



**Bulgarian National Bank**

# **ANNUAL REPORT • 2004**



**BANQUE NATIONALE DE BULGARIE**







**Bulgarian National Bank**

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**ANNUAL REPORT • 2004**

## Abbreviations

ATM	Automated Tellers Machine
BCC	Bank Consolidation Company
BEA	Bureau of Economic Analysis
BIR	Base interest rate
BIS	Bank for International Settlements, Basle, Switzerland
BISERA	Banking Integrated System for Electronic Transfer
BLS	Bureau of Labour Statistics
BNB	Bulgarian National Bank
BORICA	Banking Organization for Payments Initiated by Cards
BSE	Bulgarian Stock Exchange
CB	Commercial Banks
CEFTA	Central European Free Trade Association
CIF	Cost, Insurance, Freight
CM	Council of Ministers
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
ECOFIN	Economic and Financial Council
EFTA	European Free Trade Association
EMU	Economic and Monetary Union
ESCB	European System of Central Banks
EU	European Union
FLIRBs	Front-loaded Interest Reduction Bonds
FOB	Free on Board
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
HISP	Harmonized index of consumer prices
IFO	Institute of Economic Research, Germany
IFI	International Financial Institutions
ILO	International Labour Organization
IMF	International Monetary Fund
LBNB	Law on the Bulgarian National Bank
MF	Ministry of Finance
NLO	National Labour Office
NSI	National Statistical Institute
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
RINGS	Real-time Inter-bank Gross-settlement System
SBL	State Budget Law
SDR	Special Drawing Rights
TFP	Transitional and Final Provisions
VAT	Value Added Tax
WB	World Bank (International Bank for Reconstruction and Development)
ZUNK	Bulgarian abbreviation of the Law on Settlement of Nonperforming Credits Negotiated prior to 31 December 1990 (LSNC)

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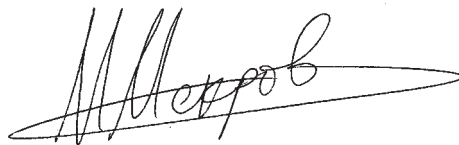
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Website: [www.bnb.bg](http://www.bnb.bg)

The cover shows an engraving of the BNB building  
from the 1938 banknote with a nominal value of 5000 leva.

Honourable Chairman of the National Assembly,  
Honourable People's Representatives,

*Under the provisions of Article 1, paragraph 2 and Article 51 of the Law  
on the Bulgarian National Bank, I have the honour of presenting the Bank's  
2004 Annual Report.*

A handwritten signature in black ink, appearing to read 'Ivan Iskrov', with a long horizontal flourish extending to the right.

**Ivan Iskrov**  
Governor  
of the Bulgarian National Bank

Sitting from left to right: Tsvetan Manchev, Ivan Iskov, Emiliya Milanova, Bojidar Kabaktchiev  
Standing from left to right: Statty Stattev, Garabed Minassian, Nikolay Nenovsky



BNB Governing Council

## **Governing Council**

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**Ivan Iskrov**

Governor

**Tsvetan Manchev**

Deputy Governor

Issue Department

**Emiliya Milanova**

Deputy Governor

Banking Supervision Department

**Bojidar Kabaktchiev**

Deputy Governor

Banking Department  
and Fiscal Services Department

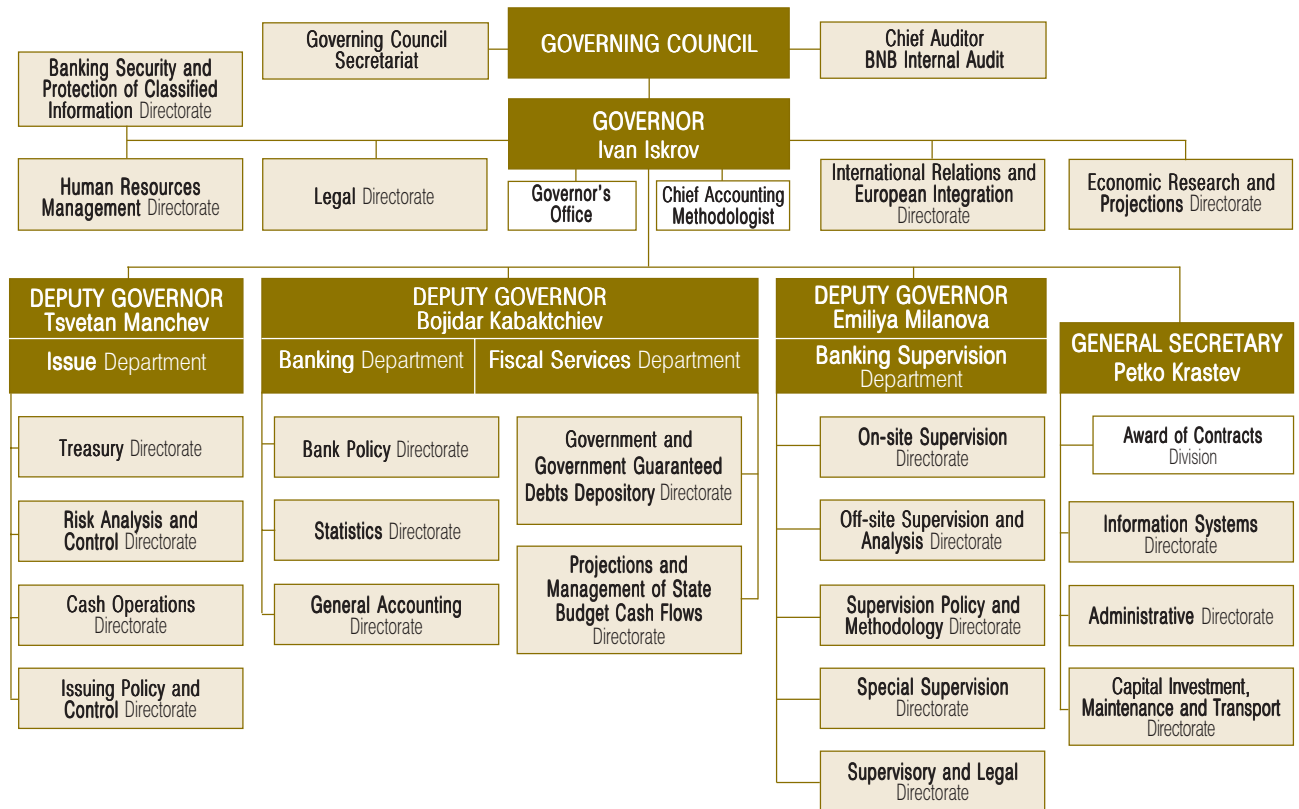
**Statty Stattev**

**Garabed Minassian**

**Nikolay Nenovsky**

# Organizational Structure of the BNB

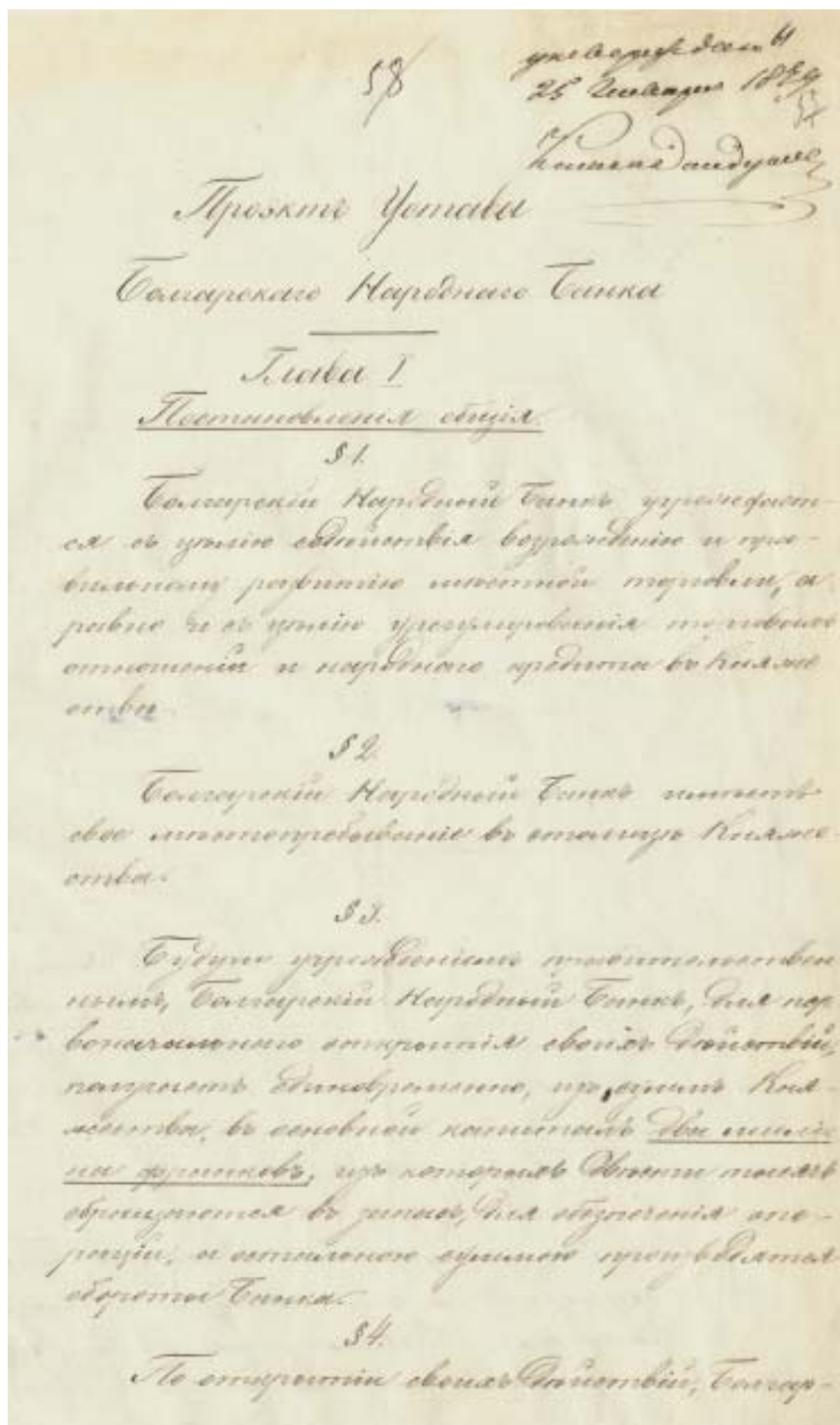
(as of February 2005)





## Contents

The BNB at 125	9
Summary	10
I. Economic Development in 2004	12
1. The External Environment	13
2. The Bulgarian Economy	13
II. Gross International Reserves	20
1. The Amount and Structure of Gross International Reserves	20
2. Gross International Reserves Risk and Income	22
III. The National Payment System	27
1. National Payment System Functioning	27
2. Payment Systems Oversight	30
IV. Commercial Bank Reserves with the BNB	31
V. Cash in Circulation	32
VI. Maintaining Banking System Stability	36
1. State of the Banking System	36
2. Compliance with Prudent Banking Requirements	37
3. Banking Supervision in 2004	38
VII. The Central Credit Register	43
VIII. The Fiscal Agent and Official Depository Function	44
IX. European Integration and International Relations	47
1. Harmonization with <i>Acquis Communautaire</i>	47
2. BNB Preparation for Membership in the European System of Central Banks and the Eurosystem	48
3. Cooperation with Other Central Banks	48
4. The International Financial Institutions	49
X. Statistics	51
XI. Research	53
XII. Information Infrastructure	54
XIII. Human Resource Management	55
XIV. Facilities Management	57
XV. Internal Audit and Control	58
XVI. BNB Budget Implementation	59
1. Operating Expenditure	59
2. The Investment Programme	59
XVII. BNB Consolidated Financial Statements for the Year Ending 31 December 2004	61
Appendix	85
Statistical Data	87
Major Resolutions of the BNB Governing Council	167



## The BNB at 125

The Bulgarian National Bank marked its 125th anniversary. The Bank was among modern Bulgaria's first national institutions, and laid down the nation's financial foundations.

The Bulgarian National Bank was established on 25 January 1879 as a government lender under an Ukaze of Russian Imperial Commissar Prince Dondukoff-Korsakoff. Archives note 6 June 1879 as the Bank's vesting day, when the Cabinet deposited 8,687,043 francs into it, of which 2,000,000 francs were intended as founding capital. This was the BNB's first monetary operation.

