lower of BGN 500 (EUR 255.64 equal) per troy ounce or market value based on the official 3 p.m.

London Bullion Market closing price on the last business day in that market closest to BNB balance sheet date.

27. Related party transactions

Bulgarian Government

International Monetary Fund

The Bank and the Government of the Republic of Bulgaria have borrowings with the IMF, which are undertaken through the Bank. The government's IMF borrowings, as shown on the balance sheet of the Bank, and have been matched by a receivable from the Government. In order for the Bank to eliminate any foreign exchange risk, the government receivable is denominated in SDRs.

The Government pays the interest on these borrowings. Accordingly, no interest revenue is included in these accounts for the receivable from the Government, nor is interest expense included on the government's portion of the IMF borrowings.

The IMF quota is supported by promissory notes jointly signed by the Bank and the Government (see note 21).

Government bank accounts

Government budget organizations and other government organizations have current accounts and term deposits with the Bank (see note 19).

Group Enterprises

Control of the Group

Bulgarian National Bank's parent company is the Bulgarian National Bank.

Subsidiaries

Ownership interest:

(%)

	<u>2002</u>	<u>2001</u>
BORICA	100	100
State Mint	100	100
Printing Works of the BNB	100	-

28. Risk management disclosures

In the process of managing Bulgaria's foreign currency reserves, the BNB maintains trading positions in fixed-income securities and short-term deposits in foreign currency and gold. For the purpose of its activities the Bank carries an inventory of capital market instruments with the primary objective of access to liquidity and acquiring only high quality assets, to ensure all foreign currency payments. The Bank does not maintain positions in derivative instruments. The Bank's investment strategy depends mainly on the specific function of a central bank operating under a currency board arrangement. The Bank manages its portfolios by defining acceptable risk levels and maximizing income at these levels. The major risk types associated with trading and investment activities are managed by means of investment limits and procedures, which are approved by the BNB Investment Committee and relate to the management of the Bank's foreign exchange assets.

A description of the various types of risks, the Bank is exposed to as a result of its trading and non-trading activities and the approach taken to manage those risks, is included below. Further details of the steps taken to measure and control risk are set out in section (e) *Risk Management and Control* of this note.

(a) Credit risk

The Bank is subject to credit risk through its trading and investment activities and in cases where it acts as an intermediary on behalf of the Government or other public institutions. This credit risk is basically associated with the risk of insolvency or bankruptcy of a BNB's counterparty or debt issuer, in which the Bank has invested own funds.

The Bank also faces credit risk stemming from a substantial concentration of funds invested in asset classes issued by commercial banks, supranational financial institutions, or government agencies. To minimize this risk the Bank has set limits on exposures to each of those asset classes.

The Bank has set in place limits on exposures to individual counterparties, which it monitors on a daily basis. A limit depends on the credit rating and the own funds of the counterparty. To minimize credit risk the Bank deals only with financial institutions, which are assigned one of the two highest credit ratings by internationally acknowledged credit rating agencies. In keeping with the Bank's requirements, the above mentioned counterparties and issuers are evaluated by at least two international rating agencies.

(b) Liquidity risk

Liquidity risk arises in the funding of the Bank's core activities and in the management of positions, and is two-dimensional:

- the risk for the Bank of being unable to meet its obligations when due, and
- the risk of being unable to liquidate an asset at a fair value within an appropriate time frame.

The Bank has access to diverse funding instruments. Funds are raised using a range of instruments including deposit/investment accounts, settlement accounts, and other attracted funds regulated by law. This enhances the flexibility with regard to the Bank's activities funding. The Bank strives to maintain a balance between the timing of attracted funds and that of assets through investments in financial instruments with a range of maturities. The Bank has set limits to ensure minimum liquidity by type of currency. This liquidity is provided on a daily basis, thus ensuring all BNB foreign currency payments. In addition, there are limits on the residual term to maturity for the financial instruments of those asset classes approved for investment. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet its goals and targets set in terms of the overall Bank strategy. To ensure its future payments the Bank holds portfolios of liquid assets denominated in euro and US dollars as part of its overall liquidity risk management strategy.

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment:

As at 31 December 2002

(BGN'000)

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and deposits in foreign currencies	1,196,795	122,420	-	-	-	1,319,215
Gold and other precious metals	132,436	262,906	-	102,045	331,410	828,797
Debt securities	210,496	522,661	1,102,338	3,020,498	2,021,509	6,877,502
Equity investments and quota in IMF	83,999	-	-	-	1,558,949	1,642,948
Receivable from the Republic of Bulgaria	-	31,093	125,410	1,178,290	603,150	1,937,943
Property and equipment	-	-	-	-	176,035	176,035
Other assets	6,451	3,156	21,847	-	-	31,454
Total assets	1,630,177	942,236	1,249,595	4,300,833	4,691,053	12,813,894
Liabilities						
Banknotes and coins in circulation	-	-	-	-	3,627,928	3,627,928
Due to banks and other financial institutions	814,091	-	-	-	-	814,091
Liabilities to government institutions and other borrowings	2,576,855	222,506	400,802	-	-	3,200,163
Borrowings against Republic of Bulgaria's IMF participation	-	-	-	-	1,556,968	1,556,968
Borrowings from general resources of IMF	-	51,087	145,403	1,178,290	603,150	1,977,930
Accruals and other liabilities	8,401	-	-	-	-	8,401
Total liabilities	3,399,347	273,593	546,205	1,178,290	5,788,046	11,185,481
Maturity surplus/(shortfall)	(1,769,170)	668,643	703,390	3,122,543	(1,096,993)	1,628,413

As at 31 December 2001

(BGN'000)

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and amounts due from banks	1,679,746	-	-	-	-	1,679,746
Gold and other precious metals	156,228	-	-	-	726,118	882,346
Securities	1,758,594	432,409	1,382,811	1,932,691	33,588	5,540,093
Equity investments and quota in IMF	91,339	-	-	-	1,695,350	1,786,689
Receivable from Government	57,124	64,997	319,257	925,862	947,330	2,314,570
Property, plant and equipment	-	-	-	-	111,977	111,977
Other assets	-	-	27,289	-	-	27,289
Total assets	3,743,031	497,406	1,729,357	2,858,553	3,514,363	12,342,710
Liabilities						
Banknotes and coins in circulation	-	-	-	-	3,262,881	3,262,881
Due to banks and other financial institutions	780,744	-	-	-	-	780,744
Liabilities to government institutions and other borrowings	2,764,935	-	-	-	-	2,764,935
Borrowings against Republic of Bulgaria's IMF participation	-	-	-	-	1,692,597	1,692,597
Borrowings from general resources of IMF	65,929	86,627	392,230	969,124	947,330	2,461,240
Accruals and other liabilities	6,668	-	-	-	-	6,668
Total liabilities	3,618,276	86,627	392,230	969,124	5,902,808	10,969,065
Maturity surplus / (shortfall)	124,755	410,779	1,337,127	1,889,429	(2,388,445)	1,373,645

(c) Market risk*Market risk*

All trading instruments are subject to market risk, *i.e.*, the risk that future changes in market conditions may make an instrument less valuable. The instruments are evaluated on a daily basis at fair value and all changes in market conditions directly affect net trading income.

The Bank manages its portfolios in response to changing market conditions. Exposure to market risk is managed in accordance with the risk limits formally set (in the investment guidelines) for managing foreign currency assets.

Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in different amounts. The Bank uses modified duration as a key measurement for interest rate risk. Modified duration measures the effect of the change of the market value of an asset (liability) in response to 1% change of the interest rate levels. For each portfolio held by the BNB the interest rate is limited by a benchmark (model portfolio) and by the investment limits for a maximum allowable deviation of the modified duration of the portfolio from that of the respective benchmark. With regard to assets and liabilities with floating interest rates, the Bank is exposed to the risk of change in the base which serves to determine interest rates.

(BGN'000)

As at 31 December 2002

	Total	Floating rate instruments	Fixed rate instruments		
			Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year
Assets					
Cash and deposits in foreign currencies	1,311,457	62,527	1,126,617	122,313	-
Gold and other precious metals	497,317	160	132,233	262,879	102,045
Debt securities	6,722,209	9,425	207,768	517,083	5,987,933
Equity investments and quota in IMF	83,999	83,999	-	-	-
Receivable from the Republic of Bulgaria	1,937,943	1,937,943	-	-	-
Interest-bearing assets	9,607	-	6,451	3,156	-
Noninterest-bearing assets	2,251,362	-	-	-	-
Total	12,813,894	2,094,054	1,473,069	905,431	6,089,978
Liabilities					
Banknotes and coins in circulation	-	-	-	-	-
Due to banks and other financial institutions	814,091	-	814,091	-	-
Liabilities to government institutions and other borrowings	2,717,572	-	2,096,058	221,514	400,000
Borrowings from general resources of IMF	1,977,730	1,977,730	-	-	-
Noninterest-bearing liabilities	5,676,088	-	-	-	-
Total	11,185,481	1,977,730	2,910,149	221,514	400,000
Asset/liability gap	1,628,413	116,324	(1,437,080)	683,917	5,689,978

(BGN'000)

As at 31 December 2001

	Total	Floating rate instruments	Fixed rate instruments		
			Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year
Assets					
Cash and deposits in foreign currencies	1,521,879	187,631	1,334,248	-	-
Gold and other precious metals	156,227	540	155,687	-	-
Debt securities	5,540,093	109,684	1,758,595	432,409	3,239,405
Equity investments and quota in IMF	91,339	91,339	-	-	-
Receivable from the Republic of Bulgaria	2,314,570	2,314,570	-	-	-
Noninterest-bearing assets	2,718,602	-	-	-	-
Total	12,342,710	2,703,764	3,248,530	432,409	3,239,405
Liabilities					
Banknotes and coins in circulation	-	-	-	-	-
Due to banks and other financial institutions	780,744	-	780,744	-	-
Liabilities to government institutions and other borrowings	1,060,951	-	1,060,951	-	-
Borrowings from general resources of IMF	2,780,702	2,780,702	-	-	-
Noninterest-bearing liabilities	6,346,668	-	-	-	-
Total	10,969,065	2,780,702	1,841,695	-	-
Asset/liability gap	1,373,645	(76,938)	1,406,835	432,409	3,239,405

(d) Currency risk

Currency risk exists where there is a difference between the currency structure of assets and that of liabilities. The Bank is exposed to currency risk through transactions with financial instruments denominated in currencies, which differ from the base currency (euro) of the Bank.

As a result of the currency board arrangement in Bulgaria, the Bulgarian currency is fixed to the euro. As the currency in which the Bank presents its financial statements is the Bulgarian lev, the Bank's financial statements are impacted by movements in the exchange rates between the currencies outside the euroarea and the lev.

The Bank's transactions give rise to foreign gains and losses that are recognized in the income statement and may then be transferred to special reserves.

To minimize currency risk a limit is set to mismatches between the currency structure of assets and that of liabilities. The market value of assets in a currency other than the euro should not deviate by more than +/-2% from the market value of liabilities denominated in the same currency.

The foreign currency exposures are as follows:

(BGN'000)

	2002	2001
Assets		
Bulgarian levs and euroarea currencies	7,507,225	6,844,188
US dollars	841,254	491,819
Japanese yen	37	144
Pound sterling	53	433
SDR	3,579,963	4,103,398
Gold	822,665	882,346
Other	62,697	20,382
	<u>12,813,894</u>	<u>12,342,710</u>
Liabilities and equity		
Bulgarian levs and euroarea currencies	8,392,073	7,829,908
US dollars	831,498	343,759
Japanese yen	896	11
Pound sterling	4	9
SDR	3,531,931	4,151,012
Gold	-	-
Other	57,492	18,011
	<u>12,813,894</u>	<u>12,342,710</u>
Net position		
Bulgarian levs and euroarea currencies	(884,848)	(985,720)
US dollars	9,756	148,060
Japanese yen	(859)	133
Pound sterling	49	424
SDR	48,032	(47,614)
Gold	822,665	882,346
Other	5,205	2,371

(e) Risk measurement and control

The above types of risks are managed by an independent risk control division, which prepares and submits for approval the investment limits regarding forex reserves management; and monitors and controls daily the compliance with limits, rules, and procedures. For that purpose regular reports are issued on a daily, weekly, monthly, quarterly, and annual basis designed for both the operational management of forex reserves and to keep the Bank's management informed. Upon a change in market conditions or in the risk level tolerance, as approved by BNB Managing Board, the division prepares and recommends an appropriate update of the investment guidelines.

Interest rate sensitivity

The Bank uses duration analysis to estimate the degree of sensitivity to interest rate changes in its nontrading positions. Modified duration of a bond is the life, in years, of a notional zero coupon bond whose fair value would change by the same amount as the real bond or portfolio in response to a change in market interest rates.

29. Commitments and contingencies*(i) Participation in the Bank for International Settlements*

The Bank holds 8,000 shares of 2,500 gold francs each in the capital of the Bank for International Settlements, of which 25% paid up. Following a decision of the Board of Governors of the Bank for International Settlements, Basle, as of 1 April 2003 the BIS authorized capital is denominated in SDR.

(ii) IMF quota and borrowings

The IMF quota and borrowings are supported by promissory notes jointly signed by the Bank and the Government of the Republic of Bulgaria amounting to BGN 3.791 million (2001: BGN 4.438 million).

(iii) Capital commitments

As at 31 December 2002, the Bank has committed to BGN 2.840 million to purchase noncurrent assets.

(iv) Retirement benefits under local legislation

In accordance with the requirements of Labor Code, on termination of the labor contract of an employee, who has become entitled to retirement, the Bank is obliged to pay him a compensation amounting to his double gross monthly salary. If the employee has been employed in the Bank for the last ten years, the amount of the compensation due is six times his gross monthly salary.

The Bank does not have sufficient statistical information, so as to perform precise actuarial calculations; therefore the management has made an approximate estimation of the compensations due. The approximate amount of the present value of the liabilities for retirement compensations at the balance sheet date amounts to BGN 544,000.

Due to the insufficient data for performing a reliable estimation of the compensations due, no legal obligation for retirement compensations were accrued in these financial statements in accordance with the requirements of IAS 19 *Employee benefits*.

(v) There are no other outstanding guarantees, letters of credit or commitments to purchase or sell either gold, other precious metals or foreign currency.

30. Events subsequent to the balance sheet date

There are no events subsequent to the balance sheet date of such a nature that they would require additional disclosures or adjustments to the consolidated financial statements.

2.

Report on the Implementation of the BNB Budget

The BNB Budget was approved by the Bank Managing Board at a meeting on 31 October 2001, and adopted by the 39th National Assembly on 7 December 2001 pursuant to Article 48, para. 1 of the Law on the BNB.

The Budget comprised two sections and had been drawn up on the basis of a BGN 2 per USD 1 exchange rate, 4.6% annual average inflation and 4.5% year-end inflation.

BNB Operating Expenditure

Under Section I projected BNB operating expenditure totaled BGN 47,554,000 in 2002. Reported expenditure accounted for BGN 42,719,000, or 89.8% of forecast. Economies reflect less-than-projected spending on hired services, other administrative costs, and currency in circulation.

Currency circulation service costs totaled BGN 12,740,000 against the projected BGN 14,135,000, or 90.1% of forecast. Banknote printing cost BGN 7,145,000. Following the floating of the Printing Works as a separate company in early 2002, expenditure on banknote production includes total cost, rather than materials only, as before. Coin minting cost BGN 4,494,000, including commemorative coins which came to BGN 935,000. The above spend was sufficient for normal currency circulation servicing.

Budgeted funds on materials, services and depreciation totaled BGN 17,381,000; of this, BGN 15,085,000, or 86.8%, was actually spent.

In 2002 the Bank continued to implement a policy of cutting operating expenditure. Funds for office materials, heating, telecommunications, electricity, fuel, and car spares were underspent. Of the budgeted figure for subscription maintenance of office and other equipment, 57.8% was utilized; of the budgeted premises repair figure, 67.5% was spent on repairs to the BNB building. Bloomberg, Reuters, internet and other services

cost 90.7% of earmarked funds. Expenditure on software fees came to 69.4%.

Projected depreciation expenditure amounted to BGN 5,700,000 and outturn was BGN 5,787,000, or 101.5%.

Salary and social security spending totaled BGN 12,174,000, comprising 28.5% of total BNB operating expenditure. This included funds for compensating holiday leaves for the previous year recognized in accordance with IAS 19, *Income of Employees*.

Other administrative costs include expenditure on inland travel to deliver valuable packages to BNB regional centers, on foreign travel, and on staff training.

Investment Program

Budgeted funds under Section II, *Investment Program*, came to BGN 13,595,000. Of this, BGN 5,322,000, or 39.1%, was spent.

Reconstruction and modernization spending totaled BGN 3,150,000, associated with building special valuable package delivery areas at the Printing Works, with air conditioning the Banking Supervision Department, and with refurbishing BNB staff hotels.

Expenditure accounting for 18.6% of budgeted funds were incurred on the rollover of security equipment, mainly in expanding and upgrading existing facilities.

Funds spent on computerization amounted to BGN 3,438,000, or 38.6% of forecast. In 2002 major computerization investment was directed at a phase of RINGS development, and on hardware and software purchases. Replacement of computers, servers, and printers, continued in 2002 and accounted for BGN 1,890,000.

Of the budgeted funds for office furniture and equipment, expenditure was made on equipping the BNB main building.

IMPLEMENTATION OF THE BNB BUDGET, 2002

Indicators	Reporting, 2002 (BGN'000)	Budget, 2002 (BGN'000)	Implementation (%)
Section I. BNB operating expenditure	42,719	47,554	89.8
Currency circulation expenditure	12,740	14,135	90.1
Materials, services and depreciation expenditure	15,085	17,381	86.8
Salaries and employee benefits	12,174	12,877	94.5
Social activity expenditure	1,748	1,958	89.3
Other administrative expenditure	972	1,203	80.8
Section II. Investment program	5,322	13,595	39.1
Expenditure on construction, reconstruction and modernization	1,289	3,150	40.9
Expenditure on currency circulation equipment	0	100	0
Expenditure on BNB security equipment	119	640	18.6
Expenditure on special automobiles and other vehicles	0	200	0
Expenditure on BNB computerization	3,438	8,900	38.6
Office furniture and equipment	476	605	78.7

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C o n t e n t s

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GROSS DOMESTIC PRODUCT

Indicators	2000	2001	2002	Physical volume index 2001 = 100	Implicit deflators, %
	at current prices, million BGN				
Gross value added by economic sector	23696.7	26355.6	28493.8	104.7	103.3
Agriculture and forestry	3301.1	3532.6	3556.8	105.1	82.4
Industry	6901.8	7562.0	7927.5	103.5	100.0
Services	13493.7	15261.1	17009.5	105.1	106.9
By type of ownership					
Private	16481.1	18822.7	20728.2	107.6	102.3
Public	7215.5	7532.9	7765.6	97.3	105.9
Adjustments	3056.2	3353.6	3829.9	105.6	113.1
GDP by component of final demand	26752.8	29709.2	32323.7	104.8	103.8
Final consumption	23291.5	25818.4	28231.9	104.1	106.6
Individual	20687.8	23009.1	24988.6	103.9	105.6
Collective	2603.6	2809.3	3243.3	106.2	113.8
Gross capital formation	4893.6	6141.1	6365.9	-	-
Gross capital formation of fixed capital	4206.0	5415.2	5858.9	109.3	98.1
Reserve change	687.6	725.9	507.1	-	
Balance (exports – imports)	-1432.3	-2250.3	-2135.7	-	
Exports of goods and services	14902.0	16509.6	17171.9	106.2	95.0
Imports of goods and services	16334.3	18760.0	19307.7	104.7	99.7
Statistical discrepancy	0.0	0.0	-138.4	-	-

Source: NSI.

EMPLOYMENT IN 2001 AND 2002*

Sectors	Year average, persons					
	2001 – final data			2002 – preliminary data		
	Total	Public sector	Private sector	Total	Public sector	Private sector
Employed under labor contracts						
Total	1899874	779384	1120490	1905979	748016	1157963
Agriculture, forestry and fishery	79534	11092	68442	76584	9400	67184
Extracting industry	36928	22584	14344	33542	18633	14909
Processing industry	562251	51011	511240	558368	40209	518159
Electrical energy, gas and water	59234	55618	3616	58336	54041	4295
Construction	97053	22297	74756	95188	19025	76163
Trade and repair	222722	6858	215864	238176	5222	232954
Hotelry and catering	55734	6969	48765	57911	6126	51785
Transport and communications	163419	109775	53644	158716	104497	54219
Finance, credit and insurance	27486	11542	15944	26815	9460	17355
Operations in real estate and business services	100063	31536	68527	104298	32132	72166
Government administration	95825	95825	-	98634	98634	-
Education	202396	198244	4152	201351	196683	4668
Healthcare	132528	121036	11492	134140	119839	14301
Other services	64701	34997	29704	63920	34115	29805
Budget organizations and government-managed funds	398359	398359	-	391238	391238	-
Commercial companies, enterprises and organizations generating business revenues	1210942	373898	914929	1502435	356741	1145694

* The number of employed in the economy includes persons employed under labor, civil and management contracts and working owners. Servicemen excluded.

(continued)

(continued)

Sectors	Employment rate, %					
	2001 – final data			2002 – preliminary data		
	Total	Public sector	Private sector	Total	Public sector	Private sector
Employed under labor contracts						
Total	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry and fishery	4.2	1.4	6.1	4.0	1.3	5.8
Extracting industry	1.9	2.9	1.3	1.8	2.5	1.3
Processing industry	29.6	6.5	45.6	29.3	5.4	44.7
Electrical energy, gas and water	3.1	7.1	0.3	3.1	7.2	0.4
Construction	5.1	2.9	6.7	5.0	2.5	6.6
Trade and repair	11.7	0.9	19.3	12.5	0.7	20.1
Hotelry and catering	2.9	0.9	4.4	3.0	0.8	4.5
Transport and communications	8.6	14.1	4.8	8.3	14.0	4.7
Finance, credit and insurance	1.4	1.5	1.4	1.4	1.3	1.5
Operations in real estate and business services	5.3	4.0	6.1	5.5	4.3	6.2
Government administration	5.0	12.3	-	5.2	13.2	-
Education	10.7	25.4	0.4	10.6	26.3	0.4
Healthcare	7.0	15.5	1.0	7.0	16.0	1.2
Other services	3.4	4.5	2.7	3.4	4.6	2.6
Budget organizations and government-managed funds	21.0	51.1	-	20.5	52.3	-
Commercial companies, enterprises and organizations generating business revenues	63.7	48.0	81.7	78.8	47.7	98.9

Source: NSI.

AVERAGE MONTHLY PAY OF EMPLOYED UNDER LABOR CONTRACT BY ECONOMIC SECTOR

(BGN)

	2000 – final data			2001 – final data			2002 – preliminary data		
	Total	Public sector	Private sector	Total	Public sector	Private sector	Total	Public sector	Private sector
Total	225	263	193	240	291	204	272	321	240
Agriculture, forestry and fishery	181	194	177	185	216	180	196	235	191
Extracting industry	368	378	348	389	402	369	416	445	379
Processing industry	218	280	208	227	328	217	244	345	236
Electrical energy, gas and water	412	414	293	444	448	391	455	456	433
Construction	204	239	191	213	265	197	208	261	194
Trade and repair	158	330	150	167	371	161	240	411	236
Hotelry and catering	140	185	132	150	212	141	164	225	157
Transport and communications	271	302	198	294	335	209	320	353	255
Finance, credit and insurance	442	462	419	510	490	524	586	559	601
Operations in real estate and business services	213	260	186	228	268	210	292	286	296
Government administration	305	305	X	336	336	X	391	391	X
Education	213	212	265	232	230	305	269	266	383
Healthcare	190	194	104	218	226	133	259	265	207
Other services	187	190	182	209	211	207	237	236	237
Budget organizations and government-managed funds	224	224	X	247	247	X	291	291	X
Commercial companies, enterprises and organizations generating business revenues	225	311	192	265	324	229	266	350	239

Source: NSI.

GROWTH IN CONSUMER PRICES BY COMPONENT

(%)

2002	On the previous month				On corresponding month of previous year (total)	On average annual prices of previous year			
	Total					Total			
		Goods		Services			Goods		Services
		Food	Nonfood				Food	Nonfood	
January	2.7	2.9	2.6	2.5	7.1	6.0	7.4	4.9	5.2
February	1.6	1.0	4.0	0.5	8.4	7.8	8.5	9.0	5.7
March	0.8	0.2	2.3	0.3	9.2	8.6	8.7	11.5	6.0
April	-0.1	-0.8	0.7	0.3	9.2	8.5	7.8	12.3	6.3
May	-2.1	-4.6	-0.3	0.4	6.9	6.2	2.8	11.9	6.7
June	-1.7	-3.7	-0.3	0.0	5.2	4.4	-1.0	11.6	6.7
July	0.1	-3.6	-0.1	6.5	5.5	4.6	-4.6	11.4	13.6
August	-0.7	-1.3	-0.6	0.0	4.5	3.9	-5.8	10.7	13.6
September	0.8	1.5	0.5	0.1	4.0	4.7	-4.3	11.3	13.7
October	1.0	1.8	0.6	0.2	3.2	5.7	-2.6	12.0	14.0
November	0.2	-0.2	0.1	0.8	3.2	5.9	-2.8	12.0	14.8
December	1.2	2.8	0.7	-0.4	3.8	7.2	-0.1	12.9	14.3

Source: NSI.

EXPORTS BY COMMODITY GROUP

Commodity groups*	January – December				Change on same period of previous year	
	2001		2002			
	million USD	share, %	million USD	share, %	million USD	%
Textile, leather materials, clothing, footwear and other consumer goods, including:	1408.4	27.5	1693.0	29.8	284.5	20.2
Chapter 62. Clothing and accessories to clothing other than knitwear	545.8	10.7	613.6	10.8	67.8	12.4
Chapter 61. Clothing and accessories to clothing from knitwear	362.6	7.1	459.5	8.1	96.9	26.7
Chapter 64. Shoes, gaiters and similar articles; their components	159.9	3.1	160.7	2.8	0.8	0.5
Chapter 94. Furniture; medical furniture; sleeping accessories and similar articles	72.9	1.4	99.1	1.7	26.2	36.0
Chapter 71. Natural and cultivated pearls, gems and precious metals	36.1	0.7	78.1	1.4	42.1	116.6
Base metals and their products, including:	916.3	17.9	949.8	16.7	33.5	3.7
Chapter 72. Cast-iron, iron and steel	353.5	6.9	367.1	6.5	13.6	3.9
Chapter 74. Copper and its products	299.7	5.9	317.8	5.6	18.1	6.0
Chapter 73. Cast-iron, iron and steel products	77.1	1.5	81.8	1.4	4.7	6.1
Chapter 76. Aluminium and its products	56.7	1.1	69.2	1.2	12.5	22.1
Chapter 79. Zinc and its products	70.3	1.4	59.4	1.0	-10.9	-15.4
Machines, transport facilities, appliances, tools and weapons, including:	636.5	12.4	801.6	14.1	165.2	26.0
Chapter 84. Nuclear reactors, boilers, machines, appliances and machinery; spare parts	319.7	6.3	371.8	6.5	52.1	16.3
Chapter 85. Electrical machines and appliances	196.4	3.8	247.0	4.3	50.7	25.8
Animal and vegetable products, food, drink and tobacco, including:	508.4	9.9	715.4	12.6	207.0	40.7
Chapter 10. Cereals	69.4	1.4	168.5	3.0	99.0	142.6
Chapter 12. Oil-bearing seeds and fruit; miscellaneous seeds	46.2	0.9	86.7	1.5	40.5	87.8
Chapter 22. Soft and alcoholic drinks and vinegars	69.6	1.4	69.8	1.2	0.3	0.4
Chapter 24. Tobacco and processed substitutes	58.9	1.2	61.9	1.1	2.9	4.9
Mineral products and fuels, including:	777.8	15.2	637.3	11.2	-140.5	-18.1
Chapter 27. Mineral fuels, mineral oils and distilled products	690.3	13.5	559.7	9.8	-130.7	-18.9
Chemical products, plastics and rubber, including:	630.7	12.3	620.8	10.9	-10.0	-1.6
Chapter 28. Inorganic chemical products	119.6	2.3	109.7	1.9	-9.9	-8.3
Chapter 39. Plastics and plastic products	95.1	1.9	106.3	1.9	11.2	11.8
Chapter 29. Organic chemical products	91.4	1.8	101.3	1.8	9.9	10.8
Chapter 33. Essential oils, perfumes and toiletries	76.1	1.5	72.7	1.3	-3.4	-4.5
Chapter 30. Pharmaceuticals	73.6	1.4	70.0	1.2	-3.6	-4.9
Chapter 31. Fertilizers	87.0	1.7	58.4	1.0	-28.7	-33.0
Wood, paper, earthenware and glass products, including:	234.8	4.6	270.0	4.7	35.1	14.9
Chapter 44. Timber and wood products; wood coal	86.6	1.7	103.6	1.8	17.1	19.7
EXPORTS, TOTAL (FOB)	5112.9	100.0	5687.8	100.0	574.9	11.2

* Commodity groups include chapters from the Harmonized System for Commodity Description and Coding.