The 2004 commemorations of the BNB's 125th anniversary included a series of events throughout the year. They began on 25 January with an official call at the Bank by the President of the Republic of Bulgaria Georgi Purvanov. The jubilee was marked by a special concert on 5 June at the Ivan Vazov National Theatre, attended by President Purvanov, Prime Minister Simeon Saxe-Coburg, representatives of offices of state, banks, international financial institutions, and central bank governors and deputy governors from 39 nations.

The link between the BNB and the establishment of Bulgarian sovereignty was symbolically marked by an exhibition of Bulgarian honours held jointly by the National Initiatives Committee, the BNB, the Bulgarian Mint, and the national Museum of Military History. All Bulgarian honour orders and medals issued between 1879 and 2004 were displayed at the exhibition.

A number of publications devoted to the anniversary covered the work of the BNB. The succession of BNB archive document collections published jointly by the Bank and the Council of Ministers' Chief Office of Archives continued as part of the Archives Speak series. Volume Four covers the 1930 to 1947 period. An exhibition of archives and photographic facsimiles on Bank development was also held.

The Council of Ministers' Chief Office of Archives lent the Bank an oil portrait of Ivan Geshov, BNB Governor between 1 December 1883 and 26 August 1886, amplifying the Bank's collection of governors' portraits.

To mark its 125th anniversary, the BNB issued a gold commemorative coin, "125 years Bulgarian National Bank" with a nominal value of 125 leva, issue 2004, and published updated catalogues of Bulgarian coins and banknotes.

In its 125th jubilee year, the BNB offered three one-year scholarships, one each for students reading for Bachelor's, Master's and Doctor's Degrees, in symbolic support for Bulgaria's future.

## Summary

The world economy posted significant growth of some 5 per cent in 2004. As of the middle of the year the US Federal Reserve System started gradually raising the federal funds interest rate, while the European Central Bank did not change its monetary policy.

Economic growth in Bulgaria accelerated to 5.6 per cent in 2004. Household consumer expenditure and investment in fixed assets contributed most to this. The foreign trade balance detracted less from growth than in the previous year as a result of growing exports. Greater industrial exports boosted real export growth. Labour productivity in industry continued improving, coupled with modest pay growth.

A EUR 2298.8 million inflow of funds into the balance of payments financial account significantly exceeded the EUR 1452.8 current account deficit and a surplus of EUR 1388.5 million was reported. BNB international reserves rose by EUR 1493.4 million according to balance of payments statistics.

The market value of gross international reserves reached EUR 6.86 billion by the end of 2004: an increase of 21 per cent on 2003. Earnings from BNB international reserves in 2004 amounted to EUR 140.49 million, with 2.44 per cent earnings from assets.

Monetary aggregates grew at high rates, reflecting enhanced transaction demand for cash, increased bank deposits, and brisk lending. Favourable macroeconomic conditions and banking competition continued to push banks into directing disposable funds at lending. In 2004 claims on the non-financial sector rose by 48.7 per cent to BGN 4622.4 million, including by 38.3 per cent or BGN 2574.8 million in claims on non-financial corporations, and by 74.8 per cent or BGN 1872 million in claims on households.

Commercial banks' behaviour over 2004 was characterized by greater lending, with the quality of assets remaining high. By the close of 2004 classified assets accounted for 3.86 per cent of total bank assets against 4.26 per cent at the end of 2003. Classified loans comprised 7.06 per cent of total bank credit against 7.97 per cent by the end of 2003. Supervisory measures initiated against banks in the increased credit risk zone had a positive effect and helped subdue the potential risk for other commercial banks, mostly by avoiding the transfer of poor banking practice. The level of commercial banks' earnings was good and ensured an adequate return on assets (ROA) of 2.06 per cent against 2.04 per cent by the end of 2003, and a 20.02 per cent return on equity (ROE) against 18.73 per cent by the end of 2003.

The sustained high growth of claims on the non-government sector entailed a series of measures by the BNB to curb lending and limit credit risk. Between January and June 2004 supervisory regulations were amended with more stringent rules for classifying claims and determining banks' capital adequacy. To support banks in managing their credit portfolios, from July 2004 the minimum threshold of BGN 10,000 for loan registration in the Credit Register was removed. This provided banks with more comprehensive information on their customers' indebtedness. The number of loans in the Credit Register reached 1,189,464 by the end of 2004. Between July and December only 176,012 inquiries were made with the Register.

During the second half of 2004 amendments were made to minimum required reserves. In July a requirement to allocate reserves equal to 4 per cent of funds attracted with a maturity of over two years became effective. Since October only half of cash balances have been recognized in reporting minimum required reserve performance. From early December minimum required reserves on attracted funds with a term to maturity of over two years were raised to 8 per cent and the option to use lev cash balances in maintaining required reserves was removed entirely.

The BNB initiated a number of measures to support banks' liquidity management. On 7 June the 0.5 per cent commission on all non-cash transactions conducted by the BNB in purchasing and selling euro against levs was dropped. As a result, banks' costs for ensuring lev liquidity by selling euro to the BNB went down. This led to a fall in one-day unsecured deposit interest rates (a measure of risk in providing liquidity) which stabilized at around 2 per cent to approach euro area money market levels.

The RINGS Real-time Inter-bank Gross-settlement System managed by the BNB contributed significantly to commercial bank liquidity management. The system's flexibility ensured smooth liquidity management after the amendments to minimum required reserves which boosted commercial banks' funds on account with the BNB.



The BNB performs oversight functions both on payment systems and on the banking system. The year saw inspections on the System for Servicing Payments on Transactions in Book-entry Government Securities (operated by the Central Depository AD) and the System for Servicing Payments on Government Securities Transactions (operated by the Government Securities Depository). Results showed a high degree of compliance by both systems with international standards and practice.

Control over compliance with statutory banking requirements and the related enforcement of supervisory measures and sanctions brought 34 supervisory measures imposed on 29 banks in the year. Along with positive assessments of enhanced BNB institutional capacity and regulatory framework progress, a 2004 review under the IMF Financial Sector Assessment Program (FSAP) included possible measures to limit lending growth and balancing banks' lending policies.

Preparations for the accession of the Republic of Bulgaria to the European Union entered a new stage as the EU Council confirmed the successful completion of negotiations. After the Treaty on Bulgaria's accession to the EU is signed, the BNB is expected to receive an invitation to sit as an observer on ESCB committees and on the ECB General Council. The BNB is actively preparing for observer status by strengthening its administrative capacity for the new tasks ahead.

The Strategy for Bulgarian National Bank Development between 2004 and 2009 maps out Bank development under a currency board to full Eurosystem membership. In the Strategy, the BNB presents medium-term objectives and tasks, and actions for their attainment. In accordance with the Strategy, an agreement between the Council of Ministers and the BNB on policy and commitments stemming from the introduction of the euro in the Republic of Bulgaria was signed in November 2004.

Within its powers, the BNB makes steps to harmonize banking legislation with *acquis communautaire*. With a view to full harmonization with EU law, amendments drafted in 2004 primarily concerned central bank independence, banks' capital adequacy, fund transfers, electronic payment instruments and payment systems.

By adopting the amendments to the Law on the Bulgarian National Bank in early 2005, the Bank's legal framework was brought into line with *acquis communautaire* and with negotiated commitments under the Economic and Monetary Union Chapter, while retaining currency board conditions and principles. According to the amendments, the primary objective of the Bulgarian National Bank is "to maintain price stability by ensuring the stability of the national currency." Additional guarantees related to institutional, personal, financial and functional central bank independence were introduced in compliance with the Treaty Establishing the European Community and with the Statutes of the ESCB and the ECB. Other amendments pertain to payment systems oversight, protection of banknotes and coins against counterfeiting, and central bank internal audits. The amendments to the Law introduced the complete prohibition of government financing by the central bank.

A Law on Funds Transfers, Electronic Payment Instruments and Payment Systems was drafted in 2004 and adopted by the National Assembly into law on 25 March 2005. Under it, legal relations related to payment became statutory regulations through the codifying approach. With the adoption of the Law, Bulgaria meets its international commitment to ensure full compliance in the field of payment and settlement systems.

The Law's main objective is to regulate legal relations related to payment through full compliance with EU Directives on cross-border credit transfers and settlement finality, as well as with the recommendation concerning electronic payment instruments. The requirements in the Directives on establishing, operating, and overseeing electronic money institutions and in the recommendation on extrajudicial settlements of consumer disputes are also observed.

The French and Dutch central banks provided assistance for BNB membership in the ESCB and the ECB based on the two-year cooperation project financed by the PHARE 2001 programme. Its essential purposes were to improve BNB administrative capacity, adopt and apply European Community law, and introduce best European practice to the BNB in the process of preparing for membership to the European System of Central Banks and the financial system of the European Union.

The BNB annual report also includes BNB budget implementation, consolidated financial statements and an independent auditors' report, as well as reports on other operations conducted by the BNB: ones associated with cash circulation, fiscal agency and official depository functions, statistics and research. The report contains information on the state and development of BNB information infrastructure, human resource management, facilities management and internal audit and control.

## I. Economic Development in 2004

The Bulgarian National Bank's essential function is to maintain national currency stability through monetary and credit policies in line with the Law on the BNB. The currency board principle underlies monetary policy set out in the Law on the BNB and means that the central bank offers national currency only against foreign currency at the rate set in the Law. The chosen monetary policy instrument backed by a policy of low budget deficits and structural reform underpins macroeconomic stability and creates conditions for relatively high growth.

In 2004 the Bulgarian National Bank's international reserves rose by EUR 1.45 billion or 21 per cent, providing for a 23.1 per cent nominal increase in money supply. Economic growth picked up and reached 5.6 per cent. Inflation dropped to 4 per cent by end-2004. Internal demand for consumer and investment goods posted a high real growth. Registered unemployment fell to 12.2 per cent or 1.4 percentage points below its December 2003 level. Financial intermediation continued growing with the monetization scale (M3 as a share of GDP) reaching 53.7 per cent by the close of 2004.

Confidence in the Bulgarian banking system is strengthening and the two major documents adopted at the end of 2004, the Strategy for Bulgarian National Bank Development between 2004 to 2009, and the Agreement between the Council of Ministers and the BNB on policy and commitments stemming from the introduction of the euro in the Republic of Bulgaria, predetermine to a great extent future Bulgarian economic development and economic policy stability. The favourable home environment and growing confidence in sustainable economic growth over coming years contributed to the rise in external financial inflows, part of which were transformed through the banking system into loans to the non-financial sector and consumers.

Sustained nominal and real growth in claims on the non-financial sector forced the BNB to take measures to cut lending and minimize banking system risk. In the first half of 2004 regulatory changes introduced stricter rules for classifying claims and determining banks' capital adequacy.<sup>1</sup>

Several amendments to BNB Ordinance on minimum required reserves were made in the second half of 2004:

- From the beginning of July 2004 attracted funds with a term of over two years and repo agreements with final customers were included in the deposit base; the participation share of these liabilities in banks' required reserves was set at 4 per cent.
- From the beginning of October 2004 only 50 per cent of the cash in vaults was recognized as reserve assets, instead of 100 per cent as previously.
- From 6 December 2004 cash in vaults was not recognized as a reserve asset and banks' minimum required reserves on deposits with a term of over two years, and on repo agreements with final customers, was raised from 4 to 8 per cent.

With a view to improving risk management by commercial banks, on 7 June 2004 the BNB stopped charging commission on banks' non-cash transactions for buying and selling euro against leva and abolished the minimum threshold of BGN 10,000 for listing loans with the Central Credit Register. The first measure facilitates banks' liquidity risk management since the spread between the BNB exchange rates of non-cash purchases and sales of reserve currency was cut. Banks began using trade with the BNB as a liquidity management tool very actively, the average interest rate in the inter-bank lev money market stabilized at levels of about 2 per cent (close to those in the euro area money market), and the likelihood of dramatic interest rate swings fell considerably. The second measure keeps commercial banks abreast of customers' indebtedness and broadens their risk management options.

BNB policy was underpinned by a comparatively favourable world environment (despite the uncertainty caused by changing US monetary policy) and a rapidly developing home economy.<sup>2</sup>

<sup>1</sup> For more details on amendments to supervisory regulations see Part VI.

<sup>2</sup> The BNB presents a detailed analysis of international conditions and Bulgarian economic development in the *Economic Review* quarterly published on its website ([www.bnb.bg](http://www.bnb.bg)). This publication also contains short-term forecasts for the behaviour of major macroeconomic indicators.

## 1. The External Environment

The world economy posted considerable growth in 2004, estimated at 5 per cent according to preliminary data. The major factors behind this were stable US consumption and a rapidly developing Chinese economy. The euro area reported a relatively low growth rate of 2 per cent reflecting weak consumption and decreased investment. Steady domestic demand in new EU members contributed to comparatively high growth in those countries.

US and euro area interest rates stayed relatively low over the first half of the period under review; however, in mid-2004 the Federal Reserve began a tightening policy, raising federal funds interest rates to 2.25 per cent by the close of the year. The ECB did not change its policy till late 2004.

### Major Macroeconomic Indicators (average annual change)

(%)

	Growth				Inflation				Unemployment			
	2001	2002	2003	2004	2001	2002	2003	2004	2001	2002	2003	2004
USA	0.8	1.9	3.0	4.4	2.8	1.6	2.3	2.7	4.7	5.8	6.0	5.5
EU (25)	1.7	1.1	0.9	2.3	2.5	2.1	1.9	2.1	8.4	8.7	8.9	9.0
Euro area	1.6	0.9	0.5	2.0	2.4	2.2	2.1	2.2	7.8	8.2	8.7	8.8
Newly acceded countries	2.3	2.4	3.8	4.9	5.7	2.7	2.0	4.1	14.5	14.8	14.3	14.1
Japan	0.2	-0.3	1.4	2.6	-0.9	-1.1	-0.3	0.0	5	5.4	5.3	4.7

**Note:** Inflation in newly acceded countries has been computed by weighing harmonized indices of individual countries' consumer prices based on EU (25) countries prices in HICP.

**Source:** Eurostat, BLS, BEA, Statistics Bureau of Japan, BNB computations.

Increased demand for raw materials, especially in the first half of 2004, pushed up major commodity groups' prices. Food and metal prices grew considerably in the first quarter and then kept their levels. Inflationary pressure was exerted by fuel prices which hit a 13-year petrol high in October reflecting buoyant global demand, uncertainty about crude oil supply, and speculative pressures.<sup>3</sup>

Stock market indices in the euro area and the USA fluctuated in 2004, their levels rising only in the second half of the year. This reflected geopolitical uncertainty and high fuel prices. These two factors had a negative effect on companies' 2004 profits.

## 2. The Bulgarian Economy

### Economic Activity and Inflation

Bulgarian economic growth in 2004 accelerated to 5.6 per cent. The greatest contribution to this came from household consumer expenditure (3.8 percentage points) and investment in fixed assets (2.3 percentage points). The negative contribution of the foreign trade balance to growth (-1.9 percentage points) decreased in 2004 compared with the previous year (-4.9 percentage points) due to export growth.

### GDP Growth by Expenditure Element

(%)

	2003	2004
<b>GDP</b>	<b>4.5</b>	<b>5.6</b>
Consumption	6.6	5.0
Individual	7.1	4.9
Collective	3.0	5.8
Gross fixed capital formation	13.9	12.0
Exports	8.0	13.1
Imports	15.3	14.1

Source: NSI.

<sup>3</sup> On 21 October 2004 nominal oil prices hit a historic high with Brent crude traded at USD 51.99 per barrel.

The high growth of household individual consumption reflected increasing incomes and expectations of future income rises. The 3.6 per cent annual growth in employment contributed significantly to the increased average income of households. At the end of December 2004 the number of unemployed people registered at labour agencies totaled 450,600 or 12.2 per cent of the economically active population: a fall of 1.4 points compared with December 2003.<sup>4</sup> The year saw 98,400 people in government employment incentive programs which substantially decreased unemployment.

Investment in fixed assets rose by 12 per cent in real terms: a slight fall on the prior year. Nevertheless, economic activity remained high. According to the NSI survey, investment in industry dropped, with managers forecasting a partial recovery in 2005. Services reported buoyant investment due to some extent to foreign direct investment into trade, transport and communications, and property transactions.

Credit to the non-government sector, which increased to 48.7 per cent on an annual basis by the close of 2004, also prompted consumer and investment activity.

Domestic demand boosted output and the offering of domestic goods on the home market, but imports retained their significance as a major source of funds, particularly in satisfying investment demand. Growing industrial activity, coupled with high spending on raw materials, added to import growth. The negative effect of the foreign trade balance was offset considerably by rising exports.

Manufacturing, communications and trade were the major drivers of gross value added growth over 2004. Agriculture posted positive growth following its 2003 decrease.

### Gross Value Added Real Growth

	(%)	
	2003	2004
Agriculture	-1.0	2.2
Industry	6.8	5.3
Services	4.0	6.0
Total (base prices)	4.2	5.4

Source: NSI.

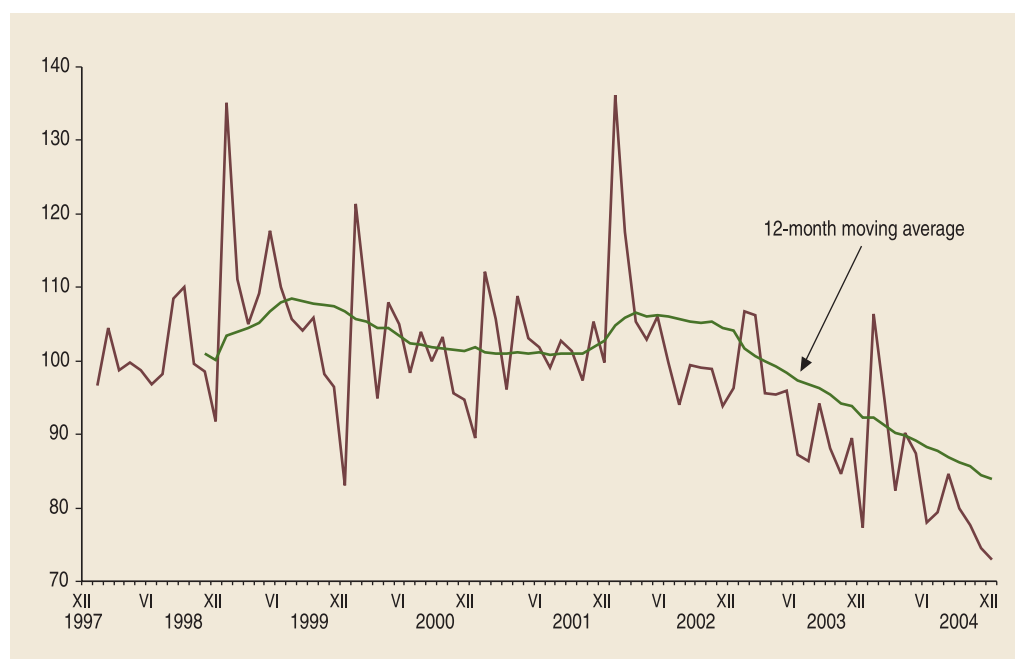
The growth of industrial value added relates to high output and exports in this sector. Industrial sales rose by 24 per cent in real terms, including export sales growing by 45 per cent and domestic sales growing by 8 per cent, with 89 per cent of branches reporting sales growth. Leading branches were metal manufacture, food and drinks, engineering, appliances and household equipment, metal products, and non-metal raw materials. Buoyancy in these branches prompted imports of raw materials. Managers' estimates of production facility utilization in 2004 indicated degrees close to the historical maximum.

Industrial exports reflected to a great extent the sector's preserved cost competitiveness measured by the *unit labour cost* indicator. Labour productivity in industry continued improving while salaries grew at lower rates. These two factors contributed to the retained sustainability of the fixed exchange rate.

<sup>4</sup> Employment Agency data.



### Unit Labour Cost in Manufacturing (1998 = 100)



Source: NSI, BNB.

The domestic demand dynamics and high rates of money supply growth and credit did not lead to an accumulation of inflationary pressures. On the one hand, this was due to the open nature of the Bulgarian economy which satisfied demand for tradable goods through imports, and on the other, to companies' improving cost competitiveness and efficiency. Under the divergent effect of these factors, inflation in 2004 was mainly determined by administrative measures: adjustment of administratively set prices of goods and services, world crude oil prices, and prices of bread and cereals which grew rapidly at the end of 2003 due to a poor crop. As a result of these factors, accumulated inflation in 2004 was 4 per cent (a decrease on the prior year), and average annual inflation was 6.1 per cent.

### Year-end Inflation and Contribution to It

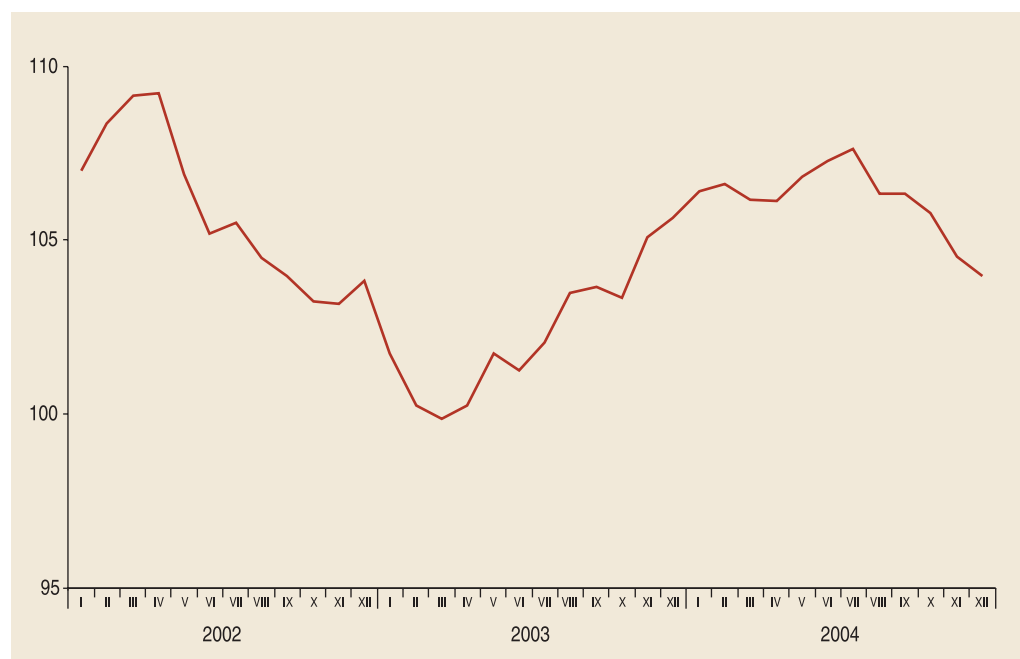
(percentage points)

	2003	2004
Inflation (%)	5.64	3.98
Contribution (percentage points)		
Foods	3.42	0.35
Non-foods	-0.07	1.36
Fuels	-0.13	0.11
Public catering	0.18	0.15
Services	2.09	2.17
Administered-price goods and services	1.69	2.89

Source: NSI, BNB.

World crude oil prices affected fuel prices in Bulgaria directly and were an inflationary factor in 2004. The effect of higher crude oil prices impacted other price indices, albeit after a lag. First affected were transport services, followed by non-foods (excluding fuels) and services (excluding controlled-price ones). Food prices, which had the largest relative share at 38 per cent, remained stable. Bread and cereal prices fell following their dramatic rise in late 2003.

### Consumer Price Index (on an annual basis)



Source: NSI, BNB.

### Balance of Payments

In 2004 the current account deficit reached EUR 1447.1 million, a decrease of EUR 183.14 million on the prior year, due to improvements in all major components of the current account, save for the trade balance. Growth rates of imports (20.8 per cent) continued exceeding those of exports (19.9 per cent). Ultimately, trade deficit increased by EUR 518.4 million to EUR 2718 million.

The current account deficit was financed from flows of funds in the financial account to the tune of EUR 2707.5 million (down EUR 432.3 million on 2003). The surplus was formed mainly on the basis of foreign direct investment, non-government sector liabilities on financial loans and non-residents' deposits with local commercial banks. In 2004 foreign direct investment into Bulgaria reached EUR 2114.2 million (up by EUR 264.1 million on the prior year) which covered 146.1 per cent of the current account deficit.

In 2004 overall balance surplus reached EUR 1388.5 million, an increase of EUR 769.3 million on 2003. BNB international reserve growth of EUR 1493.4 million<sup>5</sup> was primarily financed from the overall balance surplus. The net increase in obligations to the World Bank was EUR 122.9 million, while utilized IMF loans decreased by EUR 29.1 million.

Debt flows comprised the significant portion of financial flows on the 2004 balance of payments. By end-2004 gross external debt reached EUR 12,246 million, up by EUR 1607.2 million on end-2003. The debt rise was entirely due to the private sector whose foreign obligations grew by EUR 2232.1 million over 2004, while public sector obligations dropped by EUR 624.9 million as a result of the policy of cutting government external debt.