Source: Customs declarations data as of the moment of customs clearings, received from the Information Service AD, processed by the BNB and supplemented with NSI information. Data coordinated with the NSI.

For 2002 – preliminary data as of 24 March 2003.

IMPORTS BY COMMODITY GROUP

Commodity groups ¹	January – December				Change on same period of previous year	
	2001		2002			
	million USD	share, %	million USD	share, %	million USD	%
Machines, transport facilities, appliances, tools and weapons, including:	2143.1	29.5	2337.6	29.6	194.5	9.1
Chapter 84. Nuclear reactors, boilers, machines, appliances and machinery; spare parts	768.3	10.6	921.0	11.7	152.8	19.9
Chapter 87. Automobile transport	581.2	8.0	646.5	8.2	65.3	11.2
Chapter 85. Electrical machines and appliances	569.5	7.8	595.0	7.5	25.5	4.5
Chapter 90. Optical instruments and appliances	132.4	1.8	134.6	1.7	2.2	1.7
Mineral products and fuels, including:	1928.4	26.6	1826.5	23.1	-101.9	-5.3
Chapter 27. Mineral fuels, mineral oils and distilled products	1606.1	22.1	1548.8	19.6	-57.3	-3.6
Chapter 26. Ores, slags and ashes	247.8	3.4	200.7	2.5	-47.1	-19.0
Textile, leather materials, clothing, footwear and other consumer goods, including:	1166.1	16.1	1373.0	17.4	206.9	17.7
Chapter 61. Clothing and accessories to clothing from knitwear	185.4	2.6	227.4	2.9	42.0	22.6
Chapter 52. Cotton	161.5	2.2	183.6	2.3	22.1	13.7
Chapter 55. Staple synthetic and artificial fibres	135.3	1.9	151.7	1.9	16.4	12.2
Chapter 54. Synthetic or artificial fibres	103.4	1.4	114.7	1.5	11.3	10.9
Chapter 51. Wool, sheer and coarse filaments; yarns and fabrics from manes and tails	89.8	1.2	101.7	1.3	12.0	13.3
Chapter 62. Clothing and accessories to clothing other than knitwear	61.1	0.8	84.8	1.1	23.7	38.8
Chemical products, plastics and rubber, including:	879.6	12.1	978.8	12.4	99.3	11.3
Chapter 39. Plastics and plastic products	230.7	3.2	276.5	3.5	45.9	19.9
Chapter 30. Pharmaceuticals	178.0	2.5	189.4	2.4	11.4	6.4
Chapter 38. Miscellaneous products of chemical industry	85.9	1.2	95.6	1.2	9.7	11.3
Chapter 29. Organic chemical products	78.3	1.1	80.4	1.0	2.1	2.6
Animal and vegetable products, food, drink and tobacco, including:	408.1	5.6	475.8	6.0	67.7	16.6
Chapter 17. Sugar and sugar products	57.3	0.8	54.4	0.7	-2.9	-5.0
Base metals and their products, including:	427.0	5.9	466.5	5.9	39.6	9.3
Chapter 72. Cast-iron, iron and steel	147.4	2.0	155.7	2.0	8.4	5.7
Chapter 73. Cast-iron, iron and steel products	93.1	1.3	109.6	1.4	16.5	17.7
Chapter 76. Aluminium and its products	90.9	1.3	104.5	1.3	13.6	15.0
Wood, paper, earthenware and glass products, including:	308.5	4.2	337.7	4.3	29.2	9.5
Chapter 48. Paper and cardboard; products of cellulose, paper and cardboard	166.4	2.3	177.7	2.3	11.3	6.8
Other imports²	0.0	0.0	100.9	1.3	100.9	100.0
IMPORTS, TOTAL (CIF)	7260.8	100.0	7897.0	100.0	636.2	8.8
(-) Freight expenditure	567.4		616.4			
IMPORTS, TOTAL (FOB)	6693.4		7280.6		587.2	8.8

¹ Commodity groups include chapters from the Harmonized System for Commodity Description and Coding.

² According to changes in the Customs Tariff, effective as of 1 January 2002, duty-free imported goods are included in the new Chapter 99, *Customs Concessions*, of the Customs Tariff. However, data contained in tariff numbers of these goods specified in the customs declarations is insufficient to classify them by type.

Source: Customs declarations data as of the moment of customs clearings, received from the Information Service AD, processed by the BNB and supplemented with NSI information. Data coordinated with the NSI.
For 2002 – preliminary data as of 24 March 2003.

EXPORTS BY USE

Commodity groups	January – December				Change on same period of previous year	
	2001		2002			
	million USD	share, %	million USD	share, %	million USD	%
Consumer goods	1714.9	33.5	2001.9	35.2	287.0	16.7
Food	196.3	3.8	233.5	4.1	37.2	19.0
Cigarettes	18.6	0.4	14.4	0.3	-4.2	-22.6
Drink	69.2	1.4	69.7	1.2	0.6	0.8
Clothing and footwear	1019.8	19.9	1179.0	20.7	159.2	15.6
Medical goods and cosmetics	160.6	3.1	157.6	2.8	-3.0	-1.9
Housing and home furniture	131.9	2.6	198.0	3.5	66.1	50.1
Other	118.6	2.3	149.7	2.6	31.0	26.2
Raw material feedstocks	2084.0	40.8	2375.7	41.8	291.7	14.0
Cast-iron, iron and steel	353.5	6.9	367.1	6.5	13.6	3.9
Nonferrous metals	423.8	8.3	442.1	7.8	18.2	4.3
Chemical products	201.8	3.9	201.1	3.5	-0.7	-0.3
Plastics, rubber	129.1	2.5	142.5	2.5	13.5	10.4
Fertilizers	87.0	1.7	58.4	1.0	-28.7	-33.0
Textile materials	183.6	3.6	223.8	3.9	40.2	21.9
Food feedstocks	153.6	3.0	304.7	5.4	151.2	98.4
Wood and paper, cardboard	127.4	2.5	148.0	2.6	20.6	16.2
Cement	29.9	0.6	26.7	0.5	-3.3	-10.9
Tobacco	40.4	0.8	47.5	0.8	7.1	17.6
Other	353.9	6.9	413.9	7.3	60.0	16.9
Investment goods	625.2	12.2	753.3	13.2	128.1	20.5
Machines, tools and appliances	235.3	4.6	278.4	4.9	43.0	18.3
Electrical machines	72.9	1.4	62.8	1.1	-10.1	-13.8
Transport facilities	32.1	0.6	64.1	1.1	32.0	99.7
Spare parts and equipment	139.1	2.7	160.3	2.8	21.2	15.2
Other	145.7	2.9	187.6	3.3	41.9	28.8
Nonenergy commodities, total	4424.1	86.5	5130.8	90.2	706.7	16.0
Energy commodities	688.8	13.5	557.0	9.8	-131.8	-19.1
Petroleum products	453.9	8.9	337.0	5.9	-117.0	-25.8
Other	234.9	4.6	220.0	3.9	-14.9	-6.3
EXPORTS, TOTAL (FOB)	5112.9	100.0	5687.8	100.0	574.9	11.2

Source: Customs declarations data as of the moment of customs clearings, received from the Information Service AD, processed by the BNB and supplemented with NSI information. Data coordinated with the NSI.
For 2002 – preliminary data as of 24 March 2003.

IMPORTS BY USE

Commodity groups	January – December				Change on same period of previous year	
	2001		2002			
	million USD	share, %	million USD	share, %	million USD	%
Consumer goods	1283.0	17.7	1502.4	19.0	219.4	17.1
Food, drink and cigarettes	198.4	2.7	236.6	3.0	38.2	19.3
Housing and home furniture	187.8	2.6	242.3	3.1	54.4	29.0
Medical goods and cosmetics	257.6	3.5	278.6	3.5	21.0	8.2
Clothing and footwear	267.6	3.7	345.5	4.4	77.9	29.1
Automobiles	191.1	2.6	191.8	2.4	0.7	0.4
Other	180.4	2.5	207.5	2.6	27.1	15.0
Raw material feedstocks	2534.3	34.9	2738.8	34.7	204.5	8.1
Ores	247.8	3.4	200.7	2.5	-47.1	-19.0
Cast-iron, iron and steel	147.4	2.0	155.7	2.0	8.4	5.7
Nonferrous metals	80.9	1.1	77.9	1.0	-3.0	-3.7
Textile materials	723.0	10.0	815.9	10.3	92.9	12.8
Wood and paper, cardboard	169.2	0.0	185.6	0.0	16.4	9.7
Chemical products	183.6	0.0	197.7	0.0	14.1	7.7
Plastics, rubber	285.3	0.0	340.7	0.0	55.4	19.4
Food feedstocks	144.2	0.0	162.1	0.0	18.0	12.5
Leather and furs	78.4	0.0	80.8	0.0	2.4	3.1
Tobacco	25.2	0.0	28.6	0.0	3.4	13.6
Other	449.2	0.1	493.0	0.1	43.7	9.7
Investment goods	1816.5	25.0	1979.9	25.1	163.5	9.0
Machines, tools and appliances	626.2	8.6	760.0	9.6	133.8	21.4
Electrical machines	317.5	4.4	262.0	3.3	-55.5	-17.5
Transport facilities	405.2	5.6	412.5	5.2	7.3	1.8
Spare parts and equipment	244.6	3.4	290.3	3.7	45.7	18.7
Other	223.0	3.1	255.1	3.2	32.1	14.4
Nonenergy commodities, total	5633.7	77.6	6221.1	78.8	587.4	10.4
Energy commodities	1627.1	22.4	1574.9	19.9	-52.1	-3.2
Fuels	1441.9	19.9	1479.3	18.7	37.4	2.6
Crude oil and natural gas	1244.2	17.1	1280.1	16.2	35.9	2.9
Coal	151.7	2.1	153.6	1.9	1.9	1.3
Other fuels	46.0	0.6	45.6	0.6	-0.4	-0.8
Other	185.2	2.6	95.6	1.2	-89.6	-48.4
Oils	185.2	2.6	95.6	1.2	-89.6	-48.4
Other imports*	0.0	0.0	100.9	1.3	100.9	100.0
IMPORTS, TOTAL (CIF)	7260.8	100.0	7897.0	100.0	636.2	8.8

* According to changes in the Customs Tariff, effective as of 1 January 2002, duty-free imported goods are included in the new Chapter 99, *Customs Concessions*, of the Customs Tariff. However, data contained in tariff numbers of these goods specified in the customs declarations is insufficient to classify them by type.

Source: Customs declarations data as of the moment of customs clearings, received from the Information Service AD, processed by the BNB and supplemented with NSI information. Data coordinated with the NSI.
For 2002 – preliminary data as of 24 March 2003.

EXPORTS BY MAJOR TRADING PARTNER AND REGION

Countries	January – December				Change on same period of previous year	
	2001		2002			
	million USD	share, %	million USD	share, %	million USD	%
European Union, incl.:	2798.6	54.7	3164.7	55.6	366.1	13.1
Italy	766.3	15.0	874.9	15.4	108.5	14.2
Germany	487.7	9.5	542.5	9.5	54.8	11.2
Greece	448.6	8.8	520.7	9.2	72.1	16.1
France	286.4	5.6	303.0	5.3	16.6	5.8
Belgium	249.5	4.9	275.0	4.8	25.6	10.2
Spain	168.0	3.3	191.9	3.4	23.9	14.2
United Kingdom	134.9	2.6	165.3	2.9	30.5	22.6
Netherlands	80.0	1.6	101.9	1.8	21.9	27.4
Austria	85.1	1.7	95.4	1.7	10.4	12.2
EFTA, incl.:	65.2	1.3	103.4	1.8	38.2	58.6
Switzerland	58.4	1.1	95.6	1.7	37.2	63.8
Other OECD countries, incl.:¹	733.2	14.3	838.5	14.7	105.3	14.4
Turkey	412.8	8.1	529.9	9.3	117.1	28.4
USA	284.7	5.6	268.5	4.7	-16.2	-5.7
Japan	12.9	0.3	10.8	0.2	-2.1	-15.9
Balkan countries, incl.:²	368.4	7.2	364.0	6.4	-4.5	-1.2
Serbia and Montenegro	212.8	4.2	173.3	3.0	-39.5	-18.6
Macedonia	112.5	2.2	126.1	2.2	13.5	12.0
CEFTA, incl.:	247.3	4.8	307.6	5.4	60.3	24.4
Romania	129.1	2.5	158.6	2.8	29.5	22.8
Poland	34.8	0.7	41.0	0.7	6.2	17.9
Hungary	33.3	0.7	38.2	0.7	4.9	14.9
Czech Republic	21.9	0.4	27.5	0.5	5.7	25.9
Slovenia	19.4	0.4	24.4	0.4	5.0	25.9
Slovakia	8.9	0.2	17.8	0.3	9.0	101.0
CIS and Baltic countries, incl.:	299.1	5.8	255.7	4.5	-43.4	-14.5
Russia	119.5	2.3	91.4	1.6	-28.1	-23.5
Ukraine	61.8	1.2	52.9	0.9	-8.9	-14.4
Georgia	53.6	1.0	48.9	0.9	-4.7	-8.8
Other countries, incl.:	601.2	11.8	654.0	11.5	52.8	8.8
Southeast Asian countries ³	13.5	0.3	27.9	0.5	14.3	105.9
EXPORTS, TOTAL (FOB)	5112.9	100.0	5687.8	100.0	574.9	11.2

¹ Australia, Canada, New Zealand, the USA, Turkey, and Japan are included.

² Albania, Bosnia and Herzegovina, Macedonia, Croatia, and Serbia and Montenegro are included.

³ Korea, Malaysia, Thailand, the Philippines, and Indonesia are included.

Source: Customs declarations data as of the moment of customs clearings, received from the Information Service AD, processed by the BNB and supplemented with NSI information. Data coordinated with the NSI.

For 2002 – preliminary data as of 24 March 2003.

IMPORTS BY MAJOR TRADING PARTNER AND REGION

Countries	January – December				Change on same period of previous year	
	2001		2002			
	million USD	share, %	million USD	share, %	million USD	%
European Union, incl.:	3582.8	49.3	3964.1	50.2	381.3	10.6
Germany	1109.4	15.3	1127.7	14.3	18.2	1.6
Italy	695.9	9.6	893.5	11.3	197.6	28.4
Greece	411.6	5.7	475.5	6.0	63.9	15.5
France	437.9	6.0	444.9	5.6	6.9	1.6
United Kingdom	180.6	2.5	206.2	2.6	25.5	14.1
Austria	144.5	2.0	164.7	2.1	20.1	13.9
Netherlands	132.5	1.8	159.6	2.0	27.1	20.5
Spain	120.3	1.7	153.6	1.9	33.2	27.6
Belgium	107.3	1.5	110.9	1.4	3.6	3.3
EFTA	90.5	1.2	107.8	1.4	17.4	19.2
Switzerland	84.7	1.2	99.7	1.3	15.0	17.8
Other OECD countries, incl.: ¹	570.1	7.9	703.9	8.9	133.9	23.5
Turkey	273.3	3.8	390.1	4.9	116.8	42.7
USA	190.8	2.6	171.8	2.2	-19.0	-9.9
Japan	76.8	1.1	88.3	1.1	11.5	15.0
Balkan countries, incl.: ²	43.0	0.6	56.9	0.7	14.0	32.5
Serbia and Montenegro	20.5	0.3	23.9	0.3	3.4	16.3
Macedonia	19.5	0.3	17.9	0.2	-1.6	-8.3
CEFTA, incl.:	550.6	7.6	575.0	7.3	24.4	4.4
Romania	172.3	2.4	162.7	2.1	-9.7	-5.6
Czech Republic	116.3	1.6	122.4	1.6	6.1	5.3
Hungary	80.3	1.1	100.1	1.3	19.7	24.6
Poland	106.8	1.5	99.4	1.3	-7.4	-7.0
Slovenia	37.0	0.5	45.3	0.6	8.4	22.7
Slovakia	37.9	0.5	45.1	0.6	7.2	19.1
CIS and Baltic countries, incl.:	1728.4	23.8	1458.4	18.5	-270.0	-15.6
Russia	1452.7	20.0	1146.5	14.5	-306.1	-21.1
Ukraine	234.9	3.2	244.6	3.1	9.6	4.1
Other countries, incl.: ³	695.4	9.6	1030.7	13.1	335.3	48.2
Southeast Asian countries ⁴	161.6	2.2	157.7	2.0	-3.9	-2.4
IMPORTS, TOTAL (CIF)	7260.8	100.0	7897.0	100.0	636.2	8.8

¹ Australia, Canada, New Zealand, the USA, Turkey, and Japan are included.

² Albania, Bosnia and Herzegovina, Macedonia, Croatia, and Serbia and Montenegro are included.

³ Including imports from unspecified country of origin.

⁴ Korea, Malaysia, Thailand, the Philippines, and Indonesia are included.

Source: Customs declarations data as of the moment of customs clearings, received from the Information Service AD, processed by the BNB and supplemented with NSI information. Data coordinated with the NSI.

For 2002 – preliminary data as of 24 March 2003.

BALANCE OF PAYMENTS*

(million USD)

	2001	2002							
	Total	I	II	III	I quarter	IV	V	VI	II quarter
A. Current account ¹	-842.2	-130.4	-51.9	-55.2	-237.5	-137.2	-101.3	93.1	-145.4
Goods: credit (FOB)	5112.9	383.7	408.8	408.0	1200.5	425.4	402.9	496.4	1324.7
Goods: debit (FOB)	-6693.4	-466.1	-484.1	-502.1	-1452.4	-573.8	-592.7	-570.0	-1736.5
Trade balance ²	-1580.5	-82.4	-75.4	-94.1	-251.9	-148.4	-189.8	-73.7	-411.9
Services: credit	2426.0	125.5	130.0	136.2	391.6	125.9	199.4	317.2	642.5
Transportation ³	697.8	42.9	44.9	47.7	135.5	43.1	59.1	81.8	184.0
Travel ⁴	1201.0	42.7	51.6	58.3	152.6	46.5	110.1	176.3	333.0
Other services	527.3	39.9	33.5	30.2	103.5	36.3	30.1	59.2	125.6
Services: debit	-1882.1	-133.9	-124.7	-137.4	-396.0	-160.8	-151.4	-176.3	-488.5
Transportation ³	-806.3	-57.2	-55.1	-60.3	-172.6	-67.2	-70.7	-71.5	-209.3
Travel ⁴	-568.8	-42.7	-34.4	-43.2	-120.3	-44.2	-48.6	-55.2	-147.9
Other services	-507.1	-34.1	-35.2	-33.8	-103.1	-49.5	-32.1	-49.7	-131.3
Services, net	543.9	-8.4	5.2	-1.2	-4.4	-34.9	48.0	140.9	154.0
Goods and nonfactor services, net	-1036.5	-90.8	-70.1	-95.3	-256.3	-183.3	-141.7	67.2	-257.9
Income: credit	352.0	59.0	19.7	20.7	99.4	25.5	21.8	22.8	70.2
Employee compensation	70.5	6.4	5.6	6.4	18.4	6.3	6.3	5.9	18.5
Investment income	281.5	52.7	14.1	14.3	81.0	19.3	15.6	16.9	51.7
Direct investments	0.6	0.0	0.0	0.6	0.6	0.4	0.0	0.0	0.4
Portfolio investments	64.7	6.0	2.1	2.5	10.6	2.9	2.0	1.8	6.6
Other investments	216.2	46.7	12.0	11.1	69.8	16.0	13.6	15.1	44.6
Income: debit	-656.0	-122.9	-28.0	-18.0	-168.8	-17.9	-33.2	-44.5	-95.6
Employee compensation	-27.0	-0.8	-0.6	-1.4	-2.9	-0.6	-2.1	-1.3	-3.9
Investment income	-629.0	-122.0	-27.3	-16.6	-166.0	-17.3	-31.1	-43.2	-91.6
Direct investments	-148.7	-4.5	-4.1	-10.6	-19.1	-5.7	-16.0	-21.9	-43.6
Portfolio investments	-301.7	-111.0	-0.1	-0.1	-111.1	-0.2	-0.1	-2.2	-2.5
Other investments	-178.6	-6.6	-23.2	-6.0	-35.7	-11.4	-15.0	-19.1	-45.5
Income, net	-304.0	-63.9	-8.3	2.7	-69.4	7.6	-11.3	-21.7	-25.4
Goods, nonfactor services and income, net	-1340.5	-154.7	-78.4	-92.6	-325.7	-175.7	-153.1	45.4	-283.3
Current transfers, net ⁵	498.4	24.2	26.5	37.5	88.2	38.5	51.8	47.7	137.9
Current transfers, credit	598.5	31.2	31.2	44.5	106.9	46.8	57.2	56.8	160.7
Current transfers, debit	-100.2	-7.0	-4.7	-7.1	-18.7	-8.3	-5.4	-9.1	-22.8
B. Capital account ^{1,6}	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital transfers, net	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Groups A and B, total	-842.29	-130.44	-51.85	-55.16	-237.45	-137.19	-101.34	93.08	-145.44
C. Financial account ^{1,6}	662.79	46.05	10.25	55.35	111.65	274.90	221.00	127.86	623.76
Direct investment abroad ⁷	-9.7	-0.1	-0.2	-0.2	-0.5	-0.3	-0.1	-0.6	-0.9
Direct investment in Bulgaria ⁸	812.9	20.3	29.7	76.3	126.3	83.4	36.0	-16.3	103.1

(continued)

(continued)

(million USD)

	2001	2002							
	Total	I	II	III	I quarter	IV	V	VI	II quarter
Portfolio investment – assets	-22.9	44.3	-71.6	-73.2	-100.5	81.3	65.6	102.2	249.1
Shares	-33.5	0.0	0.0	0.0	0.0	-2.1	-0.4	-15.7	-18.2
Bonds	10.7	44.3	-71.6	-73.2	-100.5	83.4	66.0	117.8	267.2
Portfolio investment – liabilities	105.1	-18.8	-15.8	-36.8	-71.4	-100.7	-23.1	-50.2	-173.9
Shares	-8.6	-1.3	-0.4	-1.0	-2.7	-0.5	-1.3	-2.2	-4.0
Bonds	113.7	-17.5	-15.4	-35.8	-68.7	-100.1	-21.8	-48.0	-169.9
Other investment – assets ⁹	-100.4	4.4	89.8	15.4	109.6	184.5	71.1	-18.5	237.1
Trade credits, net	0.0	0.0	0.0	-1.4	-1.4	0.0	0.0	0.0	0.0
Loans	16.2	10.7	-0.6	-3.0	7.1	-4.3	-0.7	-5.3	-10.3
Commercial banks	0.1	0.0	0.0	-3.6	-3.6	-4.4	0.3	-5.6	-9.7
Other sectors	16.2	10.7	-0.6	0.6	10.7	0.1	-1.0	0.3	-0.6
Currency and deposits	-92.7	8.1	87.6	22.9	118.6	182.7	73.1	-14.2	241.6
Commercial banks	-128.7	9.3	62.3	21.1	92.7	198.4	74.4	-13.4	259.4
Other sectors ¹⁰	36.1	-1.2	25.3	1.7	25.9	-15.7	-1.3	-0.8	-17.9
Other assets	-24.0	-14.5	2.8	-3.0	-14.7	6.2	-1.3	1.0	5.9
Other investment – liabilities	-122.3	-4.1	-21.7	73.8	48.1	26.7	71.4	111.3	209.3
Trade credits, net ¹¹	-128.1	0.9	0.9	0.9	2.6	37.5	37.5	37.5	112.4
Loans	-178.0	11.7	-18.6	41.3	34.4	-53.3	13.3	28.0	-12.0
General government	-307.9	-3.8	-24.5	-7.9	-36.2	-58.6	4.9	-3.3	-57.0
Commercial banks	8.6	0.2	0.3	1.3	1.8	1.9	-4.5	3.1	0.5
Other sectors ⁸	121.3	15.2	5.6	47.9	68.7	3.5	12.9	28.1	44.5
Nonresidents' deposits	44.7	-22.9	-30.6	14.8	-38.7	30.2	3.0	17.9	51.1
Other liabilities	139.2	6.3	26.6	16.9	49.8	12.3	17.6	28.0	57.9
Groups A, B and C, total	-179.5	-84.4	-41.6	0.2	-125.8	137.7	119.7	220.9	478.3
D. Errors and omissions	552.6	-147.4	31.3	-67.9	-184.1	2.4	-21.5	-7.4	-26.4
OVERALL BALANCE (Groups A, B, C and D)	373.1	-231.8	-10.4	-67.7	-309.9	140.1	98.2	213.6	451.9
E. Reserves and other financing	-373.1	231.8	10.4	67.7	309.9	-140.1	-98.2	-213.6	-451.9
BNB forex reserves ¹²	-275.2	261.1	-0.5	77.4	338.1	-111.9	-68.4	-203.4	-383.8
Use of Fund credits, net	-168.5	-29.3	10.8	-9.7	-28.2	-41.6	-29.8	-10.1	-81.5
Exceptional financing, net ¹³	70.5	0.0	0.0	0.0	0.0	13.4	0.0	0.0	13.4

* Analytical reporting of the balance of payments in accordance with IMF 5th edition of the Balance of Payments Manual.