### Public Finances

By end-2004 the primary surplus came to 3.6 per cent of GDP, and the cash surplus comprised 1.7 per cent of GDP. Total revenue and grants accounted for EUR 15,854.6 million (41.7 per cent of GDP), and expenditure came to EUR 15,199 million (40 per cent of GDP). The cash surplus was mostly generated from the significant extra revenue of 10.4 per cent against State Budget Law projections.

Thanks to significant privatization receipts over 2004 (BGN 1177.6 million), the government bought back USD 679.3 million in Brady bonds. This operation did not impact the fiscal reserve which rose by BGN 961.8 million on end-2003 to BGN 4810.6 million. The government and government guaranteed debt to GDP ratio fell by 7.2 percentage points to 40.9 per cent at the close of 2004. Domestic debt increased as a share in overall debt by 3.7 percentage points to 17.2 per cent. As a share of GDP, it rose from 6.5 per cent to 7.1 per cent.

<sup>5</sup> Excluding changes due to valuation adjustments.

## The Financial Sector

Monetary aggregates continued to rise at high rates in 2004 reflecting intensified demand for transaction cash, increased banking system deposits, and continuing credit expansion. The annual rate of broad money growth continued accelerating and reached 23.1 per cent at the end of 2004. The M1 monetary aggregate grew by BGN 2268 million (28.2 per cent), including currency outside banks by BGN 753.8 million (19.5 per cent) and overnight deposits by BGN 1514.2 million (36.4 per cent).

Quasi-money continued picking up steadily in line with rising incomes and increasing confidence in the banking system. Over 2004 quasi-money rose by BGN 1569.7 million (18.6 per cent) *vis-à-vis* 2003. Bank deposits with up to two years' maturity increased by BGN 1112.5 million (16.3 per cent), and those redeemable at notice of up to three months by BGN 457.3 million (28.2 per cent).

In 2004 claims on the non-government sector rose by BGN 4622.4 million (48.7 per cent) *vis-à-vis* 2003, including claims on non-financial corporations by BGN 2574.8 million (38.3 per cent) and claims on households by BGN 1872 million (74.8 per cent). The rapid rise in lending was accompanied by changes in the maturity structure of newly extended loans. This reflected both banks' interest in extending longer term loans, and the real sector's need for longer term finance. Newly disbursed long-term loans<sup>6</sup> rose by 60.6 per cent on the prior year, and their share in total new loans continued increasing to reach 62.9 per cent against 55.4 per cent for 2003.

### Monetary Aggregates (Annual Growth)



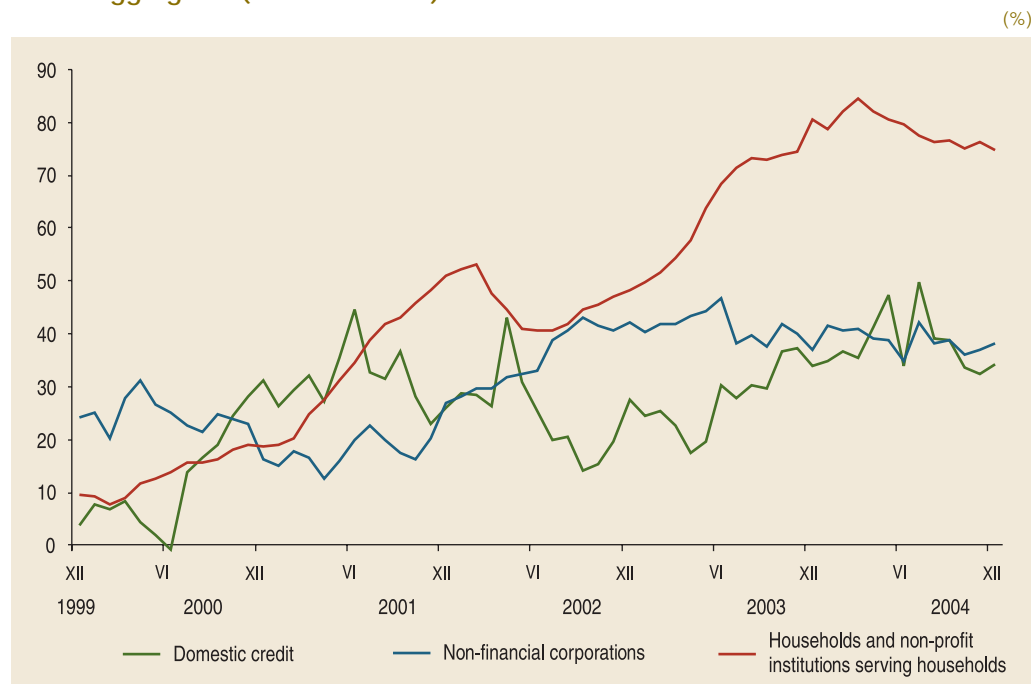
Deposits of households and non-financial corporations were important finance sources for commercial banks. They rose by BGN 2074.8 million and BGN 1083.6 million respectively. After banks had transformed their foreign assets into domestic claims during 2003, in early 2004 this process subsided and stopped serving as a source for funding the credit expansion. At the same time, banks' foreign liabilities rose significantly and their role as a source of funding increased sizably.

In managing liquidity, commercial banks used funds offered on the inter-bank lev money market. Deposits made up 89.1 per cent of turnover, followed by outright government securities transactions (6.4 per cent) and repos (4.5 per cent). After the BNB stopped charging a commission on bank non-cash transactions for purchasing and selling euro against levs, these transactions became foremost in managing banks' liquidity. The total foreign currency market volume over 2004 reached EUR 34,315.8 million,<sup>7</sup> posting an over 50 per cent increase on 2003. This involved the two major market segments of trading with final customers and the inter-bank trade. The increased volume of the inter-bank foreign currency market was entirely due to BNB

<sup>6</sup> Loans with a maturity of over a year.

<sup>7</sup> This included commercial bank transactions (including the BNB) in foreign exchange against levs with spot, same day and next business day value dates.

## Credit Aggregates (Annual Growth)

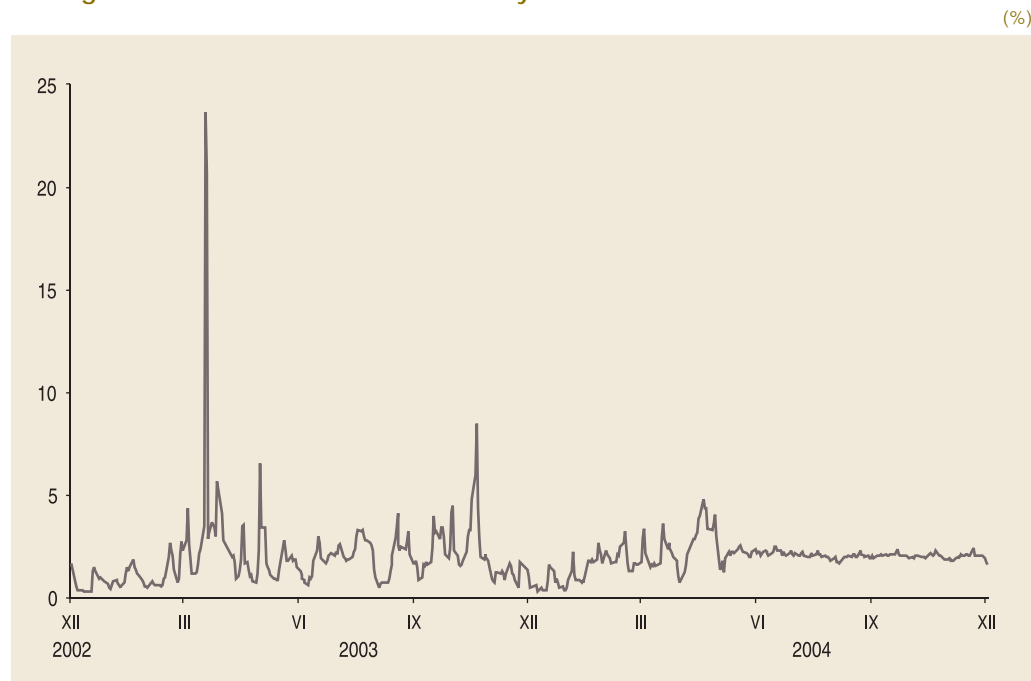


Source: BNB.

participation.

With the measures undertaken by the BNB to facilitate banks in managing liquidity, interest rates on the inter-bank money market stabilized over the second half of 2004. In the first five months of 2004 the average interest rate on inter-bank money market transactions followed past years' cyclicity prompted by cash flows between government and the banking system.

## Average Interest Rate on Inter-bank Money Market



Source: BNB.



In early December 2004 the BNB launched a new methodology of setting the base interest rate. The new base interest rate (LEONIA from Lev OverNight Interest Average) is computed as a weighted average of the interest rate on all lev overnight deposit transactions in the domestic inter-bank market by a specified number of data contributing banks.<sup>8</sup> This new methodology pertains only to the manner of setting the base rate; not to its application. This is not an interest rate at which the BNB effects operations on the money market, but one used in calculating payments on part of government debt, and as a basis for penalties on overdue payments on government claims.

Government securities form an important segment of the financial market. In 2004 the maturity structure of Ministry of Finance lev-denominated issues matched that of 2003. It included three-month and one-year discount government securities, and three, five, seven, and ten-year bonds. Within the three-year maturity term, a bond issue with a floating interest rate was sold based on three-month SOFIBOR, while issues with longer maturity had fixed rates. The average annual yield at issue on the government securities primary market was below that of 2003.

On the government securities secondary market, outright commercial bank transactions in Bulgarian government securities (including transactions by investment intermediaries approved as primary dealers) totaled BGN 2009.4 million, an increase of 69.9 per cent on 2003. The volume of lev-denominated bonds went up by 65 per cent to BGN 1834.6 million, and the volume of euro-denominated bonds posted a 3.2-fold growth to BGN 158.7 million. Trading in USD-denominated bonds issued under ZUNK fell by a quarter to reach BGN 16.1 million.

On international financial markets, the spreads on Bulgaria's Brady bonds posted a 100 basis point decrease and continued to fall steadily, underpinned by strong interest in Bulgarian external debt. Investors' interest was attracted by the stable fiscal position, external debt buybacks, and the overall favourable investment climate in Bulgaria and the newly acceded EU member states from Central Europe.

On 28 July 2004 the Ministry of Finance exercised its option to buy back in advance Brady discount bonds (DISCs) 20 years prior to maturity. Rating upgrades and buybacks increased the price of Bulgarian debt. FIIRBs and IABs reached parity (100 per cent of par value), EUR-denominated Euro bonds maturing 2007 closed the year with quotations of over 109 per cent, EUR-denominated Global bonds maturing 2013 were quoted at over 124 per cent, and USD-denominated Global bonds maturing 2015 were quoted at over 126 per cent.

These processes prompted upgrades in Bulgaria's credit rating assigned by Standard and Poor's (S&P) and Moody's rating agencies. In 2004 S&P raised Bulgaria's long-term foreign currency credit rating to BBB-, and Moody's to Ba1.

Throughout 2004 corporate and municipal bonds were actively traded on the OTC market with subsequent registration on the stock exchange. The total volume of *bourse* trade in bonds totaled BGN 129.5 million, a doubling on 2003. The volume of the initial public offering market on the Bulgarian Stock Exchange (Sofia) came to BGN 1.9 million, while the secondary market for shares tripled on 2003 to reach BGN 933.5 million on the stock exchange and BGN 13.3 million on the OTC market. Half the volume was concentrated in a few transfers of large share packages in big oil companies, primarily between related parties.

Swaps of compensative instruments for shares on the privatization market of the Bulgarian Stock Exchange (Sofia) totaled BGN 14.6 million at market value. This was a five-fold decrease on the prior year since privatization market transactions were effected against cash. The compensative instrument secondary market tripled in 2004 to reach BGN 466 million at market value due to privatization of the remaining shares of BTC capital against compensative notes and bearer bills.

SOFIX, the official price index of the Bulgarian Stock Exchange, Sofia, finished 2003 at 454.34. In 2004 it posted steady growth reaching a high of 657.45 on 7 December and finishing the year at 625.31. The market capitalization of companies listed on the Bulgarian Stock Exchange came to BGN 2633 million (6.9 per cent of GDP).

<sup>8</sup> LEONIA replaces the base interest rate computed on the basis of the yield of three-month government securities on the primary market.

## II. Gross International Reserves

The management of gross international reserves followed the requirements and limitations set out in the Law on the Bulgarian National Bank and dependent on opportunities in the financial markets. BNB gross international reserves include the assets in the Issue Department's balance sheet. They have to provide at least 100 per cent coverage of balance sheet liabilities. The excess of gross international reserves over monetary liabilities forms the *Banking Department Deposit* item or the net value in the Issue Department's balance sheet.

The BNB Investment Committee plays an important role in managing gross international reserves. To use BNB analytical capacity more completely, in 2004 representatives of other BNB units (outside the Issue Department) were included in the Committee. The Investment Committee holds twice quarterly meetings and has advisory functions in mapping out international reserve management strategy, and assessing related risks and results.

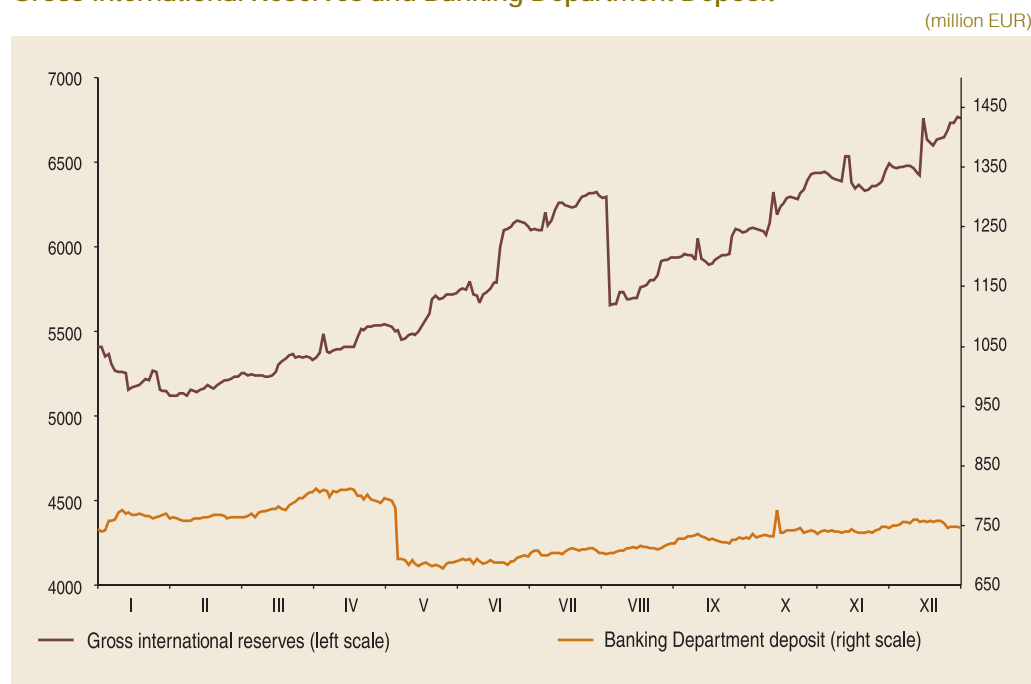
A Business Procedures Manual for International Reserve Management was approved in early 2004. It includes major objectives, functions, and tasks, and sets out the structural units which manage the BNB's international reserves. This Manual has detailed prescriptions on performing foreign exchange operations, and sets out rules for employees' performance and behaviour. It specifies the powers and responsibilities of Bank staff in managing international reserves, and improves coordination and interaction between individual units. Changes made in the course of international reserve management are analyzed and presented in the Manual.

### 1. The Amount and Structure of Gross International Reserves

#### Amount

By the end of 2004 the market value of gross international reserves came to EUR 6.86 billion, an increase of EUR 1.45 billion or 21 per cent in absolute terms on 2003. This rise reflected the following three factors: net reserve inflows (EUR 1343.06 million); earnings from assets comprising international reserves (EUR 140.49 million); and valuation adjustments (EUR -37.49 million).<sup>9</sup>

#### Gross International Reserves and Banking Department Deposit



Source: BNB.

<sup>9</sup> The effect of earnings from assets and valuation adjustments was analyzed on page 25.

## Major Reasons for Changes in International Reserves

A) Reserve currency (euro) purchases and sales:	EUR 1453 million
Net purchases from commercial banks, incl.:	EUR 1428 million
Euro purchases from commercial banks	EUR 3856 million
Euro sales to commercial banks	EUR 2428 million
Net purchases at tills	EUR 25 million
B) Significant flows on commercial bank and government accounts:	EUR -110 million
<i>To increasing international reserves:</i>	
Net revenue on commercial bank accounts with the BNB	
for maintaining minimum required reserves	CHF 233 million
	EUR 96 million
	USD 24 million
Released security on Brady bonds	USD 315 million
Funds from BTC sale	EUR 184 million
Loans from the World Bank	EUR 123 million
Loans from the IMF	SDR 52 million
Revenue from EUR-denominated government securities	EUR 53 million
<i>To decreasing international reserves:</i>	
Government external and domestic debt service	USD 1007 million
	EUR 205 million
	SDR 101 million

The currency structure of gross international reserves did not change significantly in the review period. The bulk of assets continued to be denominated in euro, with their share reaching some 84 per cent by the end of 2004. The decrease in the relative share of assets in gold reflected growth in the Issue Department's balance sheet assets and gold price drops.<sup>10</sup> The bulk of the BNB's monetary liabilities was denominated in BGN and EUR, comprising nearly 90 per cent of all liabilities over the review period.

## Currency Structure of Gross International Reserves

(%)

Currency	Assets		Liabilities	
	2003	2004	2003	2004
Bulgarian lev	-	-	73.26	69.97
Euro	82.25	83.26	17.07	20.28
US dollar	6.17	5.38	7.24	6.16
Gold	8.43	7.23	-	-
Special Drawing Rights	1.37	1.62	0.80	0.74
Swiss franc	1.78	2.50	1.63	2.85

Note: Average data for the period.

Source: BNB.

During 2004 no significant changes occurred to the structure of assets by financial instrument, with the largest share invested in securities.

## Structure of Gross International Reserves by Financial Instrument

(%)

Instruments	2003	2004
Vault cash*	5.82	8.05
Deposits**	13.18	14.58
Securities**	77.62	74.47
Gold in the vault	3.38	2.90

Note: Average data for the period.

\* Financial instruments with a maturity of up to three days.

\*\* Including instruments in foreign currency and gold.

Source: BNB.

<sup>10</sup> Over the reporting period the Issue Department assets included funds in British pounds and Japanese yens but they averaged under 0.005 per cent.

In early 2004 the BNB took a decision to decrease interest rate risk of international reserves significantly due to market participants' consensus expectations of rising interest rate levels both in the USA and the euro area. Therefore, the relative share of instruments with residual terms to maturity of up to one year (current accounts, short-term deposits in foreign currency and gold, and short-term securities) was the most significant in the maturity structure of assets: approximately 83 per cent on average against 41 per cent for 2003.

### Structure of Gross International Reserves by Residual Term to Maturity

Maturity sectors	2003	2004
Up to 1 year	41.35	82.60
From 1 to 3 years	20.54	12.30
From 3 to 5 years	18.52	4.43
From 5 to 10 years	19.59	0.67

Note: Average data for the period.

Source: BNB.

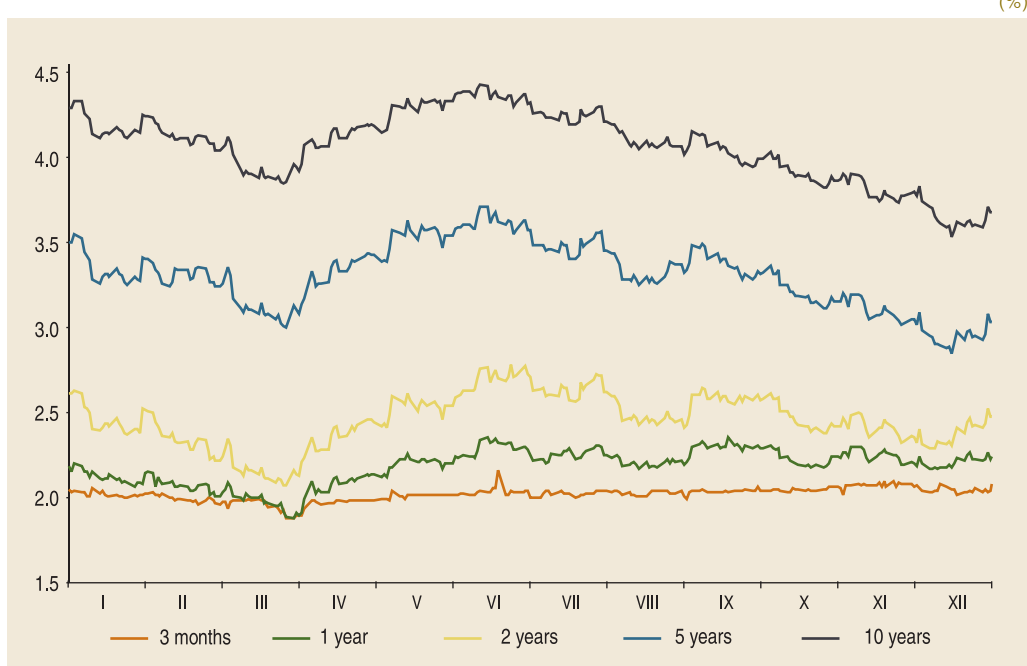
## 2. Gross International Reserves Risk and Income

### The Market Environment

After global interest rates reached historic lows in 2003, a turnaround occurred at the end of the second quarter of 2004. The upward trend reflected US Federal Reserve System policy and gradually rising federal funds interest rates (in five steps by 25 basis points). The ECB did not change the refinancing interest rate of 2 per cent in 2004.

The Federal Reserve increased interest rates while announcing and explaining each step taken. This helped subdue uncertainty as to future changes in short-term interest rates, decrease risk premiums (spreads) in the various maturity sectors of the yield curve, and avoid dramatic fluctuations in it. As a result of this policy, economic growth in the USA stayed stable, current price levels and inflationary expectations stabilized around the target levels, and long-term rates by the close of 2004 matched those of the previous year. Therefore, the increased yield in short-term maturity sectors outstripped the rise in long-term maturity sectors.

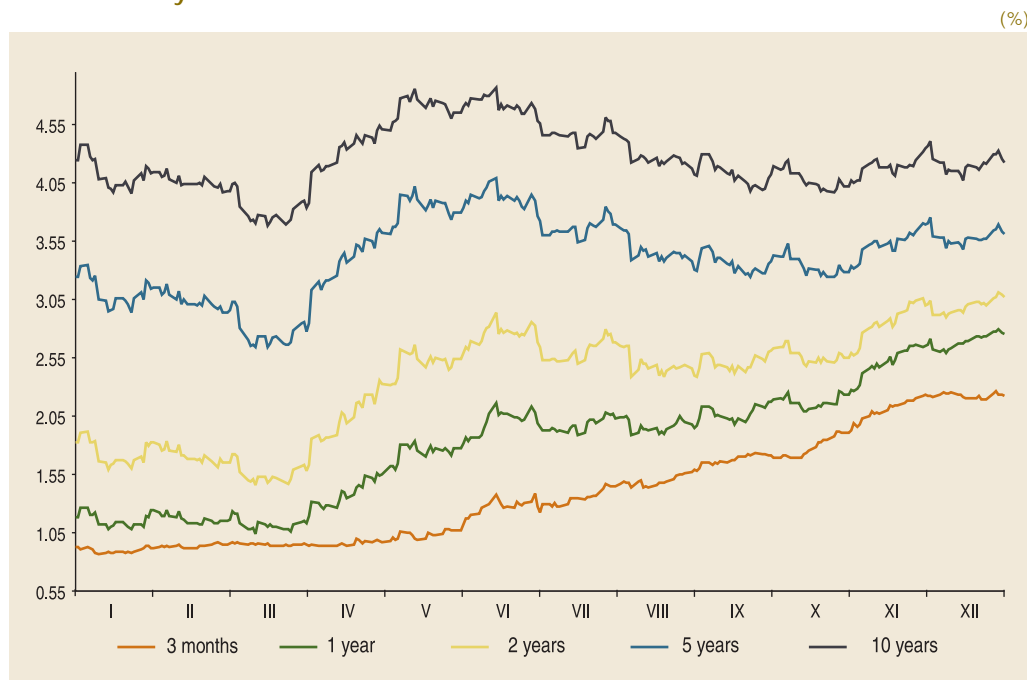
### Yield Curve Dynamics of Government Securities in Euro



Source: BNB.