¹ Preliminary data.² Customs declarations data as of the moment of customs clearings, received from the Information Service AD, processed by the BNB and supplemented with NSI information. Data coordinated with the NSI. For 2002 preliminary data as of 24 March 2003.³ BNB estimates.⁴ Data of the Ministry of Internal Affairs on the number and composition of tourists by purpose, and estimates of the Ministry of Economy and the BNB.⁵ Including data provided by the Ministry of Finance, the Agency for Foreign Aid, the Bulgarian Red Cross and the Customs.⁶ A minus sign denotes flight of capital (increase in assets or decrease in liabilities).⁷ Data for 2002 is subject to revisions.⁸ Data provided by the companies with foreign interest, the Privatization Agency, NSI, the Central Depository, commercial banks, etc.⁹ Based on reports on residents' obligations on financial credits to nonresidents, received at the BNB.¹⁰ BIS data is used for the January – September 2002 period. For the October – December 2002 period BNB data (subject to revisions) is used.¹¹ Including country's foreign liabilities on trade credits (received advances and obligations to suppliers).¹² Excluding changes in BNB forex reserves due to valuation adjustments. A minus sign denotes an increase in forex reserves and a positive sign a decrease.¹³ Including loans extended for balance of payments support (incl. EU, the World Bank, etc.).

Changes in BNB forex reserves including valuation adjustments:	-118.9	324.61	-5.53	51.36	370.44	-211.17	-200.81	-411.54	-823.52
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(continued)

(continued)

(million USD)

	2002								
	VII	VIII	IX	III quarter	X	XI	XII	IV quarter	Total
A. Current account ¹	116.3	160.6	51.0	327.9	-141.2	-179.3	-301.9	-622.4	-677.4
Goods: credit (FOB)	586.3	525.6	527.6	1639.5	520.2	527.3	475.6	1523.1	5687.8
Goods: debit (FOB)	-668.5	-582.0	-609.3	-1859.9	-694.2	-736.1	-801.4	-2231.8	-7280.6
Trade balance ²	-82.2	-56.5	-81.7	-220.4	-173.9	-208.8	-325.9	-708.6	-1592.8
Services: credit	409.8	392.2	286.4	1088.4	163.1	144.2	164.0	471.2	2593.8
Transportation ³	105.7	103.2	80.7	289.6	55.9	52.1	53.7	161.6	770.7
Travel ⁴	248.8	249.8	166.5	665.1	68.1	51.6	63.6	183.4	1334.0
Other services	55.4	39.1	39.3	133.7	39.1	40.5	46.7	126.2	489.0
Services: debit	-207.7	-197.9	-183.1	-588.7	-174.5	-167.1	-185.1	-526.6	-1999.9
Transportation ³	-82.5	-81.0	-80.7	-244.2	-81.6	-81.2	-86.2	-248.9	-875.0
Travel ⁴	-61.2	-75.4	-69.1	-205.7	-54.1	-44.5	-43.2	-141.8	-615.7
Other services	-64.0	-41.5	-33.3	-138.9	-38.8	-41.4	-55.7	-135.9	-509.2
Services, net	202.1	194.3	103.3	499.7	-11.4	-22.9	-21.1	-55.4	593.9
Goods and nonfactor services, net	119.9	137.8	21.5	279.3	-185.3	-231.8	-347.0	-764.0	-998.9
Income: credit	43.6	20.5	20.8	84.9	21.9	23.0	20.3	65.2	319.7
Employee compensation	7.1	6.1	5.7	18.9	6.3	5.4	5.0	16.7	72.5
Investment income	36.5	14.5	15.1	66.1	15.5	17.6	15.3	48.5	247.2
Direct investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1
Portfolio investments	1.8	1.5	1.6	4.9	1.5	1.1	1.1	3.7	25.8
Other investments	34.6	13.0	13.5	61.1	14.0	16.6	14.2	44.8	220.3
Income: debit	-132.7	-26.2	-32.2	-191.1	-29.2	-19.0	-43.9	-92.1	-547.6
Employee compensation	-2.1	-1.3	-0.7	-4.1	-1.1	-0.7	-1.9	-3.6	-14.5
Investment income	-130.6	-24.9	-31.4	-187.0	-28.1	-18.3	-42.1	-88.5	-533.1
Direct investments	-63.2	-4.5	-18.4	-86.1	-22.8	-7.8	-15.5	-46.1	-195.0
Portfolio investments	-60.5	-0.3	-0.1	-60.9	-0.1	-0.3	-0.4	-0.8	-175.3
Other investments	-6.9	-20.2	-12.9	-40.0	-5.2	-10.2	-26.2	-41.6	-162.9
Income, net	-89.1	-5.7	-11.4	-106.2	-7.3	4.0	-23.6	-26.9	-227.9
Goods, nonfactor services and income, net	30.8	132.1	10.2	173.1	-192.6	-227.8	-370.5	-790.9	-1226.8
Current transfers, net ⁵	85.5	28.4	40.9	154.8	51.4	48.4	68.6	168.4	549.4
Current transfers, credit	93.2	41.5	58.1	192.8	62.5	56.3	76.4	195.2	655.6
Current transfers, debit	-7.8	-13.0	-17.2	-38.0	-11.1	-7.9	-7.8	-26.8	-106.2
B. Capital account ^{1,6}	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Capital transfers, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Groups A and B, total	116.29	160.53	51.04	327.86	-141.17	-179.31	-301.95	-622.43	-677.47
C. Financial account ^{1,6}	-146.32	2.97	121.86	-21.49	176.90	188.53	173.49	538.92	1252.84
Direct investment abroad ⁷	-0.9	-1.9	-0.2	-2.9	-1.3	-0.2	-22.6	-24.0	-28.3
Direct investment in Bulgaria ⁸	-23.4	23.4	24.7	24.6	116.3	42.3	66.2	224.7	478.7

(continued)

(continued)

(million USD)

	2002								
	VII	VIII	IX	III quarter	X	XI	XII	IV quarter	Total
Portfolio investment – assets	16.2	-17.4	7.5	6.3	-34.2	88.7	15.7	70.2	225.1
Shares	-2.0	-5.3	7.2	-0.1	0.0	1.4	0.0	1.4	-16.8
Bonds	18.2	-12.1	0.3	6.3	-34.2	87.3	15.7	68.8	241.9
Portfolio investment – liabilities	-85.5	14.7	18.0	-52.8	-17.3	29.8	-16.3	-3.8	-302.1
Shares	-4.3	0.6	-1.9	-5.7	-8.0	-0.4	-2.0	-10.5	-22.9
Bonds	-81.2	14.1	19.9	-47.2	-9.3	30.2	-14.3	6.7	-279.1
Other investment – assets ⁹	-99.6	-25.7	10.1	-115.2	107.3	7.5	-73.4	41.5	273.0
Trade credits, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.4
Loans	13.4	-12.7	-4.6	-3.9	-11.9	1.3	0.6	-10.0	-17.1
Commercial banks	-0.6	-12.6	-4.6	-17.8	-12.0	1.4	0.5	-10.0	-41.1
Other sectors	14.0	-0.2	0.1	13.9	0.1	-0.2	0.0	-0.1	24.0
Currency and deposits	-121.9	-14.8	9.9	-126.8	113.7	0.6	-73.6	40.6	274.0
Commercial banks	-117.3	-14.3	17.1	-114.5	113.3	1.4	-53.4	61.2	299.0
Other sectors ¹⁰	-4.6	-0.5	-7.2	-12.3	0.4	-0.8	-20.2	-20.6	-24.9
Other assets	8.8	1.8	4.8	15.5	5.6	5.6	-0.3	10.9	17.5
Other investment – liabilities	46.9	9.9	61.8	118.6	6.1	20.4	204.0	230.4	606.4
Trade credits, net ¹¹	4.5	4.5	4.5	13.4	9.3	9.3	9.3	27.8	156.2
Loans	18.9	-8.0	4.2	15.1	3.1	14.6	80.6	98.3	135.8
General government	-3.1	-31.7	-17.4	-52.2	2.8	6.8	-0.7	8.9	-136.5
Commercial banks	-0.3	-0.7	10.7	9.7	-1.0	1.3	22.8	23.1	35.1
Other sectors ⁸	22.3	24.4	10.9	57.6	1.4	6.5	58.5	66.4	237.2
Nonresidents' deposits	12.3	-9.2	31.7	34.8	-4.4	-11.8	68.3	52.1	99.2
Other liabilities	11.3	22.6	21.4	55.3	-1.9	8.3	45.8	52.2	215.2
Groups A, B and C, total	-30.0	163.5	172.9	306.4	35.7	9.2	-128.5	-83.5	575.4
D. Errors and omissions	67.8	-66.5	-29.1	-27.8	105.0	101.4	171.7	378.1	139.8
OVERALL BALANCE (Groups A, B, C and D)	37.8	97.0	143.8	278.6	140.7	110.6	43.3	294.6	715.2
E. Reserves and other financing	-37.8	-97.0	-143.8	-278.6	-140.7	-110.6	-43.3	-294.6	-715.2
BNB forex reserves ¹²	-55.7	-100.6	-133.5	-289.9	-127.9	-89.9	-32.9	-250.7	-586.3
Use of Fund credits, net	18.0	3.6	-10.3	11.2	-12.8	-20.7	-10.4	-43.8	-142.3
Exceptional financing, net ¹³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.4

* Analytical reporting of the balance of payments in accordance with IMF 5th edition of the Balance of Payments Manual.

¹ Preliminary data.

² Customs declarations data as of the moment of customs clearings, received from the Information Service AD, processed by the BNB and supplemented with NSI information. Data coordinated with the NSI. For 2002 preliminary data as of 24 March 2003.

³ BNB estimates.

⁴ Data of the Ministry of Internal Affairs on the number and composition of tourists by purpose, and estimates of the Ministry of Economy and the BNB.

⁵ Including data provided by the Ministry of Finance, the Agency for Foreign Aid, the Bulgarian Red Cross and the Customs.

⁶ A minus sign denotes flight of capital (increase in assets or decrease in liabilities).

⁷ Data for 2002 is subject to revisions.

⁸ Data provided by the companies with foreign interest, the Privatization Agency, NSI, the Central Depository, commercial banks, etc.

⁹ Based on reports on residents' obligations on financial credits to nonresidents, received at the BNB.

¹⁰ BIS data is used for the January – September 2002 period. For the October – December 2002 period BNB data (subject to revisions) is used.

¹¹ Including country's foreign liabilities on trade credits (received advances and obligations to suppliers).

¹² Excluding changes in BNB forex reserves due to valuation adjustments. A minus sign denotes an increase in forex reserves and a positive sign a decrease.

¹³ Including loans extended for balance of payments support (incl. EU, the World Bank, etc.).

Changes in BNB forex reserves including valuation adjustments:	14.65	-119.84	-144.64	-249.83	-130.04	-116.00	-217.53	-463.57	-1166.49
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GROSS FOREIGN DEBT

(million USD)

By debtor	XII.1996	XII.1997	XII.1998	XII.1999	XII.2000	XII.2001	XII.2002
GROSS FOREIGN DEBT (A + B) ^{1,2}	9601.6	10408.5	10891.9	10913.9	11201.8	10618.7	10946.2
A. Public sector (I+II+III+IV)	9396.8	9573.7	9991.2	9454.4	9310.7	8629.3	8333.4
I. Government (1+2)	8796.9	8705.1	8964.4	8369.6	8234.3	8011.7	7977.1
1. Loans	3665.7	3647.0	3952.2	3392.2	3258.2	3032.4	3091.5
2. Bonds	5131.2	5058.2	5012.1	4977.4	4976.1	4979.3	4885.7
II. Government guaranteed debt ³	258.5	384.3	504.9	581.6	632.4	448.1	528.7
Loans	258.5	384.3	504.9	581.6	632.4	448.1	528.7
III. BNB	0.0	31.1	120.0	116.9	103.6	65.8	21.1
IV. Other debtors	341.5	453.1	401.8	386.2	340.4	103.6	-193.5
Municipalities(1+2)	0.0	0.0	0.0	27.1	26.2	12.8	1.3
1. Loans	0.0	0.0	0.0	0.0	0.0	0.0	1.3
2. Bonds	0.0	0.0	0.0	27.1	26.2	12.8	0.0
Commercial banks (1+2)	326.1	264.9	309.6	200.7	107.3	8.8	8.4
1. Other loans	326.1	264.9	281.4	169.6	100.2	3.0	7.1
2. Nonresidents' deposits	0.0	0.0	28.2	31.1	7.1	5.8	1.2
Companies (1+2+3) ⁴	0.0	46.9	44.8	79.7	115.4	93.8	91.9
1. Intracompany loans	0.0	0.0	0.0	0.1	0.2	0.2	0.9
2. Other loans	0.0	0.0	0.0	28.1	51.2	47.5	33.3
3. Trade credits	0.0	46.9	44.8	51.5	64.0	46.1	57.6
Other ⁵	15.4	141.4	47.5	78.7	91.5	-11.7	-295.1
B. Private sector (I+II)	204.8	834.8	900.8	1459.5	1891.1	1989.4	2612.8
I. Commercial banks (1+2+3+4)	97.2	90.3	88.0	147.7	269.2	306.0	437.6
1. Intracompany loans	5.9	1.4	13.7	45.7	59.4	60.0	42.5
2. Other loans	8.5	3.6	3.2	3.4	42.5	47.2	87.2
3. Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Nonresidents' deposits	82.8	85.3	71.1	98.6	167.3	198.8	308.0
II. Companies (1+2+3) ⁴	107.6	744.5	812.8	1311.8	1621.9	1683.4	2175.2
1. Intracompany loans	0.0	0.0	120.4	331.9	369.0	529.8	659.4
2. Other loans	107.6	143.0	119.6	321.8	479.5	487.2	707.9
3. Trade credits	0.0	601.4	572.8	658.1	773.5	666.4	807.9

¹ The USD equivalent is calculated at end of period exchange rates of respective currencies. Preliminary data for 2002.

² Source: Ministry of Finance, BNB, commercial banks, local physical persons and legal entities.

³ In accordance with the international statistical methodology of foreign debt, the BNB has included government guaranteed loans of nonbudget enterprises in government guaranteed debt amount.

⁴ Including financial credits registered with the BNB, on which information is available, and trade credits.

⁵ Including government securities (denominated in levs and in foreign currency) held by nonresidents, less Brady bonds, eurobonds and global bonds held by residents.

(continued)

(continued)

(million USD)

By creditor	XII.1996	XII.1997	XII.1998	XII.1999	XII.2000	XII.2001	XII.2002
GROSS FOREIGN DEBT (A + B) ¹	9601.6	10408.5	10891.9	10913.9	11201.8	10618.7	10946.2
A. Long-term debt	8570.1	8590.3	9307.8	9646.4	9751.7	9400.0	9388.6
I. Official creditors	3188.4	3271.6	4043.9	4044.8	3941.2	3421.4	3424.1
1. International financial institutions	1983.8	2241.5	2774.4	2891.3	3011.6	2750.9	2817.1
IMF	584.6	936.3	1114.5	1248.6	1322.0	1109.7	1049.2
World Bank	455.8	540.4	711.6	896.6	917.8	950.0	1008.3
European Union	495.5	286.4	421.8	401.8	428.0	343.7	404.7
Other international financial institutions	448.0	478.5	526.4	344.3	343.8	347.6	354.9
2. Bilateral credits	1204.5	1030.1	1269.6	1153.5	929.6	670.5	607.0
Paris Club and nonrescheduled debt	1034.5	877.9	1044.6	814.8	600.4	382.0	295.2
Other bilateral credits	170.0	152.2	225.0	338.7	329.2	288.4	311.8
II. Private creditors	5381.7	5318.7	5263.9	5601.7	5810.5	5978.6	5964.6
1. Brady bonds	4984.0	4977.4	4977.4	4977.4	4976.1	4759.0	2488.8
2. Eurobonds	0.0	0.0	0.0	0.0	0.0	220.3	259.4
3. Global bonds	-	-	-	-	-	-	2137.4
4. Other bonds	147.2	80.8	34.7	27.1	26.2	12.8	0.0
5. Other government securities ²	15.4	141.4	47.5	78.7	91.5	-11.7	-295.1
6. Commercial banks	155.9	1.4	13.7	46.3	93.3	99.3	123.1
7. Other sectors	79.3	117.7	190.5	472.1	623.5	898.9	1250.8
financial credits	79.3	84.8	158.4	434.9	589.7	841.0	1198.5
trade credits	-	32.9	32.2	37.3	33.7	57.9	52.4
B. Short-term debt	1031.5	1818.2	1584.1	1267.5	1450.1	1218.7	1557.6
I. Official creditors	735.8	767.7	500.0	0.0	0.0	0.0	0.0
II. Private creditors	295.7	1050.5	1084.1	1267.5	1450.1	1218.7	1557.6
1. Commercial banks	267.4	353.7	383.9	302.1	283.3	215.6	322.9
2. Other sectors	28.3	696.7	700.3	965.4	1166.8	1003.2	1234.7
financial credits	28.3	81.3	114.8	293.1	363.1	348.6	421.6
trade credits	-	615.4	585.4	672.3	803.7	654.5	813.2
3. Government securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0

¹ Preliminary data for 2002.² Including government securities (denominated in levs and in foreign currency) held by nonresidents.

Source: Ministry of Finance, BNB, commercial banks, local physical persons and legal entities.

GROSS FOREIGN DEBT SERVICE, 2002

(million USD)

By debtor	I quarter			II quarter			III quarter		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Total (A + B) ^{1,2}	265.3	147.7	413.0	248.4	50.9	299.4	291.5	104.9	396.4
A. Public sector (I+II+III+IV)	150.5	141.7	292.2	187.2	40.6	227.8	209.9	95.9	305.7
I. Government (1+2)	118.2	135.0	253.2	136.8	29.0	165.8	179.5	89.1	268.6
1. Loans	102.1	24.1	126.2	136.8	29.0	165.8	111.4	29.1	140.5
2. Bonds	16.1	110.9	127.0	0.0	0.0	0.0	68.1	60.0	128.1
II. Government guaranteed debt ³	11.8	5.4	17.3	8.9	8.2	17.1	12.7	5.3	17.9
Loans	11.8	5.4	17.3	8.9	8.2	17.1	12.7	5.3	17.9
III. BNB	13.3	0.5	13.8	13.6	0.3	13.9	10.3	0.3	10.5
IV. Other debtors	7.2	0.8	8.0	27.9	3.0	31.0	7.5	1.2	8.7
Municipalities	0.4	0.0	0.4	21.2	2.1	23.2	0.0	0.0	0.0
Bonds	0.4	0.0	0.4	21.2	2.1	23.2	0.0	0.0	0.0
Commercial banks (1+2)	2.8	0.1	2.9	1.0	0.0	1.0	2.6	0.1	2.8
1. Other loans	0.3	0.1	0.3	0.0	0.0	0.0	1.4	0.1	1.5
2. Nonresidents' deposits	2.6	0.0	2.6	1.0	0.0	1.0	1.3	0.0	1.3
Companies (1+2) ⁴	1.6	0.1	1.7	5.8	1.0	6.8	4.9	0.1	5.0
1. Intracompany loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Other loans	1.6	0.1	1.7	5.8	1.0	6.8	4.9	0.1	5.0
Other ⁵	2.4	0.6	3.0	0.0	0.0	0.0	0.0	1.0	1.0
B. Private sector (I+II)	114.7	6.1	120.8	61.2	10.4	71.6	81.6	9.1	90.7
I. Commercial banks (1+2+3)	58.3	1.3	59.6	28.0	1.9	29.9	16.2	1.4	17.6
1. Intracompany loans	2.8	0.9	3.7	11.9	0.6	12.5	7.9	0.9	8.9
2. Other loans	0.8	0.3	1.1	7.5	1.3	8.8	0.7	0.4	1.1
3. Nonresidents' deposits	54.8	0.0	54.8	3.6	0.0	3.6	7.6	0.0	7.6
II. Companies (1+2) ⁴	56.4	4.8	61.2	33.3	8.5	41.7	65.4	7.7	73.1
1. Intracompany loans	47.5	1.3	48.8	16.8	3.0	19.8	42.3	3.5	45.8
2. Other loans	9.0	3.5	12.4	16.5	5.5	22.0	23.1	4.2	27.3

By debtor	IV quarter			2002		
	Principal	Interest	Total	Principal	Interest	Total
Total (A + B) ^{1,2}	151.8	45.7	197.5	957.0	349.3	1306.3
A. Public sector (I+II+III+IV)	66.5	31.6	98.1	614.2	309.7	923.9
I. Government (1+2)	40.4	26.2	66.6	474.9	279.3	754.2
1. Loans	40.4	26.2	66.6	390.7	108.4	499.1
2. Bonds	0.0	0.0	0.0	84.2	170.9	255.1
II. Government guaranteed debt ³	9.4	4.2	13.6	42.8	23.1	65.9
Loans	9.4	4.2	13.6	42.8	23.1	65.9
III. BNB	10.3	0.2	10.6	47.4	1.3	48.8
IV. Other debtors	6.3	1.0	7.3	49.0	6.0	55.0
Municipalities	0.0	0.0	0.0	21.5	2.1	23.6
Bonds	0.0	0.0	0.0	21.5	2.1	23.6
Commercial banks (1+2)	0.7	0.1	0.8	7.2	0.4	7.5
1. Other loans	0.9	0.1	1.0	2.5	0.4	2.9
2. Nonresidents' deposits	-0.2	0.0	-0.2	4.7	0.0	4.7
Companies (1+2) ⁴	5.6	0.8	6.4	17.9	2.0	19.8
1. Intracompany loans	0.0	0.0	0.0	0.0	0.0	0.0
2. Other loans	5.6	0.8	6.4	17.8	2.0	19.8
Other ⁵	0.0	0.0	0.0	2.4	1.6	4.0
B. Private sector (I+II)	85.3	14.1	99.4	342.9	39.6	382.4
I. Commercial banks (1+2+3)	30.9	1.8	32.7	133.5	6.3	139.7
1. Intracompany loans	5.6	0.6	6.3	28.3	3.1	31.3
2. Other loans	5.7	1.2	6.9	14.6	3.2	17.9
3. Nonresidents' deposits	19.6	0.0	19.6	85.6	0.0	85.6
II. Companies (1+2) ⁴	54.4	12.3	66.7	209.4	33.3	242.7
1. Intracompany loans	22.8	4.1	26.9	129.3	11.9	141.3
2. Other loans	31.6	8.2	39.7	80.1	21.3	101.4

¹ Actual payments. Preliminary data. The equivalent in US dollars is calculated at average monthly exchange rates of respective currencies.² Source: Ministry of Finance, BNB, commercial banks, local physical persons and legal entities.³ In accordance with the international statistical methodology of foreign debt, the BNB has included government guaranteed loans of nonbudget enterprises in government guaranteed debt amount.⁴ Including only principal and interest payments on financial credits (excluding revolving) registered with the BNB and on which information is available.⁵ Including principal and interest payments on ZUNK and government securities (denominated in levs and in foreign currency) bought by nonresidents.

(continued)

(continued)

(million USD)

By creditor	I quarter			II quarter			III quarter		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
GROSS FOREIGN DEBT (A+B)	265.3	147.7	413.0	248.4	50.9	299.4	291.5	104.9	396.4
A. Long-term debt	165.9	147.3	313.2	240.0	47.7	287.7	246.6	101.9	348.5
<i>I. Official creditors</i>	<i>128.3</i>	<i>30.6</i>	<i>158.9</i>	<i>163.7</i>	<i>34.2</i>	<i>197.9</i>	<i>138.0</i>	<i>36.0</i>	<i>174.0</i>
1. International financial institutions	98.6	28.1	126.7	99.7	25.2	124.9	92.8	27.1	119.9
IMF	68.1	7.8	75.8	81.5	7.0	88.5	57.7	7.3	65.0
World Bank	15.1	8.1	23.2	5.7	12.1	17.8	15.8	7.2	23.0
European Union	0.0	4.0	4.0	0.0	2.5	2.5	0.0	3.7	3.7
Other	15.5	8.3	23.7	12.5	3.6	16.1	19.3	8.9	28.2
2. Bilateral credits	29.7	2.5	32.2	64.0	9.0	73.0	45.2	8.9	54.1
Paris Club and nonrescheduled debt	26.2	1.6	27.8	64.0	7.4	71.4	41.2	6.8	48.0
Other bilateral credits	3.5	0.9	4.5	0.0	1.6	1.6	4.0	2.1	6.1
<i>II. Private creditors</i>	<i>37.6</i>	<i>116.6</i>	<i>154.2</i>	<i>76.3</i>	<i>13.5</i>	<i>89.8</i>	<i>108.6</i>	<i>65.9</i>	<i>174.5</i>
Brady bonds	16.1	110.9	127.0	0.0	0.0	0.0	68.1	48.9	116.9
Other bonds	2.8	0.6	3.4	21.2	2.1	23.2	0.0	12.1	12.1
Commercial banks	3.3	1.3	4.6	23.0	1.5	24.5	8.9	1.5	10.4
Other private creditors	15.4	3.8	19.2	32.1	10.0	42.1	31.6	3.4	35.0
B. Short-term debt	99.4	0.4	99.9	8.5	3.2	11.7	44.9	3.1	48.0

By creditor	IV quarter			2002		
	Principal	Interest	Total	Principal	Interest	Total
GROSS FOREIGN DEBT (A+B)	151.8	45.7	197.5	957.0	349.3	1306.3
A. Long-term debt	115.4	42.7	158.1	767.8	339.6	1107.4
<i>I. Official creditors</i>	<i>71.8</i>	<i>32.2</i>	<i>104.0</i>	<i>501.7</i>	<i>133.1</i>	<i>634.8</i>
1. International financial institutions	71.8	29.0	100.7	362.8	109.5	472.3
IMF	43.8	7.9	51.7	251.1	30.0	281.1
World Bank	7.5	13.3	20.8	44.1	40.7	84.7
European Union	0.0	2.9	2.9	0.0	13.2	13.2
Other	20.4	4.9	25.3	67.7	25.6	93.3
2. Bilateral credits	0.0	3.3	3.3	138.9	23.6	162.6
Paris Club and nonrescheduled debt	0.0	0.2	0.2	131.4	16.0	147.4
Other bilateral credits	0.0	3.0	3.0	7.5	7.7	15.2
<i>II. Private creditors</i>	<i>43.6</i>	<i>10.4</i>	<i>54.1</i>	<i>266.1</i>	<i>206.5</i>	<i>472.6</i>
Brady bonds	0.0	0.0	0.0	84.2	159.8	243.9
Other bonds	0.0	0.0	0.0	23.9	14.8	38.7
Commercial banks	7.3	1.4	8.7	42.5	5.7	48.1
Other private creditors	36.4	9.0	45.4	115.5	26.2	141.7
B. Short-term debt	36.4	3.0	39.4	189.2	9.7	198.9

Source: BNB.

GROSS FOREIGN DEBT PAYMENTS

(million USD)

	I quarter	II quarter	III quarter	IV quarter	2002, total
Principal	265.3	248.4	291.5	151.8	957.0
Interest	147.7	50.9	104.9	45.7	349.3
Total	413.0	299.4	396.4	197.5	1306.3

Source: BNB.

DEBT INDICATORS

(%)

	XII.1996	XII.1997	XII.1998	XII.1999	XII.2000	XII.2001	XII.2002
Gross foreign debt/GDP	97.0	100.4	85.5	84.2	88.9	78.3	70.6
Gross foreign debt/exports of goods and nonfactor services	145.3	148.5	182.1	188.3	160.0	140.9	132.2
Short-term debt/gross foreign debt	10.7	17.5	14.5	11.6	12.9	11.5	14.2
Short-term foreign debt/GDP	10.4	17.5	12.4	9.8	11.5	9.0	10.0
Short-term debt/BNB forex reserves	130.1	73.5	51.9	39.3	41.9	34.0	32.8
Gross foreign debt service/GDP	10.9	8.7	9.4	8.1	9.3	11.2	8.4
Gross foreign debt service/exports of goods and nonfactor services	16.3	12.8	20.0	18.0	16.7	20.1	15.8

Source: BNB.

NEW CREDITS AND DEPOSITS RECEIVED

(million USD)

By debtor	I quarter	II quarter	III quarter	IV quarter	2002, total
Total (A+B) ^{1,2}	260.1	214.5	293.1	274.1	1041.7
A. Public sector (I+II+III+IV)	78.2	44.8	127.6	32.5	283.1
I. Government (1+2)	51.0	25.3	80.1	15.2	171.5
1. Loans	51.0	25.3	80.1	15.2	171.5
2. Bonds	0.0	0.0	0.0	0.0	0.0
II. Government guaranteed debt ³	23.5	10.0	42.9	10.9	87.3
Loans	23.5	10.0	42.9	10.9	87.3
III. BNB	0.0	0.0	0.0	0.0	0.0
IV. Other debtors	3.6	9.6	4.6	6.5	24.3
Municipalities (1+2)	0.0	7.4	0.6	0.7	8.6
1. Loans	0.0	0.0	0.6	0.7	1.3
2. Bonds	0.0	7.4	0.0	0.0	7.4
Commercial banks (1+2)	3.5	2.2	2.6	4.2	12.4
1. Loans	1.8	0.8	2.0	1.3	5.9
2. Nonresidents' deposits	1.6	1.3	0.6	2.9	6.5
Trade companies (1+2) ⁴	0.2	0.0	1.4	1.6	3.2
1. Intracompany loans	0.2	0.0	0.2	0.4	0.7
2. Other loans	0.0	0.0	1.2	1.3	2.5
Other	0.0	0.0	0.0	0.0	0.0
B. Private sector (I+II)	181.9	169.7	165.5	241.5	758.6
I. Commercial banks (1+2+3+4)	24.1	58.6	55.6	102.3	240.5
1. Intracompany loans	0.9	2.8	1.0	2.4	7.1
2. Other loans	1.3	1.8	7.6	36.2	46.9
3. Bonds	4.8	0.0	0.0	0.0	4.8
4. Nonresidents' deposits	17.1	54.0	47.0	63.6	181.8
II. Trade companies (1+2) ⁴	157.9	111.0	109.9	139.3	518.1
1. Intracompany loans	90.0	41.9	56.9	62.0	250.8
2. Other loans	67.9	69.1	53.0	77.3	267.2

¹ Preliminary data. US dollar equivalent is based on average monthly exchange rates of respective currencies.

² Source: Ministry of Finance, BNB, commercial banks, local physical persons and legal entities.

³ In accordance with the international statistical methodology of foreign debt, the BNB has included government guaranteed loans of nonbudget enterprises in government guaranteed debt.

⁴ Including financial credits (revolving excluded) registered with the BNB and those on which information is available.

By creditor	I quarter	II quarter	III quarter	IV quarter	2002, total
GROSS FOREIGN DEBT (A+ B)	260.1	214.5	293.1	274.1	1041.7
A. Long-term debt	190.0	137.9	213.0	148.3	689.2
I. Official creditors	86.5	57.6	93.9	95.6	333.6
1. International financial institutions	86.5	57.6	93.9	95.6	333.6
IMF	39.8	0.0	68.9	0.0	108.8
World Bank	6.3	19.4	5.7	8.1	39.5
Other international financial institutions	40.4	38.2	19.3	87.5	185.4
2. Bilateral credits	0.0	0.0	0.0	0.0	0.0
II. Private creditors	103.5	80.3	119.1	52.7	355.6
Brady bonds	0.0	0.0	0.0	0.0	0.0
Eurobonds	0.0	0.0	0.0	0.0	0.0
Global bonds	0.0	0.0	0.0	0.0	0.0
Other bonds	0.0	7.4	0.0	0.0	7.4
Commercial banks	7.9	4.6	8.5	34.6	55.6
Other sectors	95.6	68.4	110.5	18.0	292.6
B. Short-term debt	70.1	76.6	80.0	125.8	352.5

Source: BNB.

CONSOLIDATED STATE BUDGET FOR 2002*

(BGN'000)

	Consolidated fiscal program	Republican budget	Central republican budget	Ministries and agencies			National Audit Chamber
				Total	Ministries and agencies	Special agencies	
I. REVENUE AND GRANTS	12 523 258.2	7 291 020.4	5 731 787.7	1 559 229.2	1 355 743.5	203 485.7	3.5
Total revenue	12 222 092.6	7 276 159.4	5 731 768.2	1 544 387.7	1 343 779.2	200 608.5	3.5
Current revenue	12 222 092.6	7 276 159.4	5 731 768.2	1 544 387.7	1 343 779.2	200 608.5	3.5
Tax revenue	9 596 748.0	5 436 554.2	4 951 313.0	485 241.2	485 241.2		
Corporate taxes	951 202.7	556 229.7	549 829.5	6 400.2	6 400.2		
Corporate tax	519 975.3	510 364.8	505 318.1	5 046.6	5 046.6		
Municipal tax	385 197.3	1 134.8	0.0	1 134.8	1 134.8		
Dividend and income tax	46 030.1	44 730.1	44 511.3	218.8	218.8		
Individual income tax	1 052 365.6	531 989.6	530 844.6	1 145.0	1 145.0		
Insurance and reinsurance premium tax	24 592.0	24 458.5	24 458.5				
Value added tax	2 687 957.7	2 687 957.7	2 665 998.0	21 959.8	21 959.8		
Excises and road charges	1 313 836.2	1 312 309.2	859 688.0	452 621.2	452 621.2		
Customs duties and fees	188 389.6	188 389.6	188 213.0	176.6	176.6		
Social security revenue	3 075 658.1	0.2		0.2	0.2		
Other taxes	302 746.1	135 219.6	132 281.5	2 938.1	2 938.1		
Nontax revenue	2 625 344.7	1 839 605.2	780 455.3	1 059 146.5	858 538.0	200 608.5	3.5
Property revenue and income	1 346 210.4	1 078 426.3	617 712.0	460 713.2	359 687.5	101 025.6	1.2
State, municipal and court charges	786 921.1	512 530.2	14 257.9	498 272.3	403 068.0	95 204.3	
Revenue from foreign pension institutes under international programs	4 269.7						
Other nontax revenue	41 338.1	18 388.4	-3 684.4	22 070.5	21 369.9	700.7	2.3
Revenue from sale of government and municipal property	103 611.8	52 625.7	13.8	52 612.0	50 134.0	2 478.0	
Concession revenue	15 812.5	13 901.2	11 787.9	2 113.3	2 113.3		
License revenue	15.9	15.9		15.9	15.9		
Grants	301 165.6	14 860.9	19.5	14 841.5	11 964.3	2 877.2	
TOTAL EXPENDITURE (EXPENDITURE+TRANSFERS)	12 732 731.1	7 286 157.0	5 778 115.2	1 508 040.3	1 304 593.4	203 446.9	1.5
II. EXPENDITURE	12 732 731.1	5 191 969.2	1 068 847.7	4 116 319.4	2 491 174.4	1 625 145.0	6 802.2
Current expenditure	11 508 018.6	4 466 853.8	955 860.1	3 504 497.6	2 059 065.5	1 445 432.1	6 496.1
Salaries and remuneration of employed under labor contacts and temporarily employed	1 337 759.3	505 102.0		501 143.0	487 682.8	13 460.2	3 958.9
Salaries of employed under labor contacts and other remuneration	1 202 933.0	402 256.4		398 518.0	385 137.9	13 380.1	3 738.4
Remuneration of temporarily employed	134 826.3	102 845.5		102 625.0	102 544.8	80.1	220.6
Other remuneration and staff payments	129 990.7	44 762.5		44 653.7	44 149.9	503.7	108.8
Social security payments	478 471.0	181 515.7		180 381.2	175 718.6	4 662.6	1 134.5
Public insurance contributions	402 296.6	151 458.0		150 493.9	146 616.0	3 877.9	964.1
Contributions to Unemployment Fund							
Health insurance contributions by employer	65 728.9	25 260.2		25 100.3	24 444.6	655.7	159.9
Supplementary compulsory contributions	10 393.6	4 784.4		4 774.0	4 645.0	129.1	10.4
Supplementary voluntary contributions	52.0	13.1		13.1	13.1		
Scholarships	40 958.3	10 278.9		10 278.9	10 278.9		
Administrative costs	1 970 812.6	933 366.0	110 499.8	821 577.0	798 943.2	22 633.9	1 289.2
Defence and security	1 321 742.6	1 298 856.6		1 298 856.6	2 075.3	1 296 781.3	
Subsidies, total	772 203.8	551 950.4	168 592.7	383 357.8	383 357.8		
Subsidies to nonfinancial enterprises	278 253.8	237 137.1	165 699.5	71 437.7	71 437.7		
Subsidies for healthcare and medical services	469 179.1	310 255.3		310 255.3	310 255.3		
Subsidies to nonprofit organizations	24 700.1	4 558.0	2 893.2	1 664.8	1 664.8		
Subsidies to financial institutions							
Grants to other countries	70.8						
Membership fees	42 557.4	11 380.8		11 376.0	11 375.4	0.6	4.8

(continued)

(continued)

(BGN'000)

	Consolidated fiscal program	Republican budget	Central republican budget	Ministries and agencies			National Audit Chamber
				Total	Ministries and agencies	Special agencies	
Interest, total	712 833.7	700 679.4	676 767.6	23 911.8	23 911.8		
Interest on external loans	543 858.4	532 732.8	508 836.0	23 896.9	23 896.9		
- London Club	352 559.7	352 559.7	352 559.7				
- World Bank	76 052.7	74 558.9	71 311.8	3 247.1	3 247.1		
- G-24	3 418.9	3 418.9	3 418.9				
- EU	27 743.4	27 743.4	27 182.9	560.4	560.4		
- Paris Club	33 544.8	33 544.8	33 544.8				
- EIB	17 707.5	17 707.5	448.8	17 258.7	17 258.7		
- EBRD	2 773.2	2 773.2		2 773.2	2 773.2		
- other interest payments on external loans	27 122.1	27 050.1	26 992.7	57.4	57.4		
- on bonds issued and traded in international capital markets	-7 284.4	-7 284.4	-7 284.4				
- on called government guaranteed loans	660.8	660.8	660.8				
- other interest payments to nonresidents	9 559.7						
Interest on internal loans	168 975.3	167 946.6	167 931.7	14.9	14.9		
- bonds (long-term and medium-term securities)	79 511.4	79 485.2	79 485.2				
- treasury bills (short-term securities)							
- debt to the BNB	59 792.4	59 792.4	59 792.4				
- other banks	1 059.0	66.2	61.0	5.2	5.2		
- on government securities issued for structural reform	27 419.4	27 419.4	27 419.4				
- on guaranty government securities	1 173.7	1 173.7	1 173.7				
- on other domestic loans	5.8	3.1	0.0	3.1	3.1		
- other interest payments to residents	13.5	6.6		6.6	6.6		
Social and health security payments	4 700 689.3	228 961.5		228 961.5	121 571.7	107 389.7	
Pensions	2 944 169.1						
Indemnification and grants to households	1 756 520.2	228 961.5		228 961.5	121 571.7	107 389.7	
Capital expenditure	1 119 387.0	619 790.0	70 618.2	548 865.7	369 152.8	179 712.9	306.1
State reserve growth and farm produce procurement	59 079.6	59 079.6		59 079.6	59 079.6		
Emergency reserves	46 245.8	46 245.8	42 369.3	3 876.5	3 876.5		
III. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO REPUBLICAN BUDGET, BUDGET ACCOUNTS AND EXTRABUDGETARY FUNDS/ACCOUNTS (NET)							
		-171 864.8	-71 862.0	-100 002.7	-94 726.5	-5 276.3	
IV. TEMPORARY NONINTEREST-BEARING LOANS FROM/TO CENTRAL REPUBLICAN BUDGET, BUDGETARY AND EXTRABUDGETARY FUNDS AND ACCOUNTS (NET)							
		-2 960.2	-4 140.9	1 180.7	1 180.7		
V. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO CENTRAL REPUBLICAN BUDGET TO OTHER BUDGETS (NET)							
		-1 919 362.8	-4 633 264.6	2 707 101.2	1 280 126.7	1 426 974.5	6 800.6
VI. DEFICIT (-)/SURPLUS (+)	-209 472.9	4 863.4	-46 327.5	51 188.9	51 150.0	38.8	1.9
VII. FINANCING	209 472.9	-4 863.4	46 327.5	-51 188.9	-51 150.0	-38.8	-2.0
External financing, net	481 035.5	468 359.8	432 780.3	35 579.5	35 579.5		
Internal financing, net	-557 686.6	-683 494.3	-596 724.0	-86 768.4	-86 729.5	-38.8	-2.0
Privatization	286 124.0	210 271.1	210 271.1				

(continued)

(continued)

(BGN'000)

	Social Security				Legal institutions	Municipalities
	Total	Public Insurance	National Health Insurance Fund	Teachers' Pension Fund		
I. REVENUE AND GRANTS	3 242 680.0	2 568 604.9	653 572.7	20 502.5	44 538.6	1 446 592.8
Total revenue	3 242 680.0	2 568 604.9	653 572.7	20 502.5	44 538.6	1 445 791.6
Current revenue	3 242 680.0	2 568 604.9	653 572.7	20 502.5	44 538.6	1 445 791.6
Tax revenue	3 075 657.8	2 442 751.7	615 771.5	17 134.7		1 082 883.8
Corporate taxes						394 973.0
Corporate tax						9 610.5
Municipal tax						384 062.5
Dividend and income tax						1 300.0
Individual income tax						520 376.0
Insurance and reinsurance premium tax						6.3
Value added tax						
Excises and road charges						28.5
Customs duties and fees						
Social security revenue	3 075 657.8	2 442 751.7	615 771.5	17 134.7		
Other taxes						167 500.0
Nontax revenue	167 022.2	125 853.2	37 801.2	3 367.8	44 538.6	362 907.8
Property revenue and income	24 824.6	1 684.7	19 798.7	3 341.2	178.6	67 898.3
State, municipal and court charges					44 051.4	215 047.7
Revenue from foreign pension institutes under international programs						
Other nontax revenue	4 269.7	4 269.7				
Revenue from sale of government and municipal property	6 124.7	5 837.5	282.6	4.7	259.1	5 795.7
Concession revenue	295.2	295.2			49.4	40 552.2
License revenue						1 898.9
Grants						801.2
TOTAL EXPENDITURE (EXPENDITURE+TRANSFERS)	3 155 184.6	2 568 609.1	585 084.6	1 490.9	43 759.2	1 424 690.8
II. EXPENDITURE	4 176 760.2	3 590 106.7	585 084.6	1 568.9	143 459.7	2 291 372.8
Current expenditure	4 172 534.5	3 586 617.4	584 348.2	1 568.9	124 606.5	2 095 356.2
Salaries and remuneration of employed under labor contacts and temporarily employed	24 557.3	16 008.5	8 548.8		67 738.7	572 010.4
Salaries of employed under labor contacts and other remuneration	24 537.1	15 988.3	8 548.8		65 822.4	542 005.4
Remuneration of temporarily employed	20.2	20.2			1 916.3	30 005.0
Other remuneration and staff payments	1 149.4	688.1	461.3		10 887.6	36 523.2
Social security payments	8 428.2	5 577.4	2 850.8		19 615.2	211 147.7
Public insurance contributions	6 997.2	4 631.5	2 365.7		16 270.5	178 584.0
Contributions to Unemployment Fund						
Health insurance contributions by employer	1 228.2	822.7	405.6		2 825.4	28 502.9
Supplementary compulsory contributions	202.7	123.2	79.6		514.8	4 060.9
Supplementary voluntary contributions					4.4	
Scholarships						8 802.8
Administrative costs	21 432.3	13 736.0	7 692.1	4.1	26 364.7	702 989.7
Defence and security						21 727.6
Subsidies, total						184 511.9
Subsidies to nonfinancial enterprises						8 919.2
Subsidies for healthcare and medical services						158 832.9
Subsidies to nonprofit organizations						16 759.8
Subsidies to financial institutions						
Grants to other countries						
Membership fees	56.9	56.9				545.6

(continued)

(continued)

(BGN'000)

	Social Security				Legal institutions	Municipalities
	Total	Public Insurance	National Health Insurance Fund	Teachers' Pension Fund		
Interest, total	1 494.9	1 494.9				10 501.0
Interest on external loans	1 493.9	1 493.9				9 559.7
- London Club						
- World Bank	1 493.9	1 493.9				
- G-24						
- EU						
- Paris Club						
- EIB						
- EBRD						
- other interest payments on external loans						
- on bonds issued and traded in international capital markets						
- on called government guaranteed loans						
- other interest payments to nonresidents						
Interest on internal loans						
- bonds (long-term and medium-term securities)						9 559.7
- treasury bills (short-term securities)	1.1	1.1				941.3
- debt to the BNB						
- other banks						26.2
- on government securities issued for structural reform						915.1
- on guaranty government securities						
- on other domestic loans						
- other interest payments to residents						
Social and health security payments						
Pensions	1.1	1.1				
Indemnification and grants to households	4 115 415.4	3 549 055.5	564 795.2	1 564.8	0.3	346 596.3
Capital expenditure	2 944 169.1	2 942 682.3		1 486.8		
State reserve growth and farm produce procurement	1 171 246.4	606 373.2	564 795.2	78.0	0.3	346 596.3
Emergency reserves	4 225.7	3 489.3	736.4	0.0	18 853.3	196 016.5
III. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO REPUBLICAN BUDGET, BUDGET ACCOUNTS AND EXTRABUDGETARY FUNDS/ACCOUNTS (NET)						
IV. TEMPORARY NONINTEREST-BEARING LOANS FROM/TO CENTRAL REPUBLICAN BUDGET, BUDGETARY AND EXTRABUDGETARY FUNDS AND ACCOUNTS (NET)	-5 155.3	-5 233.3		78.0	-1 827.7	148 685.0
V. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO CENTRAL REPUBLICAN BUDGET TO OTHER BUDGETS (NET)						-395.7
VI. DEFICIT (-)/SURPLUS (+)	1 026 730.8	1 026 730.8			101 528.3	718 392.6
VII. FINANCING	87 495.4	-4.3	68 488.1	19 011.6	779.4	21 902.0
External financing, net	-87 495.4	4.3	-68 488.1	-19 011.6	-779.4	-21 902.0
Internal financing, net						
Privatization	-959.8	-959.8				-25 366.9
	-86 535.6	964.0	-68 488.1	-19 011.6	-779.4	3 455.4

(continued)

9.5

(continued)

(BGN'000)

	Public universities	Bulgarian Academy of Science	Bulgarian National Radio	Bulgarian National TV	Extra-budgetary funds and accounts	Municipalities' extrabudgetary funds and accounts
I. REVENUE AND GRANTS	131 626.1	19 669.0	1 450.8	16 753.6	285 985.5	42 941.3
Total revenue	121 006.2	19 572.3	1 445.3	16 753.6	20 863.4	33 282.2
Current revenue	121 006.2	19 572.3	1 445.3	16 753.6	20 863.4	33 282.2
Tax revenue					1 625.7	26.4
Corporate taxes						
Corporate tax						
Municipal tax						
Dividend and income tax						
Individual income tax						
Insurance and reinsurance premium tax					127.2	
Value added tax						
Excises and road charges					1 498.5	
Customs duties and fees						
Social security revenue						
Other taxes						26.4
Nontax revenue	121 006.2	19 572.3	1 445.3	16 753.6	19 237.7	33 255.8
Property revenue and income	120 103.8	19 279.4	1 499.4	15 915.3	14 756.3	3 328.4
State, municipal and court charges	35.8				414.4	14 841.5
Revenue from foreign pension institutes under international programs						
Other nontax revenue	693.3	119.6	-56.3	811.3	3 841.9	5 360.3
Revenue from sale of government and municipal property	158.5	171.9	2.3	27.1	210.3	9 519.2
Concession revenue						12.4
License revenue						
Grants	10 620.0	96.7	5.5		265 122.1	9 659.1
TOTAL EXPENDITURE (EXPENDITURE+TRANSFERS)	118 265.0	13 961.2	1.7	14 565.5	579 978.9	96 167.2
II. EXPENDITURE	320 642.3	66 830.7	31 890.1	55 391.5	354 011.2	100 403.5
Current expenditure	302 621.1	64 349.7	30 638.3	52 879.0	160 394.5	37 785.1
Salaries and remuneration of employed under labor contacts and temporarily employed	115 598.3	30 385.2	8 059.3	10 916.6	2 125.0	1 266.7
Salaries of employed under labor contacts and other remuneration	115 598.3	30 385.2	8 040.9	10 900.0	2 125.0	1 262.3
Remuneration of temporarily employed			18.3	16.6		4.4
Other remuneration and staff payments	22 012.4	4 498.9	1 192.9	3 356.2	3 748.8	1 858.6
Social security payments	39 348.4	10 429.1	2 678.6	3 767.8	951.5	588.8
Public insurance contributions	33 505.2	8 714.0	2 248.3	3 206.4	802.3	510.6
Contributions to Unemployment Fund						
Health insurance contributions by employer	5 401.5	1 455.9	366.8	499.3	119.0	69.6
Supplementary compulsory contributions	407.3	259.1	63.5	62.1	30.2	8.6
Supplementary voluntary contributions	34.5					
Scholarships	20 375.0	1 331.4			26.7	143.4
Administrative costs	95 721.1	17 626.4	18 635.0	34 701.6	86 671.3	33 304.6
Defence and security					1 143.6	14.8
Subsidies, total					35 610.6	130.9
Subsidies to nonfinancial enterprises					32 176.7	20.8
Subsidies for healthcare and medical services						90.9
Subsidies to nonprofit organizations					3 363.1	19.3
Subsidies to financial institutions						
Grants to other countries					70.8	
Membership fees	65.1	62.0	70.7	136.8	30 019.6	220.0

(continued)

(continued)

(BGN'000)

	Public universities	Bulgarian Academy of Science	Bulgarian National Radio	Bulgarian National TV	Extra-budgetary funds and accounts	Municipalities' extrabudgetary funds and accounts
Interest, total	1.3				76.5	80.5
Interest on external loans					72.0	
- London Club						
- World Bank						
- G-24						
- EU						
- Paris Club						
- EIB						
- EBRD						
- other interest payments on external loans					72.0	
- on bonds issued and traded in international capital markets						
- on called government guaranteed loans						
- other interest payments to nonresidents						
Interest on internal loans	1.3				4.5	80.5
- bonds (long-term and medium-term securities)						
- treasury bills (short-term securities)						
- debt to the BNB						
- other banks						77.7
- on government securities issued for structural reform						
- on guaranty government securities						
- on other domestic loans						2.7
- other interest payments to residents	1.3				4.5	
Social and health security payments	9 499.7	16.6	1.9		20.9	176.7
Pensions						
Indemnification and grants to households	9 499.7	16.6	1.9		20.9	176.7
Capital expenditure	18 021.1	2 481.0	1 251.8	2 512.6	193 616.7	62 618.3
State reserve growth and farm produce procurement						
Emergency reserves						
III. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO REPUBLICAN BUDGET, BUDGET ACCOUNTS AND EXTRABUDGETARY FUNDS/ACCOUNTS (NET)	202 380.6	52 869.5			-226 051.8	964.5
IV. TEMPORARY NONINTEREST-BEARING LOANS FROM/TO CENTRAL REPUBLICAN BUDGET, BUDGETARY AND EXTRABUDGETARY FUNDS AND ACCOUNTS (NET)					84.1	3 271.8
V. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO CENTRAL REPUBLICAN BUDGET TO OTHER BUDGETS (NET)	-3.3		31 888.4	40 826.0		
VI. DEFICIT (-)/SURPLUS (+)	13 361.2	5 707.8	1 449.1	2 188.1	-293 993.4	-53 225.9
VII. FINANCING	-13 361.2	-5 707.8	-1 449.1	-2 188.1	293 993.4	53 225.9
External financing, net					39 002.4	
Internal financing, net	-13 361.2	-5 707.8	-1 449.1	-2 188.1	232 461.4	-87.8
Privatization					22 529.7	53 313.7

* Preliminary data.

Source: MF.

DOMESTIC GOVERNMENT DEBT

(BGN'000/EUR'000/USD'000)

	Amount as of 31 December 2001	Change in 2002		Amount as of 31 December 2002
		increase	decrease	
I. DEBT ON GOVERNMENT SECURITIES ISSUED FOR BUDGET DEFICIT FINANCING				
1. Government securities issued in 1997	20 000.0		20 000.0	-
5-year	20 000.0		20 000.0	-
2. Government securities issued in 1998	4 090.9		-	4 090.9
5-year	4 090.9		-	4 090.9
3. Government securities issued in 1999	2 659.7		-	2 659.7
5-year	2 659.7		-	2 659.7
4. Government securities issued in 2000	432 328.0		233 914.3	198 413.7
2-year	252 608.6		233 914.3	18 694.3
3-year	139 929.7		-	139 929.7
5-year	39 789.7		-	39 789.7
5. Government securities issued in 2001	618 167.9		135 454.2	482 713.7
5.1. Short-term	135 454.2		135 454.2	-
3-month	59 298.5		59 298.5	-
12-month	76 155.7		76 155.7	-
5.2. Medium-term	482 713.7		-	453 776.1
2-year	213 819.2		-	213 819.2
5-year	239 956.9		-	239 956.9
5.3. Long-term	28 937.6		-	28 937.6
7-year	28 937.6		-	28 937.6
6. Government securities issued in 2002		885 671.5	106 434.5	779 237.0
6.1. Short-term		218 183.2	106 434.5	111 748.7
3-month		142 111.4	106 434.5	35 676.8
12-month		76 071.8	-	76 071.8
6.2. Medium-term		348 137.7	-	348 137.7
2-year		-	-	-
3-year		174 103.5	-	174 103.5
5-year		174 034.2	-	174 034.2
6.3. Long-term		319 350.6	-	319 350.6
7-year		237 780.3	-	237 780.3
10-year		81 570.3	-	81 570.3
TOTAL (I)	1 077 246.6	885 671.5	495 803.0	1 467 115.0
II. DEBT ON GOVERNMENT SECURITIES ISSUED FOR STRUCTURAL REFORM				
A1. Long-term government bonds issued pursuant to CM Decree No. 244 of 1991	2 751.7		275.2	2 476.6
A2. Long-term government bonds issued pursuant to CM Decree No. 234 of 1992	2 034.9		127.2	1 907.7
A3. Long-term government bonds issued pursuant to Articles 4 and 5 of ZUNK of 1993				
in BGN	7 335.9		445.9	6 890.0
in USD	277 123.8		81 287.4	195 836.5
lev equivalent	615 009.9			-
in EUR	60 606.3	69 572.6	3 375.4	126 803.5
lev equivalent	118 535.6			248 006.0
A4. Long-term government bonds issued pursuant to CM Decree No. 3 of 1994	785.5		46.2	739.3
A5. Government bonds issued pursuant to Article 2 of CM Decree No. 89 of 1995	1 553.4		1 553.4	-
TOTAL (A)	748 006.8			260 019.6
B. Government securities issued in BGN pursuant to Articles 8 and 9 of LSPDACB of 1996	28 593.9			18 437.3
Government securities issued in 1996	3 751.9		1 876.0	1 876.0
Government securities issued in 1997	24 842.0		8 280.7	16 561.3
TOTAL (B)	28 593.9			18 437.3
TOTAL (II)	776 600.7			278 456.9
GOVERNMENT DEBT, TOTAL	1 853 847.3			1 745 571.9
III. DOMESTIC GOVERNMENT GUARANTEES	6 653.3			-
DOMESTIC DEBT, TOTAL	1 860 500.6			1 745 571.9

Notes: 1. Actual amount of the debt on government securities for deficit financing.