### Yield Curve Dynamics of Government Securities in US Dollars



Euro area interest rates were positively correlated with US ones in the first nine months of 2004. After the single currency had started appreciating, in the fourth quarter the European bonds market attracted significant flows of portfolio investments. This broke the stable link between euro area and US yield curves. The positive correlation between interest rates in both market segments turned negative and the link became fragile. Over 2004 euro area yield curve in the maturity sector of up to two years went down by 12 basis points, while in the maturity sector of up to 10 years a 60 basis point decrease was underpinned by the strong interest in purchases, consistent with the euro appreciation and unfavourable prospects for EU economic growth. Unlike the USA, the euro area yield curve moved in 2004, with long-term interest rates declining faster than short-term ones.

### One Troy Ounce Gold Price in US Dollars



### US Dollar Price in Euro



Source: BNB.

The US dollar gold price rose by approximately 4.7 per cent or USD 19.5. The rise was offset by the significant decline in the US dollar against the euro (by approximately 7.3 per cent or 0.06 euro cents), the euro gold price ultimately falling by some 2.9 per cent.

### One Troy Ounce Gold Price in Euro



Source: BNB.

## Major Risks Associated with International Reserves

International reserve **market risk** measured by *value-at-risk*, at a confidence interval of 95 per cent in 2004, was 0.12 per cent on an annual basis.<sup>11</sup>

International reserve **interest rate risk** measured by reserves' average *modified duration* was 0.57 over the period under review. This risk component was kept relatively low because of the historic interest rate lows of early 2004 and the expectations of significant interest rate rises both in the USA and the euro area.

**Currency risk** measured by open currency positions<sup>12</sup> compared with the net value of the Issue Department balance sheet was as follows:

### Open Foreign Exchange Positions by Currency

Foreign currency average imbalance	Swiss franc	British pound	Japanese yen	SDR	US dollar	Gold
as a percentage of the net value	-0.05	0.02	0.03	7.72	0.16	57.17
million euro	-0.37	0.18	0.25	57.06	1.23	422.86

In 2004 open foreign currency positions were maintained limited, consistent with the provisions of the Law on the BNB. The open gold position caused the major currency risk.

**Credit risk** was managed by setting minimum credit ratings and maximum exposure to the respective asset classes. Funds invested in assets with the highest credit rating (AAA) averaged 68.2 per cent during the period under review. The bank exposure comprised an annual average of 24.9 per cent of total assets.

**Operational risk** was significantly constrained after a Business Procedures Manual for International Reserve Management had been approved in February 2004.

## Profitability and Efficiency of International Reserve Management

Over 2004 earnings from international reserves came to EUR 140.49 million: a profitability of 2.44 per cent. Most of this stemmed from coupon earnings since capital profitability was not high due to the comparatively low duration of assets. Negative earnings from currency imbalance<sup>13</sup> (EUR-14.12 million) were mostly attributable to the long open position in gold, owing to the drop in the euro price of gold (see chart on p. 24). Interest paid on Issue Department balance sheet liabilities amounted to EUR 36.38 million. As a result of these three components, net earnings from international reserve management in 2004 were positive at EUR 89.98 million.

### Profitability of International Reserves

	Investment earnings (1)	Earnings from currency imbalance between assets and liabilities (2)	Expenditure (interest) on liabilities (3)	Earnings, net (1)+(2)+(3)
Earnings, million euro	140.49	-14.12	-36.38	89.98
Profitability, share of assets, %	2.44	-0.22	-0.62	1.60

The change in the net value (the Banking Department Deposit item in the Issue Department balance sheet) in 2004 reflected the effect of the two major factors. First, the net income from international reserves contributed to the net value rise by EUR 89.98 million or a profitability of 12.54 per cent. Second, the contribution to the state budget, worth EUR 87.38 million, and BNB net budget expenditure led to a decrease of EUR 95 million.

International reserves are split into six portfolios depending on currency and investment goals. To diversify management styles and exchange expertise in international market investment, a portion of international reserves has been placed for external management.

<sup>11</sup> This means that overall yield from gross international reserve management on an annual basis was lower than 0.12 per cent only 5 per cent of the time.

<sup>12</sup> An open foreign currency position is the difference between the value of assets and liabilities in any currency other than euro.

<sup>13</sup> Earnings from currency imbalance is the sum total of the effects from exchange rate movements on open foreign currency positions of assets and liabilities.

Portfolio management over the review period was characterized by high efficiency evidenced by high information coefficient values and positive profitability. According to the same indicator, portfolios managed by external managers were less efficient.

### Risk and Profitability of Portfolios

Portfolio	Portfolio base currency	Profitability		Risk		Information coefficient***
		Absolute (%)	Relative (basis points)*	Absolute (%)	Relative (basis points)**	
Investment	EUR	2.82	3	48	3	0.78
Liquidity	EUR	2.15	3	11	3	1.18
Liquidity	USD	1.22	9	33	10	0.9
In gold	XAU	0.33	33	21	21	1.6
External manager A	EUR	4.13	1	150	41	0.02
External manager B	EUR	3.81	-35	144	30	-1.15

\* The positive relative profitability of an individual portfolio is the profit compared with benchmark profitability. If the profitability were negative, it would be shown as a loss of profit in portfolio management.

\*\*The relative risk to the benchmark is an indicator of the deviation degree of risk characteristics compared with those of the benchmark resulting from active portfolio management.

\*\*\* The *information coefficient* is the ratio between the expected relative profitability of an individual portfolio and its relative risk. A rule of thumb is that values over 0.5 indicate efficient portfolio management.

# III. The National Payment System

## 1. National Payment System Functioning

Pursuant to the Law on the Bulgarian National Bank, the Bank supports and oversees payment mechanisms. Adequate system risk management is of great importance to the proper functioning of the national payment system. In its capacity of a central bank, the BNB oversees individual systems for settlement of payments and securities and their effectiveness. The major goal is to overcome negative consequences to the national payment system owing to existing inter-bank exposure and customer payments processing.

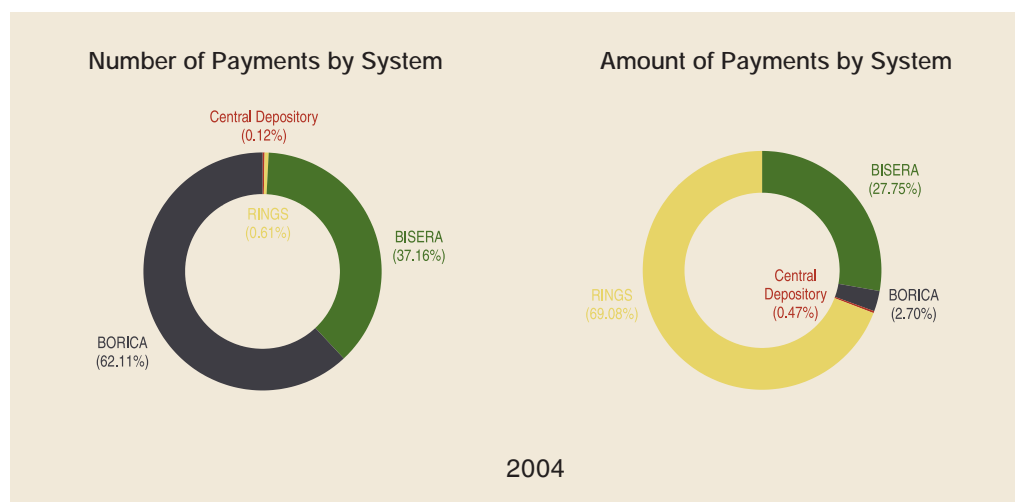
There has been a clear upward trend in the number and amount of non-cash payments processed by the national payment system over recent years. Against this background, the inability of any large bank to fulfill its commitments is a potential source of financial instability for the entire banking system. The central bank is making efforts to launch and optimize an infrastructure for processing large payments with a view to minimizing payment system risks.

In accordance with the existing legal framework, participants in the national payment system are:

- the Bulgarian National Bank and all commercial banks
- the BISERA (Banking Integrated System for Electronic Transfers) system operated by Bankservice AD
- the BORICA (Banking Organization for Payments Initiated by Cards) system managed by BORICA EAD. BORICA is also a Member Service Provider of MasterCard Europe and a Processor Company of Visa International
- the System for Servicing Payments on Transactions in Book-entry Government Securities operated by the Central Depository AD
- the System for Servicing Payments on Government Securities Transactions operated by the BNB
- the RINGS (Real-time Inter-bank Gross-settlement System) operated by the BNB.

Data for 2004 show a dramatic increase in the number and amount of payments. Total payments processed by the Bulgarian payment system came to five times the GDP amount.

### Distribution of Payments

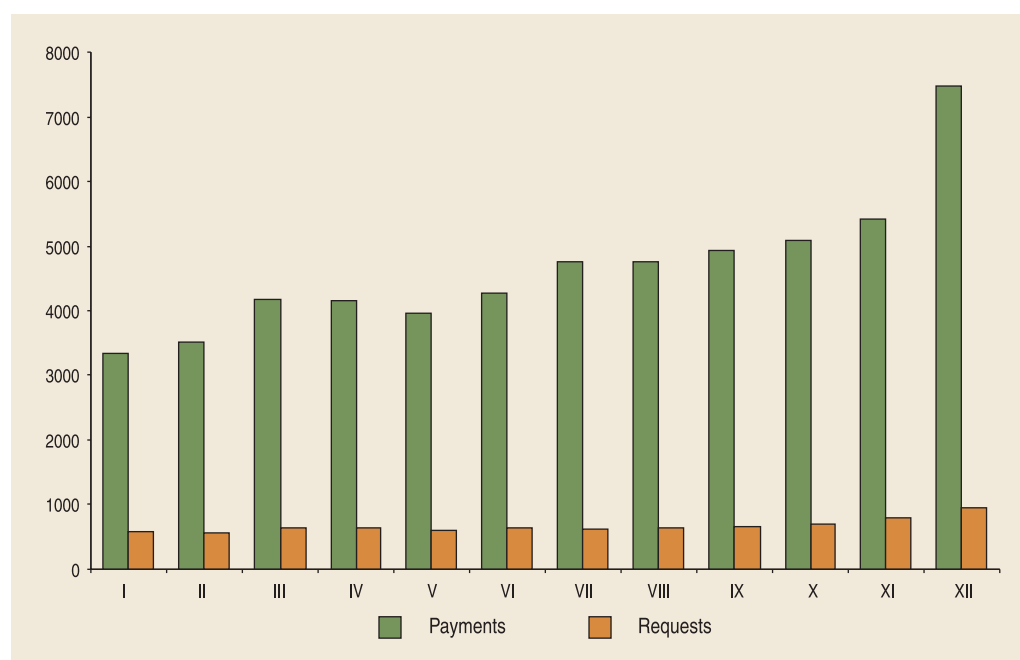


Source: BNB.



### Amount of Payments Initiated to System Operators and Requests to RINGS

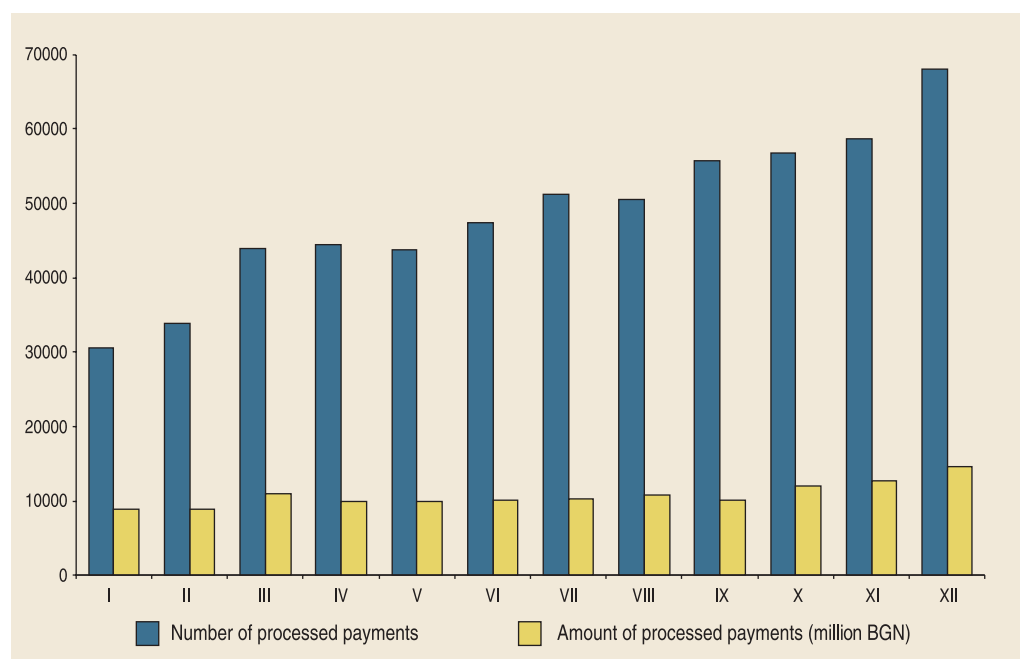
(million BGN)



Source: BNB.