2. The lev equivalent of the debt denominated in foreign currency is calculated on the basis of the exchange rate of the relevant currency against the lev at end of month:

28 December 2001 – USD 1/BGN 2.21926, EUR 1/BGN 1.95583;

31 December 2002 – USD 1/BGN 1.88496, EUR 1/BGN 1.95583.

Source: MF.

BALANCE SHEET OF THE BNB

(BGN'000)

ISSUE DEPARTMENT	29.XII.2001	31.I.2002	28.II.2002	29.III.2002	30.IV.2002	31.V.2002	28.VI.2002
ASSETS	7 942 985	7 372 421	7 372 976	7 196 172	7 427 763	7 546 278	7 908 361
1. Cash in foreign currency	1653209	1181956	1321111	1035547	1549147	1185935	1309969
2. Monetary gold	642607	642260	641692	641612	641576	641100	640963
3. Foreign securities	5591451	5469710	5309600	5408147	5131715	5596499	5818974
4. Accrued interest receivable	55718	78495	100573	110866	105325	122744	138455
LIABILITIES	7 942 985	7 372 421	7 372 976	7 196 172	7 427 763	7 546 278	7 908 361
1. Currency in circulation	3262881	3081205	3062135	3018867	3073614	2964026	3022740
2. Bank deposits and current accounts	769647	676074	734150	775121	849916	637507	669282
3. Government deposits and accounts	2571177	2276163	2260407	2106460	2358936	2803332	3020758
4. Other depositors' accounts	190538	189682	187655	190881	197275	204913	215474
5. Accrued interest payable	2184	3079	4378	4320	6169	7406	2038
6. Banking Department deposit	1146558	1146218	1124251	1100523	941853	929094	978069

BANKING DEPARTMENT	29.XII.2001	31.I.2002	28.II.2002	29.III.2002	30.IV.2002	31.V.2002	28.VI.2002
ASSETS	5 389 248	5 367 579	5 391 071	5 333 049	5 026 349	4 887 343	4 783 076
1. Nonmonetary gold and other precious metals	91824	94060	98932	100905	99657	101127	79765
2. Investments in securities	0	0	0	0	0	0	0
3. Loans and advances to banks, net of provisions	13	13	12	12	32	30	27
4. Receivables from government	2314570	2278525	2320262	2288743	2170622	2080255	1996380
5. Bulgaria's IMF quota and holdings in other international financial institutions	1693056	1708831	1705509	1698331	1672389	1635086	1585215
6. Accrued interest receivable	2611	0	0	0	0	0	0
7. Equity investments in domestic entities	2294	2294	2294	69984	69984	69984	69984
8. Fixed assets	110271	111310	111297	47592	47151	47081	46953
9. Other assets	28051	26328	28514	26959	24661	24686	26683
10. Banking Department deposit	1146558	1146218	1124251	1100523	941853	929094	978069
LIABILITIES	5 389 248	5 367 579	5 391 071	5 333 049	5 026 349	4 887 343	4 783 076
1. Borrowings from IMF	2460516	2417677	2437353	2405339	2277452	2163808	2077380
2. Liabilities to international financial institutions	1693549	1708813	1705493	1698320	1672197	1635285	1584950
3. Accrued interest payable	725	1060	279	556	802	241	446
4. Other liabilities	4644	5645	6320	8005	7653	4880	6272
Liabilities, total	4159434	4133195	4149445	4112220	3958104	3804214	3669048
5. Capital	20000	20000	20000	20000	20000	20000	20000
6. Reserves	988727	977747	962287	926325	990944	986554	1000629
7. Retained profit	221087	236637	259339	274504	57301	76575	93399
Equity, total	1229814	1234384	1241626	1220829	1068245	1083129	1114028

(continued)

(continued)

(BGN'000)

ISSUE DEPARTMENT	31.VII.2002	30.VIII.2002	30.IX.2002	31.X.2002	29.XI.2002	29.XII.2002
ASSETS	8 034 285	8 231 828	8 496 173	8 750 596	8 923 582	8 947 491
1. Cash in foreign currency	1283774	1787614	1993108	1428549	1380525	1300148
2. Monetary gold	640963	640963	640939	640939	640858	640858
3. Foreign securities	6003494	5698062	5739841	6540208	6755079	6852619
4. Accrued interest receivable	106054	105189	122285	140900	147120	153866
LIABILITIES	8 034 285	8 231 828	8 496 173	8 750 596	8 923 582	8 947 491
1. Currency in circulation	3101974	3204329	3249877	3216233	3191558	3627928
2. Bank deposits and current accounts	554795	565313	591340	538666	632144	854442
3. Government deposits and accounts	3065523	3108189	3238886	3481973	3685804	3034710
4. Other depositors' accounts	209786	216377	220108	312616	214779	163056
5. Accrued interest payable	4243	6272	6901	8735	10401	2592
6. Banking Department deposit	1097964	1131348	1189061	1192373	1188896	1264763

BANKING DEPARTMENT	31.VII.2002	30.VIII.2002	30.IX.2002	31.X.2002	29.XI.2002	29.XII.2002
ASSETS	4 919 137	4 971 367	4 985 799	4 958 811	4 921 445	4 891 231
1. Nonmonetary gold and other precious metals	9928	9804	3567	9712	9606	9770
2. Investments in securities	0	0	0	0	0	0
3. Loans and advances to banks, net of provisions	27	26	46	44	42	41
4. Receivables from government	2059050	2083964	2050313	2022463	1994158	1926403
5. Bulgaria's IMF quota and holdings in other international financial institutions	1606586	1604500	1594321	1592405	1586112	1548063
6. Accrued interest receivable	0	0	0	0	0	0
7. Equity investments in domestic entities	69984	69984	69984	71134	71134	73134
8. Fixed assets	47796	47582	47537	47674	47392	45593
9. Other assets	27802	24159	30970	23006	24105	23464
10. Banking Department deposit	1097964	1131348	1189061	1192373	1188896	1264763
LIABILITIES	4 919 137	4 971 367	4 985 799	4 958 811	4 921 445	4 891 231
1. Borrowings from IMF	2141143	2145454	2111412	2083488	2034680	1965951
2. Liabilities to international financial institutions	1606305	1604221	1594050	1592135	1585847	1548175
3. Accrued interest payable	665	184	332	482	117	200
4. Other liabilities	5581	5591	5258	5206	6082	5651
Liabilities, total	3753694	3755450	3711052	3681311	3626726	3519977
5. Capital	20000	20000	20000	20000	20000	20000
6. Reserves	1031422	1069727	1125144	1116174	1116612	1178581
7. Retained profit	114021	126190	129603	141326	158107	172673
Equity, total	1165443	1215917	1274747	1277500	1294719	1371254

Source: BNB.

MONETARY SURVEY

(BGN'000)

	XII.2001	I.2002	II.2002	III.2002	IV.2002	V.2002	VI.2002
Exchange rate: BGN/USD 1	2.21926	2.26448	2.26081	2.2419	2.17121	2.08355	1.96073
BGN/EUR 1	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
NET FOREIGN ASSETS (S.2)	9201588	8819257	8686249	8604201	8392354	8416596	8569107
Foreign assets	12649156	12139781	11994241	11948554	11633993	11559477	11637126
Cash	568043	358036	294943	237983	217011	200650	217391
Deposits	5106035	4775970	4827494	4553517	4593856	4089943	3996003
Credits	45960	48034	35904	36504	36105	51472	48460
BGN	18245	18229	18128	17951	17197	16878	16959
Foreign currencies	27715	29805	17776	18553	18908	34594	31501
Securities other than shares	6094096	5997049	5851840	6130449	5826599	6306393	6424889
BGN	0	0	0	0	0	0	0
Foreign currencies	6094096	5997049	5851840	6130449	5826599	6306393	6424889
Shares and other equity	1114	1117	1123	3297	1116	1112	1099
Monetary gold and SDR holdings*	738955	856510	861743	839002	827452	745059	774460
Other	94953	103065	121194	147802	131854	164848	174824
BGN	94	76	73	94	80	71	76
Foreign currencies	94859	102989	121121	147708	131774	164777	174748
Less: foreign liabilities	3447568	3320524	3307992	3344353	3241639	3142881	3068019
Deposits	435685	345585	307944	332934	390830	407542	418059
BGN	76379	73404	78719	77510	73108	74286	72100
Foreign currencies	359306	272181	229225	255424	317722	333256	345959
Credits	2725914	2682871	2701092	2674870	2515188	2384428	2293504
BGN	2667	2667	2667	2667	2667	2667	2667
Foreign currencies	2723247	2680204	2698425	2672203	2512521	2381761	2290837
Debt securities issued	0	0	0	10757	0	0	0
Other	285969	292068	298956	325792	335621	350911	356456
BGN	212	81	86	98	105	113	114
Foreign currencies	285757	291987	298870	325694	335516	350798	356342
NET DOMESTIC ASSETS	3398554	3694289	3830637	3898855	4238908	3942025	3766165
DOMESTIC CREDIT (S.1)	6204662	6512649	6648539	6789213	6916265	6582230	6438846
CLAIMS ON GENERAL GOVERNMENT (S.13)	1737782	1983909	2064933	2075116	2019921	1562356	1303254
Central government, net (S.1311)	1696899	1942421	2023494	2032713	1979471	1507407	1296738
Claims	3680826	3669158	3741126	3774635	3878786	3808411	3811801
Government securities	1336437	1375691	1401998	1462279	1691560	1705432	1786084
BGN	906731	973296	969949	995076	1006181	987448	1047253
Foreign currencies	429706	402395	432049	467203	685379	717984	738831
Credits	2316170	2280125	2323062	2291993	2170622	2080255	1996380
BGN	1600	1600	2800	3250	0	0	0
Foreign currencies	2314570	2278525	2320262	2288743	2170622	2080255	1996380
Other	28219	13342	16066	20363	16604	22724	29337
BGN	23750	11321	13626	16885	12084	15649	20220
Foreign currencies	4469	2021	2440	3478	4520	7075	9117
Less: liabilities	1983927	1726737	1717632	1741922	1899315	2301004	2515063
Deposits (excl. suspense accounts)	1944258	1697807	1673287	1697886	1873190	2273552	2486434
BGN	625894	404527	333596	362397	430758	600481	716113
Foreign currencies	1318364	1293280	1339691	1335489	1442432	1673071	1770321
Other liabilities	39669	28930	44345	44036	26125	27452	28629
BGN	33270	21784	38370	37823	20240	20997	19630
Foreign currencies	6399	7146	5975	6213	5885	6455	8999
Local government (S.1313)	40883	41488	41439	42403	40450	54949	6516
Securities other than shares	35772	36438	36110	36713	31674	44618	0
BGN	0	0	0	0	0	0	0
Foreign currencies	35772	36438	36110	36713	31674	44618	0
Credits	3787	3466	3550	3682	6669	6933	6512
BGN	3787	3466	3550	3682	6669	6933	6512
Foreign currencies	0	0	0	0	0	0	0

* Reserve position in the IMF included.

(continued)

(continued)	(BGN'000)					
	VII.2002	VIII.2002	IX.2002	X.2002	XI.2002	XII.2002
Exchange rate: BGN/USD 1	1.99921	1.98905	1.9836	1.9828	1.97021	1.88496
BGN/EUR 1	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
NET FOREIGN ASSETS (S.2)	8820283	9067410	9235621	9404832	9651252	9462336
Foreign assets	12029277	12298717	12511639	12640008	12887237	12847788
Cash	265871	231132	213643	205163	201597	192467
Deposits	4149474	4716010	4921901	4156276	4114709	4080790
Credits	52213	58818	75482	101475	109496	92159
BGN	17359	19256	20958	27699	25678	13192
Foreign currencies	34854	39562	54524	73776	83818	78967
Securities other than shares	6574608	6305921	6334058	7213592	7461265	7506077
BGN	0	0	0	0	0	0
Foreign currencies	6574608	6305921	6334058	7213592	7461265	7506077
Shares and other equity	5166	1104	1104	1104	1103	1103
Monetary gold and SDR holdings*	811784	804333	782872	757320	747811	725745
Other	170161	181399	182579	205078	251256	249447
BGN	16	79	78	97	104	82
Foreign currencies	170145	181320	182501	204981	251152	249365
Less: foreign liabilities	3208994	3231307	3276018	3235176	3235985	3385452
Deposits	451535	435577	500007	492234	474100	583266
BGN	73112	71559	73361	73319	74234	84756
Foreign currencies	378423	364018	426646	418915	399866	498510
Credits	2367927	2370051	2341676	2313351	2288974	2279939
BGN	2667	2667	0	0	0	0
Foreign currencies	2365260	2367384	2341676	2313351	2288974	2279939
Debt securities issued	0	0	0	0	0	0
Other	389532	425679	434335	429591	472911	522247
BGN	122	130	42	43	47	18
Foreign currencies	389410	425549	434293	429548	472864	522229
NET DOMESTIC ASSETS	3875465	3930544	3858108	3822116	3780831	4684149
DOMESTIC CREDIT (S.1)	6665686	6787400	6904030	6801776	6838552	7855210
CLAIMS ON GENERAL GOVERNMENT (S.13)	1249543	1229216	1105763	855885	675555	1423322
Central government, net (S.1311)	1243346	1220008	1096192	843016	661771	1410788
Claims	3865290	3898212	3902451	3945955	3923060	3910038
Government securities	1786355	1789457	1822193	1896405	1898332	1945505
BGN	1045162	1053419	1089762	1072999	1123067	1163173
Foreign currencies	741193	736038	732431	823406	775265	782332
Credits	2059050	2083964	2050313	2022463	1994158	1926403
BGN	0	0	0	0	0	0
Foreign currencies	2059050	2083964	2050313	2022463	1994158	1926403
Other	19885	24791	29945	27087	30570	38130
BGN	12238	15323	18559	13956	17546	23474
Foreign currencies	7647	9468	11386	13131	13024	14656
Less: liabilities	2621944	2678204	2806259	3102939	3261289	2499250
Deposits (excl. suspense accounts)	2596928	2654541	2782782	3080658	3238851	2446563
BGN	937954	1027841	1130938	1368344	1241394	566591
Foreign currencies	1658974	1626700	1651844	1712314	1997457	1879972
Other liabilities	25016	23663	23477	22281	22438	52687
BGN	19308	18676	18289	17216	16576	36938
Foreign currencies	5708	4987	5188	5065	5862	15749
Local government (S.1313)	6197	9208	9571	12869	13784	12534
Securities other than shares	0	0	0	3458	4222	3998
BGN	0	0	0	0	0	199
Foreign currencies	0	0	0	3458	4222	3799
Credits	6196	9203	9404	9391	9536	8486
BGN	6196	9203	9404	9391	9536	8486
Foreign currencies	0	0	0	0	0	0

(continued)

(continued)

(BGN'000)

	XII.2001	I.2002	II.2002	III.2002	IV.2002	V.2002	VI.2002
Other	1324	1584	1779	2008	2107	3398	4
BGN	0	18	13	11	11	7	4
Foreign currencies	1324	1566	1766	1997	2096	3391	0
Social security funds (S.1314)	0	0	0	0	0	0	0
Credits	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
CLAIMS ON NONGOVERNMENT SECTOR	4466880	4528740	4583606	4714097	4896344	5019874	5135592
Nonfinancial public corporations (S.11001)	202560	214841	206906	277277	323102	320670	308415
Credits	169764	183596	175571	180510	225524	222297	211154
BGN	90099	106629	107459	115977	134459	136998	135590
Foreign currencies	79665	76967	68112	64533	91065	85299	75564
Securities other than shares	20824	19290	19490	19748	20490	21253	20243
BGN	20824	19290	19490	19748	20490	21253	20243
Foreign currencies	0	0	0	0	0	0	0
Shares and other equity	11631	11631	11623	76753	76765	76756	76723
BGN	11631	11631	11623	76753	76765	76756	76723
Foreign currencies	0	0	0	0	0	0	0
Other	341	324	222	266	323	364	295
BGN	317	259	185	217	213	227	194
Foreign currencies	24	65	37	49	110	137	101
Nonfinancial private corporations (S.11002)	3361062	3409824	3457097	3495121	3601620	3700677	3792248
Credits	3320726	3370833	3412662	3451348	3558339	3656052	3745966
BGN	1871573	1857370	1851326	1857868	1899014	1897754	1943005
Foreign currencies	1449153	1513463	1561336	1593480	1659325	1758298	1802961
Securities other than shares	10256	6034	9543	10981	11660	11369	9249
BGN	6060	3973	5131	5064	6647	7103	7104
Foreign currencies	4196	2061	4412	5917	5013	4266	2145
Shares and other equity	18179	19336	20979	16468	16541	16497	19477
BGN	18179	19336	20979	16468	16541	16497	19477
Foreign currencies	0	0	0	0	0	0	0
Other	11901	13621	13913	16324	15080	16759	17556
BGN	7182	8063	7855	9133	7610	8804	9540
Foreign currencies	4719	5558	6058	7191	7470	7955	8016
Households (S.14)	873497	876042	891887	914748	944578	967074	1006302
Credits	861765	864317	879057	900932	933388	955478	993405
BGN	830073	831503	844488	865050	895134	917697	954930
Foreign currencies	31692	32814	34569	35882	38254	37781	38475
Other	11732	11725	12830	13816	11190	11596	12897
BGN	11582	11551	12617	13694	11050	11442	12713
Foreign currencies	150	174	213	122	140	154	184
Nonbank financial institutions (S.123+S.124+S.125)	29761	28033	27716	26951	27044	31453	28627
Credits	22372	20659	20337	19577	19712	24102	21380
BGN	8129	13448	12834	15127	11139	11750	13895
Foreign currencies	14243	7211	7503	4450	8573	12352	7485
Securities other than shares	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Shares and other equity	7354	7353	7353	7353	7304	7304	7222
BGN	7354	7353	7353	7353	7304	7304	7222
Foreign currencies	0	0	0	0	0	0	0
Other	35	21	26	21	28	47	25
BGN	23	11	16	7	8	13	19
Foreign currencies	12	10	10	14	20	34	6

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(BGN'000)

	VII.2002	VIII.2002	IX.2002	X.2002	XI.2002	XII.2002
Other	1	5	167	20	26	50
BGN	1	5	167	18	17	34
Foreign currencies	0	0	0	2	9	16
Social security funds (S.1314)	0	0	0	0	0	0
Credits	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Other	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
CLAIMS ON NONGOVERNMENT SECTOR	5416143	5558184	5798267	5945891	6162997	6431888
Nonfinancial public corporations (S.11001)	309037	305433	294535	317773	329213	334135
Credits	211675	208075	195975	202831	207660	215935
BGN	139058	139603	141248	145729	151555	158871
Foreign currencies	72617	68472	54727	57102	56105	57064
Securities other than shares	20245	20245	26459	41619	48011	44681
BGN	20245	20245	26459	41619	48011	44681
Foreign currencies	0	0	0	0	0	0
Shares and other equity	76760	76770	71755	72941	73178	73129
BGN	76760	76770	71755	72941	73178	73129
Foreign currencies	0	0	0	0	0	0
Other	357	343	346	382	364	390
BGN	241	228	226	243	244	338
Foreign currencies	116	115	120	139	120	52
Nonfinancial private corporations (S.11002)	4032637	4134689	4330065	4409672	4562344	4799638
Credits	3987716	4091068	4288910	4369865	4519051	4760545
BGN	1989126	2017876	2106257	2140312	2158397	2247685
Foreign currencies	1998590	2073192	2182653	2229553	2360654	2512860
Securities other than shares	7433	1782	1385	1287	1280	1241
BGN	5272	1782	1385	1287	1280	1241
Foreign currencies	2161	0	0	0	0	0
Shares and other equity	21172	23118	20849	18579	18701	16675
BGN	21172	23118	20849	18579	18701	16675
Foreign currencies	0	0	0	0	0	0
Other	16316	18721	18921	19941	23312	21177
BGN	8118	9324	9472	8656	10483	9643
Foreign currencies	8198	9397	9449	11285	12829	11534
Households (S.14)	1045923	1090040	1138076	1182791	1227767	1254267
Credits	1035501	1079306	1126596	1172289	1214409	1241560
BGN	992580	1033212	1076821	1118238	1156372	1179972
Foreign currencies	42921	46094	49775	54051	58037	61588
Other	10422	10734	11480	10502	13358	12707
BGN	10230	10521	11252	10301	12875	12452
Foreign currencies	192	213	228	201	483	255
Nonbank financial institutions (S.123+S.124+S.125)	28546	28022	35591	35655	43673	43848
Credits	21313	20791	27862	27937	35943	32701
BGN	14953	16322	19692	19173	20799	22060
Foreign currencies	6360	4469	8170	8764	15144	10641
Securities other than shares	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Shares and other equity	7212	7212	7707	7707	7707	10712
BGN	7212	7212	7707	7707	7707	10712
Foreign currencies	0	0	0	0	0	0
Other	21	19	22	11	23	435
BGN	12	11	19	9	17	429
Foreign currencies	9	8	3	2	6	6

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(BGN'000)

	XII.2001	I.2002	II.2002	III.2002	IV.2002	V.2002	VI.2002
CAPITAL AND RESERVES	-2867164	-2876435	-2897965	-2887273	-2724648	-2751286	-2802475
Equity capital	-882483	-882483	-882483	-888286	-917286	-954971	-955471
Reserves	-1425271	-1413826	-1397119	-1360971	-1435846	-1438963	-1457624
Financial result	-559410	-580126	-618363	-638016	-371516	-357352	-389380
OTHER ITEMS (net)	61056	58075	80063	-3085	47291	111081	129794
Interbank accounts (net)	-41096	-71908	-47707	-68406	9636	42053	7545
BGN	-139749	-190437	-168190	-194789	-181748	-142390	-163362
Foreign currencies	98653	118529	120483	126383	191384	184443	170907
Other assets and liabilities (net)	118720	136632	168270	184363	128678	145523	161653
BGN	-6700	30425	44405	40924	1832	17742	44323
Foreign currencies	125420	106207	123865	143439	126846	127781	117330
Accounts between BNB and CBs	-16568	-6649	-40500	-119042	-91023	-76495	-39404
BGN	-47844	-26849	-60702	-139244	-111124	-96709	-59221
Foreign currencies	31276	20200	20202	20202	20101	20214	19817
 BROAD MONEY M3	12600142	12513546	12516886	12503056	12631262	12358621	12335272
MONEY M1	4883842	4651353	4584254	4594178	4602867	4474800	4402891
Currency outside banks	3081023	2924639	2897294	2855198	2873216	2780959	2828354
Demand deposits (BGN)	1802819	1726714	1686960	1738980	1729651	1693841	1574537
Local government (S.1313)	71282	87974	81540	82080	119671	100272	106986
Social security funds (S.1314)	147453	151990	107552	136909	198339	211265	79249
Nonfinancial public corporations (S.11001)	303431	266887	291474	299242	222636	207143	190649
Nonfinancial private corporations (S.11002)	957391	898580	878539	882117	832663	831121	836088
Households (S.14)	300228	294532	304902	313542	329355	316766	336790
Nonbank financial institutions (S.123+S.124+S.125)	23034	26751	22953	25090	26987	27274	24775
MONEY M2 (M1 + quasi-money)	12100796	12035307	12068488	12088061	12136009	11902613	11875691
Quasi-money	7216954	7383954	7484234	7493883	7533142	7427813	7472800
Time deposits (BGN)	1910257	1942066	1999226	1947463	2022788	1970059	2119267
Local government (S.1313)	10900	12668	12849	12251	15067	16825	17051
Social security funds (S.1314)	631355	602805	654118	628052	629610	631002	731521
Nonfinancial public corporations (S.11001)	103813	89134	66918	72910	123955	67881	122829
Nonfinancial private corporations (S.11002)	267461	280480	289052	248146	246984	248554	239777
Households (S.14)	805055	848574	867778	875281	875195	872534	872153
Nonbank financial institutions (S.123+S.124+S.125)	91673	108405	108511	110823	131977	133263	135936
Savings deposits of households (S.14), BGN	548540	558094	565013	567132	563551	560223	565603
Foreign currency deposits	4758157	4883794	4919995	4979288	4946803	4897531	4787930
Demand	1149834	1187733	1205681	1068786	1132870	1151001	1138528
Local government (S.1313)	725	1117	1656	6421	5981	9784	5230
Social security funds (S.1314)	12596	3026	3815	3777	2666	2609	2202
Nonfinancial public corporations (S.11001)	319688	346782	331176	228692	276877	269016	263919
Nonfinancial private corporations (S.11002)	526397	536169	573814	534789	553695	578962	585366
Households (S.14)	284578	287459	286406	286564	283894	280753	274159
Nonbank financial institutions (S.123+S.124+S.125)	5850	13180	8814	8543	9757	9877	7652
Time	2924002	3017441	3035649	3228129	3138583	3073427	2988312
Local government (S.1313)	4	5	4	15023	19781	6	6
Social security funds (S.1314)	0	9419	9411	9373	9412	9128	8895
Nonfinancial public corporations (S.11001)	180740	180431	186661	295858	297476	276940	276582
Nonfinancial private corporations (S.11002)	273214	279180	270600	286071	278985	275321	253012
Households (S.14)	2406086	2487243	2509265	2563901	2485593	2468793	2411937
Nonbank financial institutions (S.123+S.124+S.125)	63958	61163	59708	57903	47336	43239	37880
Savings deposits of households (S.14), foreign currencies	684321	678620	678665	682373	675350	673103	661090
MONEY M3 (M2+ debt securities issued, credits and restricted deposits)	12600142	12513546	12516886	12503056	12631262	12358621	12335272
Debt securities issued	6341	6341	6341	6341	8155	13541	13594
BGN	0	0	0	0	1696	7040	7053
Local government	0	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0	0
Nonfinancial public corporations	0	0	0	0	0	0	0
Nonfinancial private corporations	0	0	0	0	1524	1533	1515

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	VII.2002	VIII.2002	IX.2002	X.2002	XI.2002	XII.2002
CAPITAL AND RESERVES	-2872871	-2968670	-3057811	-3097632	-3142698	-3290816
Equity capital	-958309	-966310	-971576	-971576	-973309	-954706
Reserves	-1491831	-1530108	-1602220	-1593333	-1593683	-1750572
Financial result	-422731	-472252	-484015	-532723	-575706	-585538
OTHER ITEMS (net)	82650	111814	11889	117972	84977	119755
Interbank accounts (net)	-39796	7363	-56797	26318	40006	26979
BGN	-164427	-155123	-233245	-180974	-164819	-182982
Foreign currencies	124631	162486	176448	207292	204825	209961
Other assets and liabilities (net)	142325	124170	95399	101039	89891	126028
BGN	92031	97796	72341	89572	82815	134846
Foreign currencies	50294	26374	23058	11467	7076	-8818
Accounts between BNB and CBs	-19879	-19719	-26713	-9385	-44920	-33252
BGN	-40086	-36591	-43585	-31146	-61792	-9772
Foreign currencies	20207	16872	16872	21761	16872	-23480
 BROAD MONEY M3	 12695748	 12997954	 13093729	 13226948	 13432083	 14146485
MONEY M1	4588952	4750358	4804872	4804112	4936008	5542653
Currency outside banks	2900271	2996613	3021780	2997903	2987236	3334922
Demand deposits (BGN)	1688681	1753745	1783092	1806209	1948772	2207731
Local government (S.1313)	105674	106345	96922	98161	106483	73858
Social security funds (S.1314)	99616	74393	82545	64236	70452	121008
Nonfinancial public corporations (S.11001)	204271	212588	228194	237735	262449	302953
Nonfinancial private corporations (S.11002)	911016	975775	998459	1015382	1057016	1229752
Households (S.14)	342969	356856	355745	367221	398811	441937
Nonbank financial institutions (S.123+S.124+S.125)	25135	27788	21227	23474	53561	38223
MONEY M2 (M1 + quasi-money)	12243453	12521467	12589731	12703584	12929420	13581267
Quasi-money	7654501	7771109	7784859	7899472	7993412	8038614
Time deposits (BGN)	2109961	2120573	2107410	2119916	2218573	2291094
Local government (S.1313)	21283	21220	21577	21240	22571	14724
Social security funds (S.1314)	733541	730354	730686	732548	734280	701269
Nonfinancial public corporations (S.11001)	84344	89125	91293	99366	135975	174822
Nonfinancial private corporations (S.11002)	276086	278768	256370	252672	298745	326155
Households (S.14)	877175	884106	889301	905845	922082	947649
Nonbank financial institutions (S.123+S.124+S.125)	117532	117000	118183	108245	104920	126475
Savings deposits of households (S.14), BGN	569647	583336	592656	603051	608577	646400
Foreign currency deposits	4974893	5067200	5084793	5176505	5166262	5101120
Demand	1135736	1148872	1169721	1147617	1212603	1154827
Local government (S.1313)	4610	4853	5442	6469	6437	5885
Social security funds (S.1314)	2302	2182	3491	756	586	10666
Nonfinancial public corporations (S.11001)	237210	262745	248017	231739	297036	236262
Nonfinancial private corporations (S.11002)	594018	580189	610511	605291	599382	596332
Households (S.14)	287084	290313	291161	294506	298674	293817
Nonbank financial institutions (S.123+S.124+S.125)	10512	8590	11099	8856	10488	11865
Time	3150229	3217598	3202862	3305608	3222735	3215519
Local government (S.1313)	6	6	6	6	6	5
Social security funds (S.1314)	9088	8723	8726	10243	10230	0
Nonfinancial public corporations (S.11001)	256003	280567	293973	370626	249879	243639
Nonfinancial private corporations (S.11002)	332528	346520	295255	277123	284273	311279
Households (S.14)	2510590	2543523	2564163	2602712	2635903	2614129
Nonbank financial institutions (S.123+S.124+S.125)	42014	38259	40739	44898	42444	46467
Savings deposits of households (S.14), foreign currencies	688928	700730	712210	723280	730924	730774
MONEY M3 (M2+ debt securities issued, credits and restricted deposits)	12695748	12997954	13093729	13226948	13432083	14146485
Debt securities issued	13682	12540	17373	17481	17381	19345
BGN	7099	7143	7149	7194	7032	8446
Local government	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Nonfinancial public corporations	0	0	0	0	0	0
Nonfinancial private corporations	1524	1534	1508	1517	1526	1508

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	XII.2001	I.2002	II.2002	III.2002	IV.2002	V.2002	VI.2002
Households	0	0	0	0	71	71	70
Nonbank financial institutions (S.123+S.124+S.125)	0	0	0	0	101	5436	5468
Foreign currencies	6341	6341	6341	6341	6459	6501	6541
Local government	0	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0	0
Nonfinancial public corporations	0	0	0	0	0	0	0
Nonfinancial private corporations (S.11002)	196	196	0	0	0	0	0
Households	0	0	10	10	10	10	10
Nonbank financial institutions (S.123+S.124+S.125)	6145	6145	6331	6331	6449	6491	6531
Credits	54551	43948	44286	51955	26016	17794	26784
BGN	27151	24490	29974	40567	21427	15408	24496
Local government	0	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0	0
Nonfinancial public corporations (S.11001)	8175	5138	5138	3118	12359	9561	9568
Nonfinancial private corporations (S.11002)	18438	18865	24825	37437	9059	5838	14921
Households	0	0	0	0	0	0	0
Nonbank financial institutions (S.123+S.124+S.125)	538	487	11	12	9	9	7
Foreign currencies	27400	19458	14312	11388	4589	2386	2288
Local government	0	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0	0
Nonfinancial public corporations	0	0	0	748	0	0	0
Nonfinancial private corporations (S.11002)	26912	18904	14244	10562	4589	2386	2288
Households (S.14)	32	32	32	0	0	0	0
Nonbank financial institutions (S.123+S.124+S.125)	456	522	36	78	0	0	0
Restricted deposits	438454	427950	397771	356699	461082	424673	419203
BGN	260251	259319	251673	207171	271735	267932	256590
Central government (S.1311)	125230	122574	119938	83146	86032	89015	93442
Local government (S.1313)	14417	17305	16998	17063	18703	19152	19158
Social security funds (S.1314)	13328	13882	18553	22677	31653	29395	28259
Nonfinancial public corporations (S.11001)	24143	25848	25370	24594	75348	78221	65988
Nonfinancial private corporations (S.11002)	62800	57657	47642	41310	38567	37932	38632
Households (S.14)	6316	6515	5425	5399	14725	8442	5650
Nonbank financial institutions (S.123+S.124+S.125)	14017	15538	17747	12982	6707	5775	5461
Foreign currencies	178203	168631	146098	149528	189347	156741	162613
Central government (S.1311)	28387	40949	26120	25939	60658	24132	43692
Local government (S.1313)	609	615	610	693	708	619	808
Social security funds (S.1314)	0	0	0	0	0	0	0
Nonfinancial public corporations (S.11001)	53858	51193	46955	46606	42240	41287	39225
Nonfinancial private corporations (S.11002)	81936	62129	58684	58773	65537	74282	63499
Households (S.14)	8891	8900	9011	9422	9098	8771	8530
Nonbank financial institutions (S.123+S.124+S.125)	4522	4845	4718	8095	11106	7650	6859

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(BGN'000)

	VII.2002	VIII.2002	IX.2002	X.2002	XI.2002	XII.2002
Households	71	71	70	71	71	70
Nonbank financial institutions (S.123+S.124+S.125)	5504	5538	5571	5606	5435	6868
Foreign currencies	6583	5397	10224	10287	10349	10899
Local government	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Nonfinancial public corporations	0	0	0	0	0	0
Nonfinancial private corporations (S.11002)	0	0	352	354	356	886
Households	10	10	514	517	520	524
Nonbank financial institutions (S.123+S.124+S.125)	6573	5387	9358	9416	9473	9489
Credits	17189	14509	12471	19156	25959	16143
BGN	15225	12343	10924	13797	9007	12345
Local government	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Nonfinancial public corporations (S.11001)	8620	8620	8620	6477	8638	10084
Nonfinancial private corporations (S.11002)	6598	3718	2300	7317	351	213
Households	0	0	0	0	0	0
Nonbank financial institutions (S.123+S.124+S.125)	7	5	4	3	18	2048
Foreign currencies	1964	2166	1547	5359	16952	3798
Local government	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Nonfinancial public corporations	0	0	0	0	0	0
Nonfinancial private corporations (S.11002)	1964	2165	1522	5322	16900	3776
Households (S.14)	0	0	0	0	0	0
Nonbank financial institutions (S.123+S.124+S.125)	0	1	25	37	52	22
Restricted deposits	421424	449438	474154	486727	459323	529730
BGN	258382	271542	293784	309573	287126	346560
Central government (S.1311)	94828	87839	99728	100482	102775	113848
Local government (S.1313)	19972	21042	20873	26957	29583	27282
Social security funds (S.1314)	28633	27223	29241	27057	29116	36022
Nonfinancial public corporations (S.11001)	62469	61746	62385	67854	41203	43608
Nonfinancial private corporations (S.11002)	39487	58214	71443	71628	73066	110119
Households (S.14)	5676	5685	5491	7186	5203	5935
Nonbank financial institutions (S.123+S.124+S.125)	7317	9793	4623	8409	6180	9746
Foreign currencies	163042	177896	180370	177154	172197	183170
Central government (S.1311)	45693	56819	49093	38155	37673	36954
Local government (S.1313)	661	514	519	495	474	440
Social security funds (S.1314)	0	0	0	0	0	0
Nonfinancial public corporations (S.11001)	35984	36600	35969	39272	37160	35151
Nonfinancial private corporations (S.11002)	65270	69311	77274	82570	81858	96828
Households (S.14)	8980	9634	9863	9806	10007	9680
Nonbank financial institutions (S.123+S.124+S.125)	6454	5018	7652	6856	5025	4117

Source: BNB and commercial banks.

ANALYTICAL REPORTING OF THE BNB

(BGN'000)

	XII.2001	I.2002	II.2002	III.2002	IV.2002	V.2002	VI.2002
ASSETS	12318512	11727077	11773379	11494271	11578384	11571098	11780464
FOREIGN ASSETS	7946430	7373254	7373808	7197003	7428596	7547109	7909194
Cash	157867	50623	26896	20829	17938	8007	9169
Deposits	1490334	1009275	1166176	908951	1434874	1162173	1252799
Securities other than shares	5500113	5377519	5217588	5316523	5041494	5508295	5733466
Shares and other equity	832	832	832	832	832	832	832
Monetary gold and SDR holdings*	738955	856510	861743	839002	827452	745059	774460
Other	58329	78495	100573	110866	106006	122743	138468
CLAIMS ON COMMERCIAL BANKS	70795	70796	70559	46902	46967	46920	46921
Deposits	13	13	12	12	32	30	27
BGN	0	0	0	0	0	0	0
Foreign currencies	13	13	12	12	32	30	27
Credits	36114	36114	35875	27061	27061	27061	27061
BGN	17955	17955	17716	8902	8902	8902	8902
Foreign currencies	18159	18159	18159	18159	18159	18159	18159
Shares and other equity	369	369	369	369	369	369	369
BGN	369	369	369	369	369	369	369
Foreign currencies	0	0	0	0	0	0	0
Other	34299	34300	34303	19460	19505	19460	19464
BGN	32252	32253	32256	17413	17458	17413	17417
Foreign currencies	2047	2047	2047	2047	2047	2047	2047
CLAIMS ON GENERAL GOVERNMENT	2314570	2278525	2320262	2288743	2170622	2080255	1996380
Central government	2314570	2278525	2320262	2288743	2170622	2080255	1996380
Government securities	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Credits	2314570	2278525	2320262	2288743	2170622	2080255	1996380
BGN	0	0	0	0	0	0	0
Foreign currencies	2314570	2278525	2320262	2288743	2170622	2080255	1996380
Other	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0	0
Credits	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
CLAIMS ON NONGOVERNMENT SECTOR	2294	2294	2294	69984	69984	69984	69984
Nonfinancial public corporations	2294	2294	2294	69984	69984	69984	69984
Credits	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Shares and other equity	2294	2294	2294	69984	69984	69984	69984
BGN	2294	2294	2294	69984	69984	69984	69984
Foreign currencies	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Private corporations	0	0	0	0	0	0	0
Credits	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Shares and other equity	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0

* Reserve position in the IMF included.

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(BGN'000)

	VII.2002	VIII.2002	IX.2002	X.2002	XI.2002	XII.2002
ASSETS	11922961	12136435	12357945	12582508	12721954	12638459
FOREIGN ASSETS	8035116	8232661	8497004	8757656	8930537	8954444
Cash	17974	18130	14363	13667	4687	6483
Deposits	1181629	1692652	1922641	1384443	1354297	1292074
Securities other than shares	5916831	5611512	5653840	6454311	6669523	6769119
Shares and other equity	832	832	832	832	832	832
Monetary gold and SDR holdings*	811784	804333	782872	757320	747811	725745
Other	106066	105202	122456	147083	153387	160191
CLAIMS ON COMMERCIAL BANKS	46917	43580	43555	43553	43553	43350
Deposits	27	26	46	44	42	41
BGN	0	0	0	0	0	0
Foreign currencies	27	26	46	44	42	41
Credits	27061	24160	24160	24160	24160	24160
BGN	8902	8902	8902	8902	8902	8902
Foreign currencies	18159	15258	15258	15258	15258	15258
Shares and other equity	369	369	369	369	369	156
BGN	369	369	369	369	369	156
Foreign currencies	0	0	0	0	0	0
Other	19460	19025	18980	18980	18982	18993
BGN	17413	17415	17370	17370	17372	17383
Foreign currencies	2047	1610	1610	1610	1610	1610
CLAIMS ON GENERAL GOVERNMENT	2059050	2083964	2050313	2022463	1994158	1926403
Central government	2059050	2083964	2050313	2022463	1994158	1926403
Government securities	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Credits	2059050	2083964	2050313	2022463	1994158	1926403
BGN	0	0	0	0	0	0
Foreign currencies	2059050	2083964	2050313	2022463	1994158	1926403
Other	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Credits	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Other	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
CLAIMS ON NONGOVERNMENT SECTOR	69984	69984	69984	71134	71134	73134
Nonfinancial public corporations	69984	69984	69484	70634	70634	70634
Credits	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Shares and other equity	69984	69984	69484	70634	70634	70634
BGN	69984	69984	69484	70634	70634	70634
Foreign currencies	0	0	0	0	0	0
Other	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Private corporations	0	0	0	0	0	0
Credits	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Shares and other equity	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0

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(BGN'000)

	XII.2001	I.2002	II.2002	III.2002	IV.2002	V.2002	VI.2002
Other	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Nonbank financial institutions	0	0	0	0	0	0	0
Credits	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Shares and other equity	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
FIXED ASSETS	172319	173809	174317	66261	66329	66752	67141
OTHER ASSETS	1812104	1828399	1832139	1825378	1795886	1760078	1690844
BGN	27440	25725	27915	26369	24077	24109	23230
Foreign currencies	1784664	1802674	1804224	1799009	1771809	1735969	1667614
LIABILITIES	12318512	11727077	11773379	11494271	11578384	11571098	11780464
RESERVE MONEY	4032531	3757281	3796290	3793988	3923574	3601534	3692025
Money in circulation	3262882	3081206	3062135	3018868	3073614	2964026	3022740
Deposits of commercial banks	769649	676075	734155	775120	849960	637508	669285
LEV DEPOSITS	778788	747046	752545	755168	770812	831778	801680
Demand deposits	147433	144243	98433	127127	141259	200776	70159
Social security funds	147412	144202	98282	126740	140991	200737	70091
Nonfinancial public corporations	0	0	0	0	0	0	0
Private corporations	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0
Nonbank financial institutions	21	41	151	387	268	39	68
Time deposits	631355	602803	654112	628041	629553	631002	731521
Social security funds	631355	602803	654112	628041	629553	631002	731521
Nonfinancial public corporations	0	0	0	0	0	0	0
Private corporations	0	0	0	0	0	0	0
Nonbank financial institutions	0	0	0	0	0	0	0
FOREIGN CURRENCY DEPOSITS	192079	191060	188146	192897	198775	206679	216833
Demand deposits	123254	122216	119303	14537	20301	18417	28518
Social security funds	1564	1401	2625	2583	1656	1684	1256
Nonfinancial public corporations	121690	120815	116678	11954	18645	16733	27262
Private corporations	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0
Nonbank financial institutions	0	0	0	0	0	0	0
Time deposits	68825	68844	68843	178360	178474	188262	188315
Social security funds	0	0	0	0	0	0	0
Nonfinancial public corporations	68825	68844	68843	178360	178474	188262	188315
Private corporations	0	0	0	0	0	0	0
Nonbank financial institutions	0	0	0	0	0	0	0
RESTRICTED DEPOSITS	80413	91093	78140	42068	79077	51109	72339
Central government (suspense accounts)	67061	77244	57679	19470	53146	21679	44043
BGN	57562	55495	50936	12551	10842	15357	18225
Foreign currencies	9499	21749	6743	6919	42304	6322	25818
Social security funds	13328	13827	18440	22390	25898	29394	28250
BGN	13328	13827	18440	22390	25898	29394	28250
Foreign currencies	0	0	0	0	0	0	0
Nonfinancial public corporations	24	22	21	208	33	36	46
BGN	24	22	21	208	33	36	46
Foreign currencies	0	0	0	0	0	0	0
Private corporations	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0

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(BGN'000)

	VII.2002	VIII.2002	IX.2002	X.2002	XI.2002	XII.2002
Other	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Nonbank financial institutions	0	0	500	500	500	2500
Credits	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Shares and other equity	0	0	500	500	500	2500
BGN	0	0	500	500	500	2500
Foreign currencies	0	0	0	0	0	0
Other	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
FIXED ASSETS	68392	68599	69053	69623	69696	66788
OTHER ASSETS	1643502	1637647	1628036	1618079	1612876	1574340
BGN	23972	23399	23913	22269	23360	22709
Foreign currencies	1619530	1614248	1604123	1595810	1589516	1551631
LIABILITIES	11922961	12136435	12357945	12582508	12721954	12638459
RESERVE MONEY	3656769	3769645	3841217	3754900	3823704	4482383
Money in circulation	3101974	3204330	3249877	3216233	3191558	3627927
Deposits of commercial banks	554795	565315	591340	538667	632146	854456
LEV DEPOSITS	824860	795460	803497	788120	797576	822521
Demand deposits	91319	65106	72811	55572	63296	121252
Social security funds	91077	65003	72682	55258	63095	121008
Nonfinancial public corporations	0	0	0	0	0	0
Private corporations	0	0	0	0	0	0
Households	0	0	0	0	0	0
Nonbank financial institutions	242	103	129	314	201	244
Time deposits	733541	730354	730686	732548	734280	701269
Social security funds	733541	730354	730686	732548	734280	701269
Nonfinancial public corporations	0	0	0	0	0	0
Private corporations	0	0	0	0	0	0
Nonbank financial institutions	0	0	0	0	0	0
FOREIGN CURRENCY DEPOSITS	211073	215893	221722	311042	215113	163429
Demand deposits	32407	17606	23301	26366	94931	43168
Social security funds	1233	1227	1202	0	0	0
Nonfinancial public corporations	31174	16379	22099	26366	94931	43168
Private corporations	0	0	0	0	0	0
Households	0	0	0	0	0	0
Nonbank financial institutions	0	0	0	0	0	0
Time deposits	178666	198287	198421	284676	120182	120261
Social security funds	0	0	0	0	0	0
Nonfinancial public corporations	178666	198287	198080	284334	119840	119923
Private corporations	0	0	0	0	0	0
Nonbank financial institutions	0	0	341	342	342	338
RESTRICTED DEPOSITS	73110	82611	82239	64124	63926	70696
Central government (suspense accounts)	44433	53373	53000	35069	34812	34674
BGN	16236	13861	21144	14184	14397	14481
Foreign currencies	28197	39512	31856	20885	20415	20193
Social security funds	28629	27223	29239	27055	29114	36022
BGN	28629	27223	29239	27055	29114	36022
Foreign currencies	0	0	0	0	0	0
Nonfinancial public corporations	48	15	0	0	0	0
BGN	48	15	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Private corporations	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Households	0	0	0	0	0	0

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(BGN'000)

	XII.2001	I.2002	II.2002	III.2002	IV.2002	V.2002	VI.2002
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Nonbank financial institutions	0	0	2000	0	0	0	0
BGN	0	0	2000	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
CREDITS	0	0	0	0	0	0	0
Nonfinancial public corporations	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Private corporations	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Nonbank financial institutions	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
FOREIGN LIABILITIES	2461241	2418737	2437632	2405895	2278254	2164049	2077826
Deposits	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Credits	2460516	2417677	2437353	2405339	2277452	2163808	2077380
BGN	0	0	0	0	0	0	0
Foreign currencies	2460516	2417677	2437353	2405339	2277452	2163808	2077380
Other	725	1060	279	556	802	241	446
BGN	0	0	0	0	0	0	0
Foreign currencies	725	1060	279	556	802	241	446
LIABILITIES TO CENTRAL GOVERNMENT	1712619	1439725	1433607	1311524	1513716	1926085	2147420
Deposits (excl. suspense accounts)	1710937	1437536	1432620	1310362	1512953	1924845	2142659
BGN	585215	340035	268303	294705	366359	536153	658299
Foreign currencies	1125722	1097501	1164317	1015657	1146594	1388692	1484360
Credits	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Other	1682	2189	987	1162	763	1240	4761
BGN	286	73	72	29	77	29	29
Foreign currencies	1396	2116	915	1133	686	1211	4732
CAPITAL AND RESERVES	1229816	1234382	1241625	1220832	1068245	1083130	1114030
Equity capital	20000	20000	20000	20000	20000	20000	20000
Reserves	988727	977747	962288	926325	990944	986554	1000629
Financial result	221089	236635	259337	274507	57301	76576	93401
OTHER LIABILITIES	1831025	1847753	1845394	1771899	1745931	1706734	1658311
BGN	141254	142203	143167	76852	76832	74947	76406
Foreign currencies	1689771	1705550	1702227	1695047	1669099	1631787	1581905

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(BGN'000)

	VII.2002	VIII.2002	IX.2002	X.2002	XI.2002	XII.2002
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Nonbank financial institutions	0	2000	0	2000	0	0
BGN	0	2000	0	2000	0	0
Foreign currencies	0	0	0	0	0	0
CREDITS	0	0	0	0	0	0
Nonfinancial public corporations	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Private corporations	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Nonbank financial institutions	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
FOREIGN LIABILITIES	2141808	2145638	2111744	2083970	2034797	1966151
Deposits	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Credits	2141143	2145454	2111412	2083488	2034680	1965951
BGN	0	0	0	0	0	0
Foreign currencies	2141143	2145454	2111412	2083488	2034680	1965951
Other	665	184	332	482	117	200
BGN	0	0	0	0	0	0
Foreign currencies	665	184	332	482	117	200
LIABILITIES TO CENTRAL GOVERNMENT	2170506	2236874	2358436	2640036	2834366	2143713
Deposits (excl. suspense accounts)	2169575	2236110	2357336	2639158	2832693	2138057
BGN	868656	953455	1056904	1303873	1166393	504225
Foreign currencies	1300919	1282655	1300432	1335285	1666300	1633832
Credits	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Other	931	764	1100	878	1673	5656
BGN	101	152	285	204	195	134
Foreign currencies	830	612	815	674	1478	5522
CAPITAL AND RESERVES	1165445	1215916	1274748	1277502	1294718	1371252
Equity capital	20000	20000	20000	20000	20000	20000
Reserves	1031422	1069726	1125143	1116174	1116612	1178580
Financial result	114023	126190	129605	141328	158106	172672
OTHER LIABILITIES	1679390	1674398	1664342	1662814	1657754	1618314
BGN	75915	73203	73329	73717	74952	73569
Foreign currencies	1603475	1601195	1591013	1589097	1582802	1544745

Source: BNB.

ANALYTICAL REPORTING OF COMMERCIAL BANKS

(BGN'000)

	XII.2001	I.2002	II.2002	III.2002	IV.2002	V.2002	VI.2002
ASSETS	13021452	13114036	13070898	13515273	13536008	13296057	13194119
FOREIGN ASSETS	4702726	4766527	4620433	4751551	4205397	4012368	3727932
Cash	410176	307413	268047	217154	199073	192643	208222
Deposits	3615701	3766695	3661318	3644566	3158982	2927770	2743204
Credits	45960	48034	35904	36504	36105	51472	48460
Securities other than shares	593983	619530	634252	813926	785105	798098	691423
BGN	0	0	0	0	0	0	0
Foreign currencies	593983	619530	634252	813926	785105	798098	691423
Shares and other equity	282	285	291	2465	284	280	267
Other	36624	24570	20621	36936	25848	42105	36356
BGN	94	76	73	94	80	71	76
Foreign currencies	36530	24494	20548	36842	25768	42034	36280
RESERVES	864441	755471	788208	773117	912652	697441	777625
Cash	181859	156567	164841	163670	200398	183067	194386
Deposits	682582	598904	623367	609447	712254	514374	583239
BGN	358955	513011	503765	458484	469313	302426	231281
Foreign currencies	323627	85893	119602	150963	242941	211948	351958
Other	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
CLAIMS ON GENERAL GOVERNMENT	1407139	1432121	1462303	1528295	1748614	1783105	1821937
Central government	1366256	1390633	1420864	1485892	1708164	1728156	1815421
Government securities	1336437	1375691	1401998	1462279	1691560	1705432	1786084
BGN	906731	973296	969949	995076	1006181	987448	1047253
Foreign currencies	429706	402395	432049	467203	685379	717984	738831
Credits	1600	1600	2800	3250	0	0	0
BGN	1600	1600	2800	3250	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Other	28219	13342	16066	20363	16604	22724	29337
BGN	23750	11321	13626	16885	12084	15649	20220
Foreign currencies	4469	2021	2440	3478	4520	7075	9117
Local government	40883	41488	41439	42403	40450	54949	6516
Securities other than shares	35772	36438	36110	36713	31674	44618	0
BGN	0	0	0	0	0	0	0
Foreign currencies	35772	36438	36110	36713	31674	44618	0
Credits	3787	3466	3550	3682	6669	6933	6512
BGN	3787	3466	3550	3682	6669	6933	6512
Foreign currencies	0	0	0	0	0	0	0
Other	1324	1584	1779	2008	2107	3398	4
BGN	0	18	13	11	11	7	4
Foreign currencies	1324	1566	1766	1997	2096	3391	0
Social security funds	0	0	0	0	0	0	0
Credits	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
CLAIMS ON NONGOVERNMENT SECTOR	4464586	4526446	4581312	4644113	4826360	4949890	5065608
NONFINANCIAL PUBLIC CORPORATIONS	200266	212547	204612	207293	253118	250686	238431
Credits	169764	183596	175571	180510	225524	222297	211154
BGN	90099	106629	107459	115977	134459	136998	135590
Foreign currencies	79665	76967	68112	64533	91065	85299	75564
Securities other than shares	20824	19290	19490	19748	20490	21253	20243
BGN	20824	19290	19490	19748	20490	21253	20243
Foreign currencies	0	0	0	0	0	0	0
Shares and other equity	9337	9337	9329	6769	6781	6772	6739
BGN	9337	9337	9329	6769	6781	6772	6739
Foreign currencies	0	0	0	0	0	0	0
Other	341	324	222	266	323	364	295
BGN	317	259	185	217	213	227	194
Foreign currencies	24	65	37	49	110	137	101

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(BGN'000)