In 2004 payments effected *via* RINGS numbered 585,148 totaling BGN 129,181 million, or 3.5 times GDP amount (against the 2003 ratio of 3.1 times).<sup>14</sup> RINGS payments for about six weeks equaled commercial bank assets. Compared with 2003, the daily average number of payments increased from 1334 to 2304, or by 73 per cent, while their amount rose from BGN 420 million to BGN 509 million, or 21 per cent. In 2004 WestEast Bank joined RINGS and the number of participants reached 36.

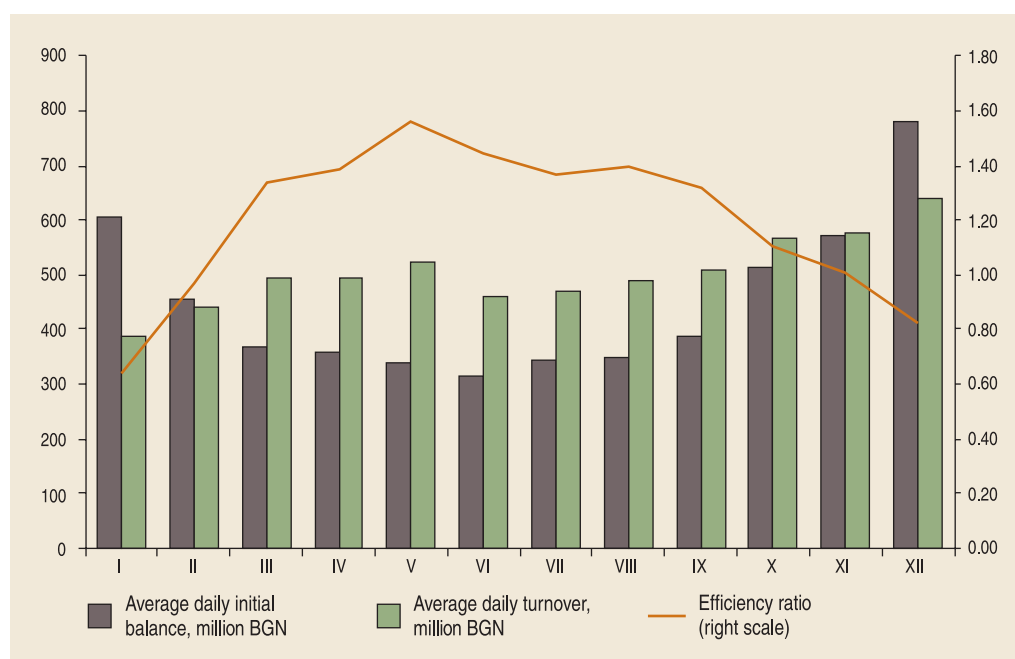
### Number and Amount of Payments Processed by RINGS



Source: BNB.

<sup>14</sup> For comparison, in 2002 when almost all non-cash payments were processed by BISERA without netting this ratio was 2.2.

# RINGS Average Daily Initial Balance, Average Daily Turnover and Efficiency Ratio



**Note:** The efficiency ratio is the ratio of turnover to funds on lev accounts in the banking system. The high value of this ratio is not always a positive indicator. On the one hand, a high efficiency ratio shows that banks need less funds to execute their payments and, on the other, it may indicate that banks are exposed to a higher risk of insufficient liquidity for effecting settlements.

**Source:** BNB.

The resilience of RINGS continued to ensure normal bank liquidity management following changes in minimum required reserves which resulted in increased funds on commercial banks' accounts with the BNB. The opportunity for euro sales with a spot value date, and the lack of transaction expenses on non-cash transactions for purchases and sales of euro from and to the BNB were essential in providing lev resources in critical situations on days when payments *via* RINGS rose dramatically. From April to September on days when the amount of payments *via* RINGS was the largest, funds from sales of euro amounted to over 11 per cent of the turnover for these days, while in June, August and September they exceeded 20 per cent.

The first months of the year are traditionally characterized by larger balances on settlement accounts and smaller turnover. Therefore, the seasonal cyclic pattern cut the efficiency ratio. Data on July, October, and December indicated the effect of the above mentioned regulatory changes; the efficiency ratio was affected most by the amendments to Ordinance No. 21 which increased banks' minimum required reserves at the BNB.

In the period under review no payments were rejected by the close of a business day due to insufficient funds on the account of any participant. As in 2003, high payment system liquidity precluded recourse to the Reserve Collateral Pool established as an inter-bank insurance mechanism to guarantee settlement of system operators' orders. This fact proved banks' ability to manage their liquidity and the opportunities which the system provides to this end. In 2004 RINGS offered 99.66 per cent availability<sup>15</sup> against 99.15 per cent in 2003.

The RINGS system helps banks manage their liquidity. Commercial banks are able to perform real time monitoring of cash-flow dynamics and to be prepared in advance to cover pending payments. The schedule of submitting requests to RINGS also contributes to limiting risk since large debit positions are in the form of requests submitted earlier in the system day. In case of a queuing request, banks with insufficient funds would have time to cover their positions.

BNB price policy is based on the principles of complete recovery of expenses incurred on the system, optimizing payments flow, and reducing system risk. The system day has four periods and the lower price of transactions at the beginning of the day aims to encourage earlier payments and cut risk.

The reporting year saw an operational audit and an audit of the RINGS information system. No essential breaches, problems, or sources of risk were found. All inspections evaluated positively RINGS compliance with the basic principles of systemically important payment systems, and its reliability.

<sup>15</sup> The time during which the system worked against scheduled time.

Additional risk reductions in the national payment system continued to be a priority and a major part of BNB efforts to ensure financial stability. In meeting this major central bank commitment, a term of reference of a new version of the RINGS software was developed by the BNB to address the findings of a customer survey and meetings and discussions with banks' representatives and system operators. The new version will be tested and launched in due course.

A Law on Funds Transfers, Electronic Payment Instruments and Payment Systems was adopted by the National Assembly on 25 March 2005. Under it, legal relations connected with payments became statutory regulations through the codifying approach. With the enforcement of this Law, Bulgaria meets its international commitment to ensure full compliance in the field of payment and settlement systems.

The main objective of the Law is to establish the regulation of legal relations connected with payments through attaining full compliance with EU Directives on cross-border credit transfers and settlement finality, as well as with the recommendation concerning electronic payment instruments. The requirements in the Directives on establishing, operating, and overseeing electronic money institutions and the recommendation on out-of-court settlement of consumer disputes are also observed.

The Law focuses on the definition, scope and execution of domestic and cross-border transfers. An explicit interdiction of reducing the amount of a domestic transfer is introduced and compliance with Directive 97/5/EU is attained. The term 'electronic payment instruments' (EPI) and the types of electronic payment instruments are included. Also regulated are relations between issuer, holder and trader, the oversight of electronic money institutions, and the repurchase of electronic money.

In compliance with the commitment assumed for Bulgaria's accession to the European Union, the Law provides for the establishment of a Conciliation Commission on Payment Disputes to issue conciliation proposals for settlement. Parties are not obliged to accept conciliation proposals but acceptance has the effect of an agreement and precludes further litigation.

The concept of a payments system enters Bulgarian legislation for the first time. The central bank's role in structuring the architecture of payment systems was acknowledged, potential participants and their rights and obligations were defined, and reverse calculation of mutual claims and obligations of participants was explicitly defined. The term 'settlement' was determined from a legal standpoint.

The concept of payment systems oversight was also introduced for the first time in a legislative act as a major function of the central bank which will monitor and control, *inter alia*, performing and intermediary institutions, and EPI issuers. An essential part of the oversight function is the creation of requirements for granting and revoking payment system operation licenses.

## 2. Payment Systems Oversight

Limiting system risk and improving the reliability and efficiency of Bulgarian payment systems were the major goals of payment systems supervisors. They monitored observance of standards and recommendations by the Bank for International Settlements, the International Organization of Securities Commissions, the European Central Bank, and the European System of Central Banks.

The year saw oversight inspections of the System for Servicing Payments on Transactions in Book-Entry Government Securities (the Central Depository) and on the System for Servicing Payments on Transactions in Government Securities (the Government Securities Depository). The results showed high compliance with international standards and practice. Action to complete convergence includes comprehensive adoption of Directive 98/26/EC on settlement finality in payment and securities settlement systems into Bulgarian legislation, and adapting the two depositories to the Eurosystem.

In 2004 the BNB as sole proprietor launched the sale of shares in BORICA EAD. A valuer having been appointed at tender to evaluate BORICA's assets, the BNB offered each of the 35 Bulgarian commercial banks equity in the company. Equity offers to each bank were within these limits:

- Total equity offered to banks was 66 per cent of BORICA EAD
- Individual bank offers were proportional to that bank's share in bank card ATM POS terminal transactions over a set past period
- No commercial bank could buy more than 10 per cent of BORICA shares.

The offer was launched at the end of 2004.

## IV. Commercial Bank Reserves with the BNB

Amendments to minimum required reserve regulation adopted in 2004 had a significant effect on the total volume and structure of reserves. The deposit base for calculating required commercial bank reserves increased with the inclusion of deposits with over two-year maturities. Lev deposits rose by 32.44 per cent, with foreign currency deposits rising by 30.36 per cent. Lev-denominated reserve assets held on account with the BNB increased by 24.28 per cent on the previous year, their absolute amount exceeding settlement needs by a factor of two. Foreign currency reserve assets increased by 68.86 per cent.

The amount of banks' minimum reserves in foreign currency fluctuated greatly in line with fiscal flow seasonality, making up between 17.72 per cent of required reserves (as a proportion of total borrowed funds) in January and 58.74 per cent in August. As to currency structure, banks' preferences were split almost equally between Swiss francs and US dollars. Reserve assets in euro were insignificant reflecting higher euro profitability on international markets, as well as the opportunity for commercial banks to trade with the BNB at same day value without transaction costs.

In 2004 sixteen banks contravened Ordinance No. 21 on the Minimum Required Reserves Maintained with the Bulgarian National Bank by Banks and were sanctioned. Despite high banking liquidity over the year, sanctions were imposed on some banks for minimum required reserve violations or for occasionally utilizing over half of their reserve assets on individual days.

## V. Cash in Circulation

### Banknotes and Coins in Circulation (Outside BNB Vaults)

Solely the Bulgarian National Bank may put banknotes and coins into circulation in Bulgaria. Banknotes and coins issued by the Bank are legal tender and are mandatorily acceptable as payment at full face value without restriction. The BNB prints banknotes and mints coins, and safeguards uncirculated and withdrawn banknotes and coins.

By 31 December 2004 money in circulation came to BGN 5020.2 million nominal value, up BGN 756 million or 17.7 per cent on the end of 2003. Monthly dynamics of cash in circulation over 2004 followed recent years' seasonality associated mostly with the summer tourist season, Christmas bonuses, and taxation.

In 2004, 130 million banknotes to a nominal value of BGN 1627.7 million, and 61.1 million coins to a BGN 17.1 million nominal value were printed and minted. During the year 84,326,400 mutilated or damaged banknotes worth BGN 789.6 million were destroyed. No coins were destroyed over the reporting period.

### Banknotes and Coins in Circulation



Source: BNB.