	VII.2002	VIII.2002	IX.2002	X.2002	XI.2002	XII.2002
ASSETS	13753396	14070689	14334637	14393477	14814990	15411159
FOREIGN ASSETS	3994161	4066056	4014635	3882352	3956700	3893344
Cash	247897	213002	199280	191496	196910	185984
Deposits	2967845	3023358	2999260	2771833	2760412	2788716
Credits	52213	58818	75482	101475	109496	92159
Securities other than shares	657777	694409	680218	759281	791742	736958
BGN	0	0	0	0	0	0
Foreign currencies	657777	694409	680218	759281	791742	736958
Shares and other equity	4334	272	272	272	271	271
Other	64095	76197	60123	57995	97869	89256
BGN	16	79	78	97	104	82
Foreign currencies	64079	76118	60045	57898	97765	89174
RESERVES	689981	710012	749511	704354	748290	1071151
Cash	201703	207717	228097	218330	204322	293005
Deposits	488278	502295	521414	486024	543968	778146
BGN	183982	258628	196462	175119	337619	558608
Foreign currencies	304296	243667	324952	310905	206349	219538
Other	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
CLAIMS ON GENERAL GOVERNMENT	1812437	1823456	1861709	1936361	1942686	1996169
Central government	1806240	1814248	1852138	1923492	1928902	1983635
Government securities	1786355	1789457	1822193	1896405	1898332	1945505
BGN	1045162	1053419	1089762	1072999	1123067	1163173
Foreign currencies	741193	736038	732431	823406	775265	782332
Credits	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Other	19885	24791	29945	27087	30570	38130
BGN	12238	15323	18559	13956	17546	23474
Foreign currencies	7647	9468	11386	13131	13024	14656
Local government	6197	9208	9571	12869	13784	12534
Securities other than shares	0	0	0	3458	4222	3998
BGN	0	0	0	0	0	199
Foreign currencies	0	0	0	3458	4222	3799
Credits	6196	9203	9404	9391	9536	8486
BGN	6196	9203	9404	9391	9536	8486
Foreign currencies	0	0	0	0	0	0
Other	1	5	167	20	26	50
BGN	1	5	167	18	17	34
Foreign currencies	0	0	0	2	9	16
Social security funds	0	0	0	0	0	0
Credits	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Other	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
CLAIMS ON NONGOVERNMENT SECTOR	5346159	5488200	5728283	5874757	6091863	6358754
NONFINANCIAL PUBLIC CORPORATIONS	239053	235449	225051	247139	258579	263501
Credits	211675	208075	195975	202831	207660	215935
BGN	139058	139603	141248	145729	151555	158871
Foreign currencies	72617	68472	54727	57102	56105	57064
Securities other than shares	20245	20245	26459	41619	48011	44681
BGN	20245	20245	26459	41619	48011	44681
Foreign currencies	0	0	0	0	0	0
Shares and other equity	6776	6786	2271	2307	2544	2495
BGN	6776	6786	2271	2307	2544	2495
Foreign currencies	0	0	0	0	0	0
Other	357	343	346	382	364	390
BGN	241	228	226	243	244	338
Foreign currencies	116	115	120	139	120	52

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	XII.2001	I.2002	II.2002	III.2002	IV.2002	V.2002	VI.2002
NONFINANCIAL PRIVATE CORPORATIONS	3361062	3409824	3457097	3495121	3601620	3700677	3792248
Credits	3320726	3370833	3412662	3451348	3558339	3656052	3745966
BGN	1871573	1857370	1851326	1857868	1899014	1897754	1943005
Foreign currencies	1449153	1513463	1561336	1593480	1659325	1758298	1802961
Securities other than shares	10256	6034	9543	10981	11660	11369	9249
BGN	6060	3973	5131	5064	6647	7103	7104
Foreign currencies	4196	2061	4412	5917	5013	4266	2145
Shares and other equity	18179	19336	20979	16468	16541	16497	19477
BGN	18179	19336	20979	16468	16541	16497	19477
Foreign currencies	0	0	0	0	0	0	0
Other	11901	13621	13913	16324	15080	16759	17556
BGN	7182	8063	7855	9133	7610	8804	9540
Foreign currencies	4719	5558	6058	7191	7470	7955	8016
HOUSEHOLDS	873497	876042	891887	914748	944578	967074	1006302
Credits	861765	864317	879057	900932	933388	955478	993405
BGN	830073	831503	844488	865050	895134	917697	954930
Foreign currencies	31692	32814	34569	35882	38254	37781	38475
Other	11732	11725	12830	13816	11190	11596	12897
BGN	11582	11551	12617	13694	11050	11442	12713
Foreign currencies	150	174	213	122	140	154	184
NONBANK FINANCIAL INSTITUTIONS	29761	28033	27716	26951	27044	31453	28627
Credits	22372	20659	20337	19577	19712	24102	21380
BGN	8129	13448	12834	15127	11139	11750	13895
Foreign currencies	14243	7211	7503	4450	8573	12352	7485
Securities other than shares	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Shares and other equity	7354	7353	7353	7353	7304	7304	7222
BGN	7354	7353	7353	7353	7304	7304	7222
Foreign currencies	0	0	0	0	0	0	0
Other	35	21	26	21	28	47	25
BGN	23	11	16	7	8	13	19
Foreign currencies	12	10	10	14	20	34	6
FIXED ASSETS	706531	704843	713234	724392	732403	734646	742264
OTHER ASSETS	876029	928628	905408	1093805	1110582	1118607	1058753
Claims on commercial banks	707302	722740	682887	846554	858344	882661	814559
Deposits	469151	475277	417950	567168	518255	544447	495414
BGN	221421	208700	159347	205631	211861	222465	160410
Foreign currencies	247730	266577	258603	361537	306394	321982	335004
Credits	20037	27772	13869	14171	16916	28555	38138
BGN	19030	19944	13862	14170	12118	16731	20058
Foreign currencies	1007	7828	7	1	4798	11824	18080
Securities other than shares	7615	6853	8431	7576	19139	23762	24898
BGN	0	0	91	0	0	6675	11444
Foreign currencies	7615	6853	8340	7576	19139	17087	13454
Shares and other equity	5932	6495	6594	6594	6597	6598	6601
BGN	5932	6495	6594	6594	6597	6598	6601
Foreign currencies	0	0	0	0	0	0	0
Other	204567	206343	236043	251045	297437	279299	249508
BGN	21847	20903	25884	32590	56207	38432	19246
Foreign currencies	182720	185440	210159	218455	241230	240867	230262
Other unclassified assets	168727	205888	222521	247251	252238	235946	244194
BGN	100819	138068	144030	155352	176512	165046	167290
Foreign currencies	67908	67820	78491	91899	75726	70900	76904
LIABILITIES	13021452	13114036	13070898	13515273	13536008	13296057	13194119
LEV DEPOSITS	3482828	3479828	3498654	3498407	3545178	3392345	3457727
Demand	1655386	1582471	1588527	1611853	1588392	1493065	1504378
Local government	71282	87974	81540	82080	119671	100272	106986
Social security funds	41	7788	9270	10169	57348	10528	9158
Nonfinancial public corporations	303431	266887	291474	299242	222636	207143	190649
Nonfinancial private corporations	957391	898580	878539	882117	832663	831121	836088
Households	300228	294532	304902	313542	329355	316766	336790

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	VII.2002	VIII.2002	IX.2002	X.2002	XI.2002	XII.2002
NONFINANCIAL PRIVATE CORPORATIONS	4032637	4134689	4330065	4409672	4562344	4799638
Credits	3987716	4091068	4288910	4369865	4519051	4760545
BGN	1989126	2017876	2106257	2140312	2158397	2247685
Foreign currencies	1998590	2073192	2182653	2229553	2360654	2512860
Securities other than shares	7433	1782	1385	1287	1280	1241
BGN	5272	1782	1385	1287	1280	1241
Foreign currencies	2161	0	0	0	0	0
Shares and other equity	21172	23118	20849	18579	18701	16675
BGN	21172	23118	20849	18579	18701	16675
Foreign currencies	0	0	0	0	0	0
Other	16316	18721	18921	19941	23312	21177
BGN	8118	9324	9472	8656	10483	9643
Foreign currencies	8198	9397	9449	11285	12829	11534
HOUSEHOLDS	1045923	1090040	1138076	1182791	1227767	1254267
Credits	1035501	1079306	1126596	1172289	1214409	1241560
BGN	992580	1033212	1076821	1118238	1156372	1179972
Foreign currencies	42921	46094	49775	54051	58037	61588
Other	10422	10734	11480	10502	13358	12707
BGN	10230	10521	11252	10301	12875	12452
Foreign currencies	192	213	228	201	483	255
NONBANK FINANCIAL INSTITUTIONS	28546	28022	35091	35155	43173	41348
Credits	21313	20791	27862	27937	35943	32701
BGN	14953	16322	19692	19173	20799	22060
Foreign currencies	6360	4469	8170	8764	15144	10641
Securities other than shares	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Shares and other equity	7212	7212	7207	7207	7207	8212
BGN	7212	7212	7207	7207	7207	8212
Foreign currencies	0	0	0	0	0	0
Other	21	19	22	11	23	435
BGN	12	11	19	9	17	429
Foreign currencies	9	8	3	2	6	6
FIXED ASSETS	749336	756462	768658	781467	797198	884061
OTHER ASSETS	1161322	1226503	1211841	1214186	1278253	1207680
Claims on commercial banks	904885	989925	997808	1002173	1067503	1028531
Deposits	584599	645014	649512	644135	698475	625007
BGN	188959	207861	206568	189364	239245	203365
Foreign currencies	395640	437153	442944	454771	459230	421642
Credits	37821	45416	41008	39868	30391	57684
BGN	21113	29486	25069	23927	20828	38550
Foreign currencies	16708	15930	15939	15941	9563	19134
Securities other than shares	24069	22077	21251	20450	19714	20329
BGN	11274	10932	10531	10539	9983	10463
Foreign currencies	12795	11145	10720	9911	9731	9866
Shares and other equity	6601	6601	6599	5059	5071	5072
BGN	6601	6601	6599	5059	5071	5072
Foreign currencies	0	0	0	0	0	0
Other	251795	270817	279438	292661	313852	320439
BGN	17890	18541	21165	12298	35144	27703
Foreign currencies	233905	252276	258273	280363	278708	292736
Other unclassified assets	256437	236578	214033	212013	210750	179149
BGN	173291	164987	143868	149787	144521	125488
Foreign currencies	83146	71591	70165	62226	66229	53661
LIABILITIES	13753396	14070689	14334637	14393477	14814990	15411159
LEV DEPOSITS	3543429	3662194	3679661	3741056	3978346	4322704
Demand	1597362	1688639	1710281	1750637	1885476	2086479
Local government	105674	106345	96922	98161	106483	73858
Social security funds	8539	9390	9863	8978	7357	0
Nonfinancial public corporations	204271	212588	228194	237735	262449	302953
Nonfinancial private corporations	911016	975775	998459	1015382	1057016	1229752
Households	342969	356856	355745	367221	398811	441937

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	XII.2001	I.2002	II.2002	III.2002	IV.2002	V.2002	VI.2002
Nonbank financial institutions	23013	26710	22802	24703	26719	27235	24707
Time deposits	1278902	1339263	1345114	1319422	1393235	1339057	1387746
Local government	10900	12668	12849	12251	15067	16825	17051
Social security funds	0	2	6	11	57	0	0
Nonfinancial public corporations	103813	89134	66918	72910	123955	67881	122829
Nonfinancial private corporations	267461	280480	289052	248146	246984	248554	239777
Households	805055	848574	867778	875281	875195	872534	872153
Nonbank financial institutions	91673	108405	108511	110823	131977	133263	135936
Savings deposits of households	548540	558094	565013	567132	563551	560223	565603
FOREIGN CURRENCY DEPOSITS	4566078	4692734	4731849	4786391	4748028	4690852	4571097
Demand deposits	1026580	1065517	1086378	1054249	1112569	1132584	1110010
Local government	725	1117	1656	6421	5981	9784	5230
Social security funds	11032	1625	1190	1194	1010	925	946
Nonfinancial public corporations	197998	225967	214498	216738	258232	252283	236657
Nonfinancial private corporations	526397	536169	573814	534789	553695	578962	585366
Households	284578	287459	286406	286564	283894	280753	274159
Nonbank financial institutions	5850	13180	8814	8543	9757	9877	7652
Time deposits	2855177	2948597	2966806	3049769	2960109	2885165	2799997
Local government	4	5	4	15023	19781	6	6
Social security funds	0	9419	9411	9373	9412	9128	8895
Nonfinancial public corporations	111915	111587	117818	117498	119002	88678	88267
Nonfinancial private corporations	273214	279180	270600	286071	278985	275321	253012
Households	2406086	2487243	2509265	2563901	2485593	2468793	2411937
Nonbank financial institutions	63958	61163	59708	57903	47336	43239	37880
Savings deposits of households	684321	678620	678665	682373	675350	673103	661090
DEBT SECURITIES ISSUED	6341	6341	6341	6341	8155	13541	13594
Nonfinancial public corporations	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
Nonfinancial private corporations	196	196	0	0	1524	1533	1515
BGN	0	0	0	0	1524	1533	1515
Foreign currencies	196	196	0	0	0	0	0
Households	0	0	10	10	81	81	80
BGN	0	0	0	0	71	71	70
Foreign currencies	0	0	10	10	10	10	10
Nonbank financial institutions	6145	6145	6331	6331	6550	11927	11999
BGN	0	0	0	0	101	5436	5468
Foreign currencies	6145	6145	6331	6331	6449	6491	6531
CREDITS	54551	43948	44286	51955	26016	17794	26784
Nonfinancial public corporations	8175	5138	5138	3866	12359	9561	9568
BGN	8175	5138	5138	3118	12359	9561	9568
Foreign currencies	0	0	0	748	0	0	0
Nonfinancial private corporations	45350	37769	39069	47999	13648	8224	17209
BGN	18438	18865	24825	37437	9059	5838	14921
Foreign currencies	26912	18904	14244	10562	4589	2386	2288
Households	32	32	32	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	32	32	32	0	0	0	0
Nonbank financial institutions	994	1009	47	90	9	9	7
BGN	538	487	11	12	9	9	7
Foreign currencies	456	522	36	78	0	0	0
RESTRICTED DEPOSITS	358041	336857	319631	314631	382005	373564	346864
Central government (suspense accounts)	86556	86279	88379	89615	93544	91468	93091
BGN	67668	67079	69002	70595	75190	73658	75217
Foreign currencies	18888	19200	19377	19020	18354	17810	17874
Local government	15026	17920	17608	17756	19411	19771	19966
BGN	14417	17305	16998	17063	18703	19152	19158
Foreign currencies	609	615	610	693	708	619	808
Social security funds	0	55	113	287	5755	1	9
BGN	0	55	113	287	5755	1	9
Foreign currencies	0	0	0	0	0	0	0
Nonfinancial public corporations	77977	77019	72304	70992	117555	119472	105167
BGN	24119	25826	25349	24386	75315	78185	65942

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	VII.2002	VIII.2002	IX.2002	X.2002	XI.2002	XII.2002
Nonbank financial institutions	24893	27685	21098	23160	53360	37979
Time deposits	1376420	1390219	1376724	1387368	1484293	1589825
Local government	21283	21220	21577	21240	22571	14724
Social security funds	0	0	0	0	0	0
Nonfinancial public corporations	84344	89125	91293	99366	135975	174822
Nonfinancial private corporations	276086	278768	256370	252672	298745	326155
Households	877175	884106	889301	905845	922082	947649
Nonbank financial institutions	117532	117000	118183	108245	104920	126475
Savings deposits of households	569647	583336	592656	603051	608577	646400
FOREIGN CURRENCY DEPOSITS	4763820	4851307	4863071	4865463	4951149	4937691
Demand deposits	1103329	1131266	1146420	1121251	1117672	1111659
Local government	4610	4853	5442	6469	6437	5885
Social security funds	1069	955	2289	756	586	10666
Nonfinancial public corporations	206036	246366	225918	205373	202105	193094
Nonfinancial private corporations	594018	580189	610511	605291	599382	596332
Households	287084	290313	291161	294506	298674	293817
Nonbank financial institutions	10512	8590	11099	8856	10488	11865
Time deposits	2971563	3019311	3004441	3020932	3102553	3095258
Local government	6	6	6	6	6	5
Social security funds	9088	8723	8726	10243	10230	0
Nonfinancial public corporations	77337	82280	95893	86292	130039	123716
Nonfinancial private corporations	332528	346520	295255	277123	284273	311279
Households	2510590	2543523	2564163	2602712	2635903	2614129
Nonbank financial institutions	42014	38259	40398	44556	42102	46129
Savings deposits of households	688928	700730	712210	723280	730924	730774
DEBT SECURITIES ISSUED	13682	12540	17373	17481	17381	19345
Nonfinancial public corporations	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Nonfinancial private corporations	1524	1534	1860	1871	1882	2394
BGN	1524	1534	1508	1517	1526	1508
Foreign currencies	0	0	352	354	356	886
Households	81	81	584	588	591	594
BGN	71	71	70	71	71	70
Foreign currencies	10	10	514	517	520	524
Nonbank financial institutions	12077	10925	14929	15022	14908	16357
BGN	5504	5538	5571	5606	5435	6868
Foreign currencies	6573	5387	9358	9416	9473	9489
CREDITS	17189	14509	12471	19156	25959	16143
Nonfinancial public corporations	8620	8620	8620	6477	8638	10084
BGN	8620	8620	8620	6477	8638	10084
Foreign currencies	0	0	0	0	0	0
Nonfinancial private corporations	8562	5883	3822	12639	17251	3989
BGN	6598	3718	2300	7317	351	213
Foreign currencies	1964	2165	1522	5322	16900	3776
Households	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Nonbank financial institutions	7	6	29	40	70	2070
BGN	7	5	4	3	18	2048
Foreign currencies	0	1	25	37	52	22
RESTRICTED DEPOSITS	348314	366827	391915	422603	395397	459034
Central government (suspense accounts)	96088	91285	95821	103568	105636	116128
BGN	78592	73978	78584	86298	88378	99367
Foreign currencies	17496	17307	17237	17270	17258	16761
Local government	20633	21556	21392	27452	30057	27722
BGN	19972	21042	20873	26957	29583	27282
Foreign currencies	661	514	519	495	474	440
Social security funds	4	0	2	2	2	0
BGN	4	0	2	2	2	0
Foreign currencies	0	0	0	0	0	0
Nonfinancial public corporations	98405	98331	98354	107126	78363	78759
BGN	62421	61731	62385	67854	41203	43608

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	XII.2001	I.2002	II.2002	III.2002	IV.2002	V.2002	VI.2002
Foreign currencies	53858	51193	46955	46606	42240	41287	39225
Nonfinancial private corporations	144736	119786	106326	100083	104104	112214	102131
BGN	62800	57657	47642	41310	38567	37932	38632
Foreign currencies	81936	62129	58684	58773	65537	74282	63499
Households	15207	15415	14436	14821	23823	17213	14180
BGN	6316	6515	5425	5399	14725	8442	5650
Foreign currencies	8891	8900	9011	9422	9098	8771	8530
Nonbank financial institutions	18539	20383	20465	21077	17813	13425	12320
BGN	14017	15538	15747	12982	6707	5775	5461
Foreign currencies	4522	4845	4718	8095	11106	7650	6859
FOREIGN LIABILITIES	986327	901787	870360	938458	963385	978832	990193
Deposits	435685	345585	307944	332934	390830	407542	418059
BGN	76379	73404	78719	77510	73108	74286	72100
Foreign currencies	359306	272181	229225	255424	317722	333256	345959
Credits	265398	265194	263739	269531	237736	220620	216124
BGN	2667	2667	2667	2667	2667	2667	2667
Foreign currencies	262731	262527	261072	266864	235069	217953	213457
Debt securities issued	0	0	0	10757	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	10757	0	0	0
Other	285244	291008	298677	325236	334819	350670	356010
BGN	212	81	86	98	105	113	114
Foreign currencies	285032	290927	298591	325138	334714	350557	355896
CENTRAL GOVERNMENT	271308	287012	284025	430398	385599	374919	367643
Deposits (excl. suspense accounts)	233321	260271	240667	387524	360237	348707	343775
BGN	40679	64492	65293	67692	64399	64328	57814
Foreign currencies	192642	195779	175374	319832	295838	284379	285961
Other liabilities	37987	26741	43358	42874	25362	26212	23868
BGN	32984	21711	38298	37794	20163	20968	19601
Foreign currencies	5003	5030	5060	5080	5199	5244	4267
LIABILITIES TO THE BNB	296	274	271	271	284	281	279
Deposits	266	264	264	264	284	281	279
BGN	256	255	255	255	255	255	255
Foreign currencies	10	9	9	9	29	26	24
Credits	30	10	7	7	0	0	0
BGN	0	3	0	0	0	0	0
Foreign currencies	30	7	7	7	0	0	0
Other	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
CAPITAL AND RESERVES	1637348	1642053	1656340	1666441	1656403	1668156	1688445
Equity capital	862483	862483	862483	868286	897286	934971	935471
Reserves	436544	436079	434831	434646	444902	452409	456995
Financial result	338321	343491	359026	363509	314215	280776	295979
OTHER LIABILITIES	1658334	1723202	1659141	1821980	1820955	1785773	1731493
Liabilities to commercial banks	748398	794648	730594	914960	848708	840608	807014
Deposits	483559	495505	468563	610076	518094	555679	494390
BGN	228617	205848	159722	206153	215609	230778	155451
Foreign currencies	254942	289657	308841	403923	302485	324901	338939
Credits	63330	64338	59636	70587	83635	69665	64648
BGN	60101	54316	56407	66013	76668	48589	42898
Foreign currencies	3229	10022	3229	4574	6967	21076	21750
Debt securities issued	9779	9779	9779	9779	20536	27211	38930
BGN	0	0	0	0	0	6675	18394
Foreign currencies	9779	9779	9779	9779	20536	20536	20536
Other	191730	225026	192616	224518	226443	188053	209046
BGN	119261	186315	157839	181608	176254	147249	164378
Foreign currencies	72469	38711	34777	42910	50189	40804	44668
Other unclassified liabilities	909936	928554	928547	907020	972247	945165	924479
BGN	872555	869817	871924	854598	920657	897864	879196
Foreign currencies	37381	58737	56623	52422	51590	47301	45283

(continued)

(continued)

(BGN'000)

	VII.2002	VIII.2002	IX.2002	X.2002	XI.2002	XII.2002
Foreign currencies	35984	36600	35969	39272	37160	35151
Nonfinancial private corporations	104757	127525	148717	154198	154924	206947
BGN	39487	58214	71443	71628	73066	110119
Foreign currencies	65270	69311	77274	82570	81858	96828
Households	14656	15319	15354	16992	15210	15615
BGN	5676	5685	5491	7186	5203	5935
Foreign currencies	8980	9634	9863	9806	10007	9680
Nonbank financial institutions	13771	12811	12275	13265	11205	13863
BGN	7317	7793	4623	6409	6180	9746
Foreign currencies	6454	5018	7652	6856	5025	4117
FOREIGN LIABILITIES	1067186	1085669	1164274	1151206	1201188	1419301
Deposits	451535	435577	500007	492234	474100	583266
BGN	73112	71559	73361	73319	74234	84756
Foreign currencies	378423	364018	426646	418915	399866	498510
Credits	226784	224597	230264	229863	254294	313988
BGN	2667	2667	0	0	0	0
Foreign currencies	224117	221930	230264	229863	254294	313988
Debt securities issued	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Other	388867	425495	434003	429109	472794	522047
BGN	122	130	42	43	47	18
Foreign currencies	388745	425365	433961	429066	472747	522029
CENTRAL GOVERNMENT	451438	441330	447823	462903	426923	355537
Deposits (excl. suspense accounts)	427353	418431	425446	441500	406158	308506
BGN	69298	74386	74034	64471	75001	62366
Foreign currencies	358055	344045	351412	377029	331157	246140
Other liabilities	24085	22899	22377	21403	20765	47031
BGN	19207	18524	18004	17012	16381	36804
Foreign currencies	4878	4375	4373	4391	4384	10227
LIABILITIES TO THE BNB	279	279	342	295	295	292
Deposits	279	279	296	295	295	292
BGN	255	255	255	255	255	255
Foreign currencies	24	24	41	40	40	37
Credits	0	0	46	0	0	0
BGN	0	0	46	0	0	0
Foreign currencies	0	0	0	0	0	0
Other	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
CAPITAL AND RESERVES	1707426	1752754	1783063	1820130	1847980	1919564
Equity capital	938309	946310	951576	951576	953309	934706
Reserves	460409	460382	477077	477159	477071	571992
Financial result	308708	346062	354410	391395	417600	412866
OTHER LIABILITIES	1840633	1883280	1974644	1893184	1970372	1961548
Liabilities to commercial banks	944681	982562	1054605	975855	1027497	1001552
Deposits	625785	664802	668019	661600	725330	659337
BGN	184834	203804	200618	183251	249639	220569
Foreign currencies	440951	460998	467401	478349	475691	438768
Credits	70523	85880	87080	82028	61332	90278
BGN	47821	58747	58090	57591	46188	60454
Foreign currencies	22702	27133	28990	24437	15144	29824
Debt securities issued	38930	39908	35116	35116	35116	38233
BGN	18394	18394	18394	18394	18394	21994
Foreign currencies	20536	21514	16722	16722	16722	16239
Other	209443	191972	264390	197111	205719	213704
BGN	159215	147599	226075	162925	160869	165118
Foreign currencies	50228	44373	38315	34186	44850	48586
Other unclassified liabilities	895952	900718	920039	917329	942875	959996
BGN	847045	842448	859822	859857	877008	890631
Foreign currencies	48907	58270	60217	57472	65867	69365

Source: commercial banks.

COMMERCIAL BANK CLAIMS BY SECTOR

(BGN'000)

Sectors	31 December 2002	
	Balance sheet exposure	Off-balance sheet exposure
Physical persons	192 153	16 137
Agriculture, hunting and forestry	139 987	54 337
Extracting industry	211 923	89 100
Processing industry	1 369 764	439 053
Electrical and thermal energy, gas and water	123 681	88 119
Construction	160 004	122 959
Trade and repair of household appliances	1 724 686	472 543
Hotelry and catering	271 000	64 068
Transport and communications	332 064	134 512
Financial mediation	1 086 834	775 080
Real estate transactions	119 755	9 454
Government administration and defense	39 519	17 198
Education	1 326	60
Healthcare and social activities	32 326	19 186
Other public services	1 435 394	247 647
Exterritorial organizations and institutions	59 698	14 887
TOTAL	7 300 112	2 564 342

Source: BNB.

COMMERCIAL BANK CLAIMS BY CURRENCY

(BGN'000)

Currency	31 December 2002	
	Balance sheet exposure	Off-balance sheet exposure
Bulgarian lev	3 540 514	883 094
Euro	2 394 382	1 217 965
US dollar	1 347 185	451 894
Swiss franc	4 963	8 371
British pound	13 069	2 990
Other	0	28
TOTAL	7 300 112	2 564 342

Source: BNB.

CLAIMS EXCEEDING BGN 10,000 BY CREDIT AGREEMENT TERM

(BGN'000)

Term	31 December 2002	
	Balance sheet exposure	Off-balance sheet exposure
Up to one year	2 542 648	898 921
From one to three years	1 709 276	554 405
Over three years	1 939 980	1 082 894
TOTAL	6 191 904	2 536 220

Source: BNB.