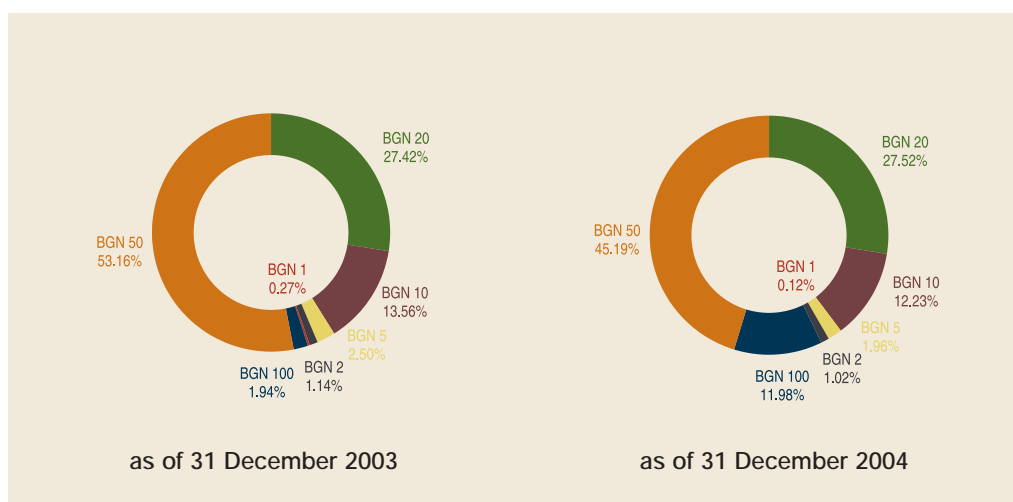
By the end of 2004 banknotes in circulation<sup>16</sup> numbered 249.3 million, amounting to BGN 4938.4 million. Compared with the end of 2003, they rose by 13.1 million or BGN 742.1 million (17.7 per cent). As of 31 December 2004 the average banknote in circulation was worth 21.54 leva against 19.40 leva a year earlier. The recent years' upward trend in the value of the average banknote in circulation reflects increased demand for higher denomination banknotes.

Demand for 10 and 20 lev denominations was clearly pronounced throughout 2004, reflecting the dramatic increase of debit and credit card holders in recent years and commercial bank ATMs operating with 10 and 20 lev denominations. The new 100 lev banknote launched at the end of 2003 comprised 11.98 per cent of the value of banknotes in circulation at the end of 2004.

<sup>16</sup> Issues 1999 and 2003, and old legal tender issues.



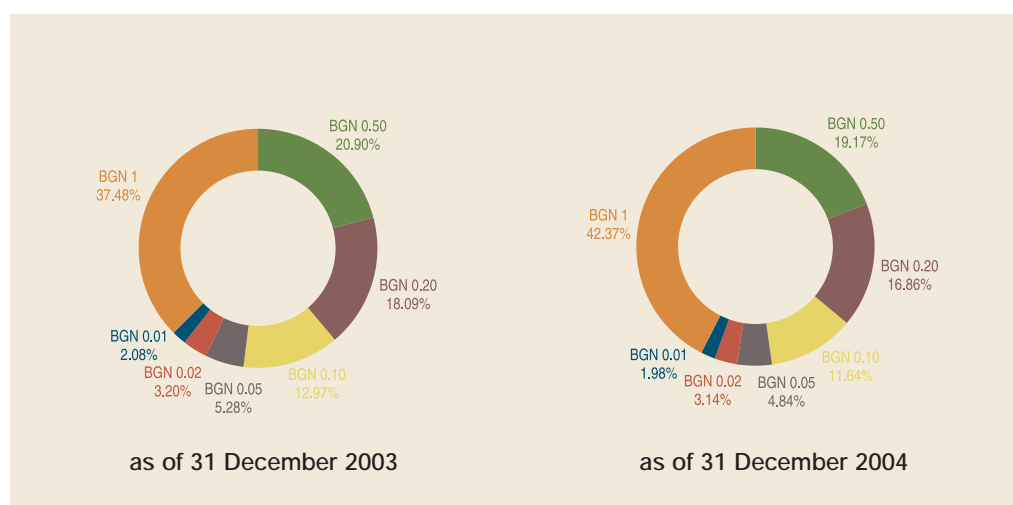
### Denomination Composition of Circulating Banknotes (by Value)



Source: BNB.

By the end of 2004 coins in circulation<sup>17</sup> outside BNB vaults numbered 554.6 million, worth BGN 75.6 million. Compared with the end of 2003, they grew by 76.6 million or BGN 13.3 million (21.3 per cent). As of 31 December 2004 new issues of circulating coins accounted for 1.51 per cent of cash outside BNB vaults against 1.46 per cent by end-2003. As of 31 December 2004 the average coin in circulation was worth 0.14 leva against 0.13 leva a year earlier. Following Bulgaria's accession to NATO, in April 2004 the BNB put into circulation a new coin with a nominal value of BGN 0.50 and a total mint run of a million.

### Denomination Composition of Circulating Coins (by Value)



Source: BNB.

In line with its 2004 issuing policy, the BNB put into circulation the following commemorative coins:

- Palm Sunday: a coloured CuNi coin with a nominal value of BGN 5 and a mint run of 10,000;
- 125 years Bulgarian National Bank: a gold coin, standard 999, and a mint run of 3000;
- The Ivan Vazov National Theatre at 100: a silver coin (piefort), standard 999, with a nominal value of 10 leva and a mint run of 5000;
- The Ivan Vazov National Theatre at 100: a silver coin, standard 999, with a nominal value of 10 leva and a mint run of 5000;
- Sveti Nikolay Chudotvorets: a silver coin, standard 999, with a nominal value of 10 leva and a mint run of 8000.

<sup>17</sup> Issues 1999, 2000 and 2002.

## Non-genuine Banknotes and Coins

Key factors involved in maintaining confidence in the Bulgarian National Bank and achieving efficiency in the BNB's fight against non-genuine banknotes and coins include safe and effective regulation through legislation, improving interaction between institutions, and programmes and measures for protecting the national currency.

Amendments to Article 27 of the Law on the BNB adopted in early 2005 provide the legal mechanism for interaction between the central bank and other financial institutions as regards withdrawing all retained banknotes and coins suspected of being non-genuine or counterfeit. This mechanism has benefited from accumulated experience (banknotes and coins suspected of being non-genuine were retained by commercial banks or exchange bureaux and submitted to the BNB Issue Department for analysis). It creates the legal framework required for the successful work of the BNB National Analysis Centre established within the Issue Department in 2004.

The National Analysis Centre performs verifications and expert assessments of Bulgarian or foreign banknotes and coins suspected of being non-genuine or counterfeit and sent by financial institutions or the legal system. In 2004 non-genuine Bulgarian banknotes reported by the BNB National Analysis Centre numbered 2295 or 851 more than in 2003. Non-genuine 20 lev banknotes comprised the largest share (59.5 per cent). The number of non-genuine banknotes compared to genuine ones was just 0.00092 per cent. According to international assessment practice, this share of non-genuine banknotes does not threaten the quality of money circulation. In 2004 non-genuine circulating coins reported and kept by the BNB National Analysis Centre numbered 1888.

### Non-genuine Banknotes Registered in 2004

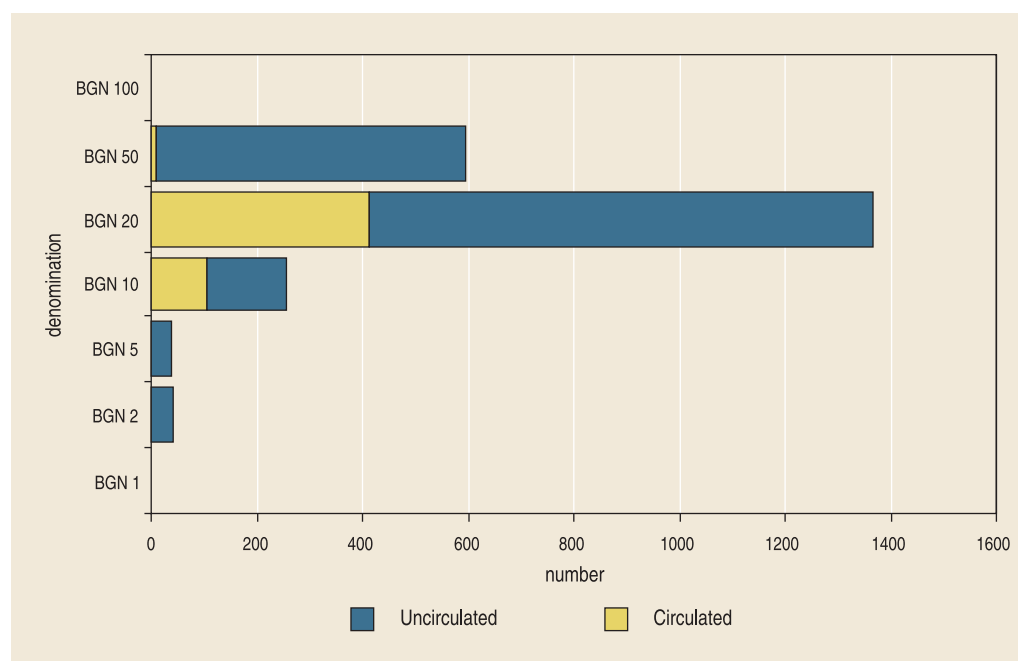
(number)

Denomination	BGN 1	BGN 2	BGN 5	BGN 10	BGN 20	BGN 50	BGN 100
Uncirculated	2	40	37	148	953	584	0
Circulated	0	0	1	107	413	10	0

Source: BNB.

In performing the functions of an expert assessment of foreign banknotes and coins retained within Bulgaria, in 2004 expert assessments of 7409 non-genuine euro banknotes, 11,024 US dollar banknotes and 244 banknotes in other currencies were reported by the BNB National Analysis Centre.

### Non-genuine Banknotes Registered in 2004



Source: BNB.

The BNB has benefited from the partnership assistance provided by the European Commission, OLAF and the ECB. After exchanges of experience and procedure design, an agreement was signed between the BNB and ECB to prevent euro counterfeiting. Under it, the BNB will conduct an ongoing exchange of information, collaborating with the European Central Bank on all issues related to euro protection against counterfeiting.

## **BNB Cash Operations**

Cash operations carried out by the BNB included operations on supplying and releasing banknotes and coins in the form of valuable packages to and from commercial banks, keeping uncirculated banknotes and coins and mutilated or damaged banknotes and coins, sorting and counting and destroying banknotes, counting coins, monitoring the authenticity and physical properties of banknotes and coins accepted by the BNB, servicing retail customers in lev and reserve currency at tills, and selling government securities to individuals. Operations in lev and foreign currency of first-level budget-spending entities are effected at the Regional Cash Office in Sofia.

Over the reporting period the BNB has processed 321.2 million banknotes and 99.8 million coins, worth BGN 4433.1 million, an increase of 9 per cent in banknotes and 12.7 per cent in coins on 2003. Banknote and coin purchases from and sales to commercial banks numbered 11,392, worth BGN 9110.3 million in 2004. In the second half of 2004 banknote and coin purchases from and sales to commercial banks rose by 11.46 per cent on the first half of 2004. The BNB purchased banknotes and coins from 25 banks in Bulgaria, worth BGN 4268.4 million, and sold banknotes and coins to 22 banks, worth BGN 4841.9 million. In 2004 greater purchases by the Regional Cash Office in Sofia and greater sales by other regional cash offices were sustained.

In addition to cash operations on supplying and releasing cash for commercial banks, the BNB conducts a number of additional operations for cash service to individuals and first-level budget-spending entities, and also purchases and sells euro banknotes.

Differences in the standard service packages which commercial banks receive from BNB regional offices were removed with the General Terms of Till Service to BNB Customers with Banknotes and Coins in the Form of Valuable Packages adopted at the end of 2003 and the new Tariff of BNB Cash Service Fees and Commissions. The General Terms brought better access and uniformity to wholesale cash service. The changes removed the problems in distributing banknotes and coins to individual regions.

Analyzing the performance of the new General Terms and the Tariff, the following trends emerged in 2004:

- an increased number of commercial banks serviced by the BNB;
- an increased turnover at BNB regional cash offices from dealings with commercial banks.

In 2004 the BNB Issue Department's ongoing review of the entire organization of cash operations, and of the capacity of sorting, counting and destroying machines intends to check compliance with European Central Bank standards and requirements. Based on the review of cash operations, the BNB will further amend the legal framework in line with the general and internal objectives aimed at maintaining quality and security, and ensuring flexible banknote and coin distribution.

Harmonizing the BNB's processing and storing of banknotes and coins with euro area countries started in 2004. To this end, regulatory changes were introduced. New Internal Rules for Accepting, Delivering and Storing Banknotes and Coins, and Strategic and Logistic Stocks of the Bulgarian National Bank were approved by a decision of the BNB Governing Council. Instructions required for the enforcement of these rules and actions involved in planning and distributing cash balances in the transitional period were drawn up. This regulatory framework underlied the establishment of strategic, logistic and operational stocks in 2005, and related reorganization. Genuine conditions for restructuring domestic cash operations were created, aligned with increasing efficiency and compliance with euro area requirements.

## VI. Maintaining Banking System Stability

### 1. State of the Banking System

In 2004 the total amount of commercial bank assets grew by BGN 7,547,306,000 to BGN 24,869,823,000: a 43.57 per cent growth.<sup>18</sup> Lending increased by 47.15 per cent, showing the most dynamic development.<sup