INTEREST RATES AND GOVERNMENT SECURITIES YIELD IN 2002
(annual effective)

Indicators	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
BASE INTEREST RATE												
(end period)	4.87	4.62	4.50	3.98	3.98	3.76	3.72	3.85	3.81	3.76	3.76	3.35
SHORT-TERM INTEREST RATES												
(average-weighted)												
Interest rates on deposits extended												
in the interbank market	0.99	1.52	1.22	1.69	1.69	7.03	4.47	3.13	2.94	3.15	1.00	0.33
up to one day	0.81	1.46	1.10	1.58	1.59	7.30	4.65	2.97	2.71	3.23	0.73	0.29
from one to three days	1.00	1.47	1.16	1.85	1.94	6.00	3.31	2.99	4.28	2.39	1.08	0.26
from three days to one week	2.01	2.45	1.89	1.99	1.83	7.32	5.21	4.39	2.19	3.95	2.61	0.97
from one week to one month	3.32	3.35	3.19	3.19	2.88	4.11	5.22	4.89	4.46	4.08	3.96	1.22
over one month	4.71	5.23	4.68	3.40	4.55	5.69	5.48	5.94	4.69	4.16	4.92	2.20
Interest rates on time deposits												
BGN	2.74	2.88	2.35	3.08	2.95	3.25	3.52	3.04	3.00	3.20	3.09	3.20
EUR*	2.20	2.24	2.22	2.22	2.13	2.14	2.19	2.40	2.10	2.19	2.21	2.21
USD	1.73	1.64	1.70	1.59	1.57	1.72	1.63	1.71	1.65	1.63	1.51	1.57
Interest rates on demand deposits												
BGN	0.35	0.35	0.31	0.42	0.38	0.39	0.31	0.42	0.38	0.31	0.35	0.40
EUR*	0.47	0.44	0.39	0.50	0.50	0.44	0.47	0.70	0.61	0.48	0.53	0.55
USD	0.84	0.77	0.65	0.62	0.71	0.66	0.69	0.63	0.58	0.60	0.58	0.69
Interest rates on credits												
BGN	10.07	9.8	9.67	10.12	9.58	9.65	10.28	9.94	10.10	8.68	9.00	10.22
EUR*	9.47	11.7	10.77	9.90	9.70	8.51	6.25	9.47	12.59	10.62	9.44	9.41
USD	9.47	11.7	12.66	7.40	5.98	9.73	9.33	9.51	11.10	9.62	5.26	6.57
Yield on government securities issues	4.87	4.62	4.84	4.06	-	4.70	3.72	3.85	4.77	3.76	3.76	4.28
LONG-TERM INTEREST RATES												
(average-weighted)												
Interest rates on credits												
BGN	15.73	15.65	14.04	14.33	13.87	14.59	14.48	13.24	14.52	13.96	14.19	14.19
EUR*	11.72	11.53	12.63	11.64	10.70	10.64	12.79	12.08	8.32	10.40	10.16	10.19
USD	14.38	12.79	13.23	12.58	14.74	11.04	10.86	10.26	8.49	13.75	10.46	8.73
Yield on government securities issues	7.32	6.85	6.43	7.51	6.81	7.12	7.12	7.28	6.32	6.83	6.39	5.71

* The EUR item includes the euro and currencies included in the euro.

Source: BNB.

NOMINAL INTEREST RATES ON SHORT-TERM LEV CREDITS IN 2002

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
January	0.80											
February	1.59	0.78										
March	2.37	1.56	0.77									
April	3.20	2.38	1.59	0.81								
May	3.99	3.17	2.37	1.59	0.77							
June	4.79	3.96	3.16	2.37	1.55	0.77						
July	5.65	4.81	4.00	3.21	2.38	1.60	0.82					
August	6.49	5.64	4.83	4.03	3.19	2.40	1.62	0.79				
September	7.35	6.50	5.68	4.87	4.03	3.23	2.44	1.61	0.81			
October	8.10	7.25	6.42	5.60	4.75	3.95	3.16	2.32	1.52	0.70		
November	8.88	8.02	7.18	6.36	5.51	4.70	3.90	3.06	2.25	1.43	0.72	
December	9.76	8.89	8.05	7.22	6.36	5.55	4.74	3.89	3.07	2.25	1.54	0.81

Source: BNB.

REAL INTEREST RATES ON SHORT-TERM LEV CREDITS IN 2002*

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
January	-1.84											
February	-2.66	-0.84										
March	-2.67	-0.85	-0.01									
April	-1.77	0.07	0.91	0.92								
May	1.07	2.97	3.84	3.85	2.90							
June	3.60	5.55	6.44	6.45	5.47	2.50						
July	4.34	6.29	7.19	7.20	6.22	3.23	0.71					
August	5.86	7.85	8.76	8.77	7.78	4.74	2.18	1.46				
September	5.88	7.87	8.78	8.79	7.80	4.76	2.20	1.48	0.02			
October	5.58	7.56	8.47	8.48	7.49	4.46	1.91	1.19	-0.27	-0.29		
November	6.17	8.16	9.07	9.08	8.09	5.04	2.48	1.76	0.29	0.27	0.56	
December	5.72	7.70	8.61	8.62	7.63	4.60	2.04	1.32	-0.14	-0.16	0.13	-0.42

* Real interest rates are based on average monthly interest rates deflated by monthly inflation.

Source: BNB.

NOMINAL INTEREST RATES ON ONE-MONTH LEV DEPOSITS IN 2002

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
January	0.21											
February	0.41	0.20										
March	0.58	0.37	0.17									
April	0.81	0.60	0.40	0.23								
May	1.03	0.82	0.62	0.45	0.22							
June	1.30	1.08	0.88	0.71	0.48	0.26						
July	1.57	1.36	1.16	0.98	0.75	0.53	0.27					
August	1.80	1.59	1.39	1.22	0.98	0.76	0.50	0.23				
September	2.04	1.82	1.62	1.45	1.22	0.99	0.73	0.46	0.23			
October	2.29	2.08	1.88	1.70	1.47	1.25	0.98	0.71	0.48	0.25		
November	2.53	2.31	2.11	1.94	1.70	1.48	1.22	0.94	0.71	0.48	0.23	
December	2.76	2.55	2.34	2.17	1.94	1.71	1.45	1.18	0.94	0.71	0.46	0.23

Source: BNB.

REAL INTEREST RATES ON ONE-MONTH LEV DEPOSITS IN 2002*

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
January	-2.42											
February	-3.79	-1.41										
March	-4.37	-2.00	-0.61									
April	-4.04	-1.67	-0.27	0.34								
May	-1.80	0.63	2.07	2.69	2.34							
June	0.15	2.63	4.09	4.72	4.37	1.98						
July	0.31	2.79	4.26	4.89	4.54	2.15	0.16					
August	1.21	3.71	5.19	5.83	5.47	3.06	1.06	0.90				
September	0.64	3.13	4.61	5.24	4.89	2.49	0.50	0.34	-0.56			
October	-0.09	2.38	3.84	4.47	4.12	1.74	-0.24	-0.40	-1.28	-0.73		
November	-0.02	2.45	3.91	4.54	4.19	1.81	-0.17	-0.33	-1.22	-0.66	0.07	
December	-1.02	1.43	2.88	3.50	3.15	0.79	-1.17	-1.32	-2.20	-1.65	-0.93	-1.00

* Real interest rates are based on average monthly interest rates deflated by monthly inflation.

Source: BNB.

DENOMINATION COMPOSITION IN NOTES AND COINS

(BGN'000)

Denominations	31 December 2001	31 December 2002
Notes, total	3 228 171	3 579 526
Notes – new denominations, total	3 212 944	3 565 091
50 levs	1 764 983	1 940 016
20 levs	819 038	938 719
10 levs	460 167	503 574
5 levs	87 831	109 022
2 levs	45 918	49 442
1 lev	35 007	24 318
Notes – old denominations, total	15 227	14 435
50000 levs = 50 new levs	3 678	3 240
10000 levs = 10 new levs	3 059	2 878
5000 levs = 5 new levs	1 849	1 765
2000 levs = 2 new levs	1 696	1 685
1000 levs = 1 new lev	1 454	1 419
500 levs = 0.50 new levs	1 377	1 350
200 levs = 0.20 new levs	1 169	1 158
100 levs = 0.10 new levs	945	940
Coins, total	34 710	48 402
Coins – new denominations, total	29 963	43 462
1 lev		8 155
50 stotinkas	10 434	12 333
20 stotinkas	8 448	9 987
10 stotinkas	6 371	7 365
5 stotinkas	2 483	2 874
2 stotinkas	1 390	1 700
1 stotinka	837	1 048
Coins – old denominations, total	3 701	3 699
50 levs = 0.05 new levs	1 430	1 429
20 levs = 0.02 new levs	934	933
10 levs = 0.01 new levs	841	841
5 levs = 0.005 new levs	253	253
2 levs = 0.002 new levs	125	125
1 lev = 0.001 new levs	109	109
0.50 levs = 0.0005 new levs	5	5
0.20 levs = 0.0002 new levs	2	2
0.10 levs = 0.0001 new levs	2	2
Commemorative	1 046	1 241
Notes and coins, total	3 262 881	3 627 928

Source: BNB.

BANKING SYSTEM BALANCE SHEET
(annual closing of accounts, 2002)

(BGN'000)

	Total	Including	
		BGN	Foreign currency
ASSETS			
VAULT CASH AND CURRENT ACCOUNTS WITH THE BNB	1 263 889	857 210	406 679
Claims on banks and other financial institutions	3 536 294	277 784	3 258 510
Securities in trading portfolio	1 726 839	867 416	859 423
Securities in investment portfolio	1 107 302	393 004	714 298
Credits to the budget	8 828	8 828	0
Credits to public enterprises	204 772	149 302	55 470
Credits to private enterprises	4 604 684	2 077 756	2 526 928
Credits to individuals and households	1 205 153	1 145 843	59 310
Credits to nonfinancial institutions and other customers	6 023 437	3 381 729	2 641 708
EARNING ASSETS	12 393 872	4 919 933	7 473 939
Assets for resale	13 186	13 186	0
Claims on interest and other assets	287 139	136 713	150 426
Fixed assets	678 854	678 854	0
ASSETS, TOTAL	14 636 940	6 605 896	8 031 044
Including assets in pawn	752 469	507 222	245 247
LIABILITIES AND CAPITAL			
Deposits by banks	990 756	253 137	737 619
Deposits by other financial institutions	240 333	173 053	67 280
Deposits by nonfinancial institutions and other customers	10 045 386	4 539 360	5 506 026
DEPOSITS, TOTAL	11 276 475	4 965 550	6 310 925
Short-term attracted resources	227 786	82 595	145 191
Interest payments and other liabilities	755 882	391 724	364 158
Long-term attracted resources	387 326	53 242	334 084
Subordinated term debt	1 075	0	1 075
LIABILITIES, TOTAL	12 648 544	5 493 111	7 155 433
Capital	1 352 234	1 352 234	0
Reserves	636 162	636 162	0
CAPITAL AND RESERVES	1 988 396	1 988 396	0
LIABILITIES AND OWN FUNDS, TOTAL	14 636 940	7 481 507	7 155 433
Credit substitutes	1 629 634	667 376	962 258
Derivatives	390 036	153 964	236 072
OFF-BALANCE SHEET LIABILITIES	2 019 670	821 340	1 198 330

Source: BNB.

BANKING SYSTEM CONSOLIDATED INCOME STATEMENT
(annual closing of accounts, 2002)

(BGN'000)

	Total	Including	
		BGN	Foreign currency
Interest revenue from claims on banks and other financial institutions	103 043	12 104	90 939
Interest revenue on credits to nonfinancial institutions and other customers	581 683	383 649	198 034
Revenue from investment portfolio securities	54 823	24 517	30 306
INTEREST REVENUE	739 549	420 270	319 279
Interest expenditure on deposits of banks and other financial institutions	40 528	16 988	23 540
Interest expenditure on deposits of nonfinancial institutions and other customers	155 962	70 359	85 603
Interest expenditure on attracted resources	21 542	2 955	18 587
INTEREST EXPENDITURE	218 032	90 302	127 730
NET INTEREST INCOME	521 517	329 968	191 549
Profit/loss from trade and revaluation	188 821		
(net of provisions on losses from credits)	12 460		
NET INTEREST INCOME AND NET INCOME FROM TRADE AND REVALUATION	697 878		
Other noninterest revenue	237 822		
Operating result prior to operating expenditure	935 700		
Operating expenditure	601 643		
PRE-TAX OPERATING PROFIT/LOSS AND EXTRA OPERATIONS	334 057		
Profit/loss from revaluation and extra revenue/expenditure	11 356		
Pre-tax profit/loss	345 413		
Post-tax profit/loss, net	261 561		
CURRENT PROFIT/LOSS	261 561		

Source: BNB.

BALANCE SHEET OF COMMERCIAL BANKS BY GROUP AS OF DECEMBER 2002
(annual closing of accounts, 2002)

(BGN'000)

	Group I	Group II	Group III	Group IV	Group V	Total
ASSETS						
VAULT CASH AND CURRENT ACCOUNTS WITH THE BNB	476 204	358 955	298 939	70 302	59 475	1 263 889
Claims on banks and other financial institutions	1 719 505	951 572	464 767	211 246	186 868	3 536 294
Securities in trading portfolio	664 033	481 303	410 587	129 630	31 801	1 726 839
Securities in investment portfolio	944 802	117 228	10 626	15 819	27 112	1 107 302
Credits to the budget	3 052	817	4 959	0	0	8 828
Credits to public enterprises	52 842	77 327	30 975	10 761	32 348	204 772
Credits to private enterprises	1 122 686	1 950 783	582 222	411 414	535 397	4 604 684
Credits to individuals and households	912 896	220 108	49 196	17 950	5 008	1 205 153
Credits to nonfinancial institutions and other customers	2 091 476	2 249 035	667 352	440 125	572 753	6 023 437
EARNING ASSETS	5 419 816	3 799 138	1 553 332	796 820	818 534	12 393 872
Assets for resale	1 220	2 707	4 955	4 491	0	13 186
Claims on interest and other assets	81 976	134 078	49 843	17 446	8 591	287 139
Fixed assets	376 853	154 549	85 444	41 703	10 904	678 854
ASSETS, TOTAL	6 356 069	4 449 427	1 992 513	930 762	897 504	14 636 940
Including assets in pawn	336 787	128 568	236 508	36 788	0	752 469
LIABILITIES AND CAPITAL						
Deposits by banks	54 846	327 953	194 284	120 617	289 562	990 756
Deposits by other financial institutions	28 313	31 589	142 372	22 144	15 915	240 333
Deposits by nonfinancial institutions and other customers	4 943 786	3 038 504	1 176 146	411 938	474 483	10 045 386
DEPOSITS, TOTAL	5 026 945	3 398 046	1 512 802	554 699	779 960	11 276 475
Short-term attracted resources	19 797	128 655	32 051	33 447	13 836	227 786
Interest payments and other liabilities	278 777	258 398	104 006	60 544	66 518	755 882
Long-term attracted resources	11 719	163 379	134 541	58 260	4 469	387 326
Subordinated term debt	0	0	0	1 075	0	1 075
LIABILITIES, TOTAL	5 337 238	3 948 478	1 783 400	708 025	864 783	12 648 544
Capital	643 646	314 493	163 546	199 270	31 878	1 352 234
Reserves	375 185	186 456	45 567	23 467	843	636 162
CAPITAL AND RESERVES	1 018 831	500 949	209 113	222 737	32 721	1 988 396
LIABILITIES AND OWN FUNDS, TOTAL	6 356 069	4 449 427	1 992 513	930 762	897 504	14 636 940
Credit substitutes	261 987	699 784	173 725	146 866	335 631	1 629 634
Derivatives	56 143	211 858	16 715	19 833	89 398	390 036
OFF-BALANCE SHEET LIABILITIES	318 130	911 642	190 440	166 699	425 029	2 019 670

Source: BNB.

CONSOLIDATED INCOME STATEMENT OF COMMERCIAL BANKS BY GROUP
(annual closing of accounts, 2002)

(BGN'000)

	Group I	Group II	Group III	Group IV	Group V	Total
Interest revenue from claims on banks and other financial institutions	49 775	26 556	16 171	5 240	5 283	103 043
Interest revenue on credits to nonfinancial institutions and other customers	224 949	201 329	84 480	41 045	33 702	581 683
Revenue from investment portfolio securities	43 080	5 964	2 428	2 130	1 221	54 823
INTEREST REVENUE	317 804	233 849	103 079	48 415	40 206	739 549
Interest expenditure on deposits of banks and other financial institutions	4 848	10 147	14 171	2 727	7 827	40 528
Interest expenditure on deposits of nonfinancial institutions and other customers	66 996	41 592	27 577	11 587	8 209	155 962
Interest expenditure on attracted resources	200	7 779	10 548	2 461	1 051	21 542
INTEREST EXPENDITURE	72 044	59 518	52 296	16 775	17 087	218 032
NET INTEREST INCOME	245 760	174 331	50 783	31 640	23 119	521 517
Profit/loss from trade and revaluation	73 609	57 851	39 227	14 515	2 801	188 821
(net of provisions on losses from credits)	-15 640	9 010	8 737	9 078	-1 402	12 460
NET INTEREST INCOME AND NET INCOME FROM TRADE AND REVALUATION	335 009	223 172	81 273	37 077	27 322	697 878
Other noninterest revenue	96 009	69 681	35 339	18 711	7 873	237 822
Operating result prior to operating expenditure	431 018	292 853	116 612	55 788	35 195	935 700
Operating expenditure	213 091	206 779	93 280	52 957	31 275	601 643
PRE-TAX OPERATING PROFIT/LOSS AND EXTRA OPERATIONS	217 927	86 074	23 332	2 831	3 920	334 057
Profit/loss from revaluation and extra revenue/expenditure	6 915	1 819	2 654	-1 343	1 580	11 356
Pre-tax profit/loss	224 842	87 893	25 986	1 488	5 500	345 413
Post-tax profit/loss, net	172 090	65 858	20 372	-714	4 549	261 561
CURRENT PROFIT/LOSS	172 090	65 858	20 372	-714	4 549	261 561

Source: BNB.

CAPITAL ADEQUACY OF COMMERCIAL BANKS AS OF 31 DECEMBER 2002
(under Regulation No. 8 of the BNB)

Bank groups	Capital base (BGN'000)	Primary capital (BGN'000)	Total risk component (BGN'000)	Total capital adequacy (%)	Primary capital adequacy (%)	Degree of asset coverage (1000/5000), %
Group I	798 352	483 874	2 780 714	28.71	17.40	12.62
Group II	497 371	323 096	2 575 660	19.31	12.54	11.14
Group III	218 535	165 191	945 344	23.12	17.47	10.94
Group IV	219 987	202 380	590 056	37.28	34.30	23.52
Banking system, total*	1 734 245	1 174 541	6 891 774	25.16	17.04	12.64

* Excluding Group V banks.

Source: BNB.

HIGH-LIQUIDITY ASSET RATIOS AS OF 31 DECEMBER 2002
(percentage share of deposits)

Commercial bank groups	Ratio	%
Group I	Primary liquidity	9.47
	Secondary liquidity	26.35
Group II	Primary liquidity	10.55
	Secondary liquidity	27.81
Group III	Primary liquidity	19.76
	Secondary liquidity	37.34
Group IV	Primary liquidity	12.67
	Secondary liquidity	45.09
Group V	Primary liquidity	7.63
	Secondary liquidity	21.25
Banking system, total	Primary liquidity	11.21
	Secondary liquidity	29.02

Source: BNB.

OPEN FOREIGN CURRENCY POSITIONS OF COMMERCIAL BANKS AS OF 31 DECEMBER 2002
(under Regulation No. 4 of the BNB)

Bank groups	Open positions to capital base (%)
Group I	-4.16
Group II	-3.51
Group III	-4.90
Group IV	-0.82
Banking system, total*	-3.75

* Excluding Group V banks.

Source: BNB.

**CLASSIFICATION OF RISK EXPOSURES IN THE BANKING SYSTEM BY BANK GROUP
AS OF 31 DECEMBER 2002**

(BGN'000)

	Claims on banks and other financial institutions	Claims on nonfinancial institutions and other customers	Other classified balance sheet exposures	CARRYING VALUE, TOTAL	%
Standard exposures	3578089	5758616	77267	9413972	93.51
Watch exposures	962	289820	181	290963	2.89
Substandard exposures	0	98694	0	98694	0.98
Doubtful exposures	0	53433	0	53433	0.53
Loss	1021	183663	25693	210377	2.09
Total for the system	3580072	6384226	103141	10067439	100.00
Standard exposures	1753480	2104461	10758	3868699	97.66
Watch exposures	0	30983	0	30983	0.78
Substandard exposures	0	5349	0	5349	0.14
Doubtful exposures	0	12639	0	12639	0.32
Loss	246	40493	3169	43908	1.11
Group I, total	1753726	2193925	13927	3961578	100.00
Standard exposures	961585	2130454	35898	3127937	91.94
Watch exposures	0	122177	181	122358	3.60
Substandard exposures	0	30223	0	30223	0.89
Doubtful exposures	0	21379	0	21379	0.63
Loss	383	92537	7195	100115	2.94
Group II, total	961968	2396770	43274	3402012	100.00
Standard exposures	465148	587614	21789	1074551	88.08
Watch exposures	0	43422	0	43422	3.56
Substandard exposures	0	47327	0	47327	3.88
Doubtful exposures	0	14552	0	14552	1.19
Loss	343	28657	11078	40078	3.29
Group III, total	465491	721572	32867	1219930	100.00
Standard exposures	210978	410308	7460	628746	89.71
Watch exposures	962	26773	0	27735	3.96
Substandard exposures	0	13810	0	13810	1.97
Doubtful exposures	0	4863	0	4863	0.69
Loss	49	21691	3977	25717	3.67
Group IV, total	211989	477445	11437	700871	100.00
Standard exposures	186898	525779	1362	714039	91.19
Watch exposures	0	66465	0	66465	8.49
Substandard exposures	0	1985	0	1985	0.25
Doubtful exposures	0	0	0	0	0.00
Loss	0	285	274	559	0.07
Group V, total	186898	594514	1636	783048	100.00

Source: BNB.

Major Resolutions of the BNB Managing Board

2002

27 June

Amendments to BNB Regulation No. 21 on the minimum required reserves maintained with the Bulgarian National Bank by banks were adopted, effective as of 1 July 2002.

27 June

Regulation No. 3 on noncash payments and the national payment system was adopted as of 30 September 2002.

The following bank unified standards were repealed:

BUS 1092: Printing of payment document forms;

BUS 2090: Drawing up of payment documents;

BUS 3095: Structure of the codes identifying banks and banks' branches;

BUS 4092: Structure of the bank account number;

BUS 9098: Electronic access and data exchange through BISERA;

BUS 5194: Payment through direct transfer (virement);

BUS 5392: Payment through immediate cash collection;

The following instructions obligatory for all participants in the national payment system were adopted as of 30 September 2002:

Instruction No. 03-1002: Printing of payment document forms;

Instruction No. 03-2002: Drawing up of payment documents;

Instruction No. 03-3002: Structure of codes identifying banks and banks' branches in the national payment system;

Instruction No. 03-4002: Structure of bank account number; Operating rules for BISERA;

Instruction No. 03-5102: Payment through direct transfer (virement);

Instruction No. 03-5302: Payment through immediate cash collection;

Rules and Procedures of the Real-time Interbank Gross-settlement System (RINGS).

2002

4 July

Amendments to Regulation No. 16 on the payments initiated by bank cards were adopted as of 30 September 2002.

The following bank unified standards were repealed:

BUS 10094: Numbering, design, physical and technical specifications of bank cards;

BUS 11094: Interbank and intrabank payments by bank cards through BORICA.

The following instructions obligatory for all participants in the national payment system were adopted as of 30 September 2002:

Instruction No. 16-10002 of the BNB: Numbering, design, physical and technical specifications of bank cards;

Instruction No. 16-11002 of the BNB: Operating procedures for the settlement of the payments initiated by bank cards.

18 July

As of 2 September 2002 the Bulgarian National Bank put into circulation a coin with a nominal value of BGN 1, issue 2002.

As of 2 September 2002 the Bulgarian National Bank put into circulation a commemorative coin 'Golden Bulgarian Lev' with a nominal value of BGN 1, issue 2002.

Amendments to BNB Regulation No. 8 on the capital adequacy of banks were adopted.

Amendments to BNB Regulation No. 2 on the licenses and permits granted by the Bulgarian National Bank were adopted.

19 September

As of 7 October 2002 the Bulgarian National Bank put into circulation a set of ten gold coins commemorating modern Olympic Games.

As of 19 October 2002 (the Day of St. Ivan Rilski) the Bulgarian National Bank put into circulation a set of circulating coins of 1, 2, 5, 10, 20 and 50 stotinkas and 1 lev nominal value, quality – proof, issue 2002.

21 November

BNB Regulation No. 20 on the issuance of certificates under Article 9, para. 2 of the Law on Banks was adopted.

Amendments to BNB Regulation No. 7 on the big exposures of banks were adopted.

As of 6 December 2002 the Bulgarian National Bank put into circulation a commemorative coin 'Sourvakari' with a nominal value of BGN 5, issue 2002.

2002

4 December

BNB Regulation No. 5 on the terms and procedure for acquisition, redemption and trade in government securities was adopted.

BNB Regulation No. 15 on the control over transactions in book-entry government securities was adopted.

19 December

BNB Regulation No. 14 on cross-border transfers was adopted.

BNB Regulation No. 9 on the evaluation and classification of risk exposures of banks and the allocation of provisions for impairment loss was adopted.

BNB Regulation No. 9 on the evaluation of risk exposures of banks and the allocation of provisions to cover the risk related thereto was repealed.

Abbreviations

AD	Joint Stock Company	EU	European Union
BCC	Bank Consolidation Company	FLIRBs	Front-loaded Interest Reduction Bonds
BDC	Bulgarian Depository Certificate	FOB	Free on Board
BGL (Lev)	National Currency of the Republic of Bulgaria prior to Redenomination	FRS	Federal Reserve System
BGN	National Currency of the Republic of Bulgaria after the Redenomination	FSAP	Financial Sector Assessment Program
BIR	Base interest rate	GDDS	General Data Dissemination System
BIS	Bank for International Settlements, Basle, Switzerland	GDP	Gross Domestic Product
BISERA	Banking Integrated System for Electronic Transfer	GFD	Gross Foreign Debt
BNB	Bulgarian National Bank	IFO	Institute of Economic Research, Germany
BORICA	Banking Organization for Payments Initiated by Cards	IFI	International Financial Institutions
BSE	Bulgarian Stock Exchange	ILO	International Labor Organization
BTK	Bulgarian Telecommunication Company	IMF	International Monetary Fund
BUS	Banking Unified Standard	LBNB	Law on the Bulgarian National Bank
CB	Commercial Banks	LSPDACB	Law on State Protection of Deposits and Accounts with Commercial Banks
CEFTA	Central European Free Trade Association	MF	Ministry of Finance
CIF	Cost, Insurance, Freight	NFI	Nonfinancial Institutions
CM	Council of Ministers	NLO	National Labor Office
CMD	Council of Ministers Decree	NSI	National Statistical Institute
EBRD	European Bank for Reconstruction and Development	OECD	Organization for Economic Cooperation and Development
EC	European Commission	OPEC	Organization of Petroleum Exporting Countries
ECB	European Central Bank	SBL	State Budget Law
ECOFIN	Economic and Financial Council	SDR	Special Drawing Rights
EFTA	European Free Trade Association	TFP	Transitional and Final Provisions
EMU	Economic and Monetary Union	VAT	Value Added Tax
EOD	Sole Proprietor Limited Liability Company	WB	World Bank (International Bank for Reconstruction and Development)
ERM II	Exchange Rate Mechanism II	ZUNK	Bulgarian Abbreviation of the Law on Settlement of Nonperforming Credits Negotiated prior to 31 December 1990 (LSNC)
ESCB	European System of Central Banks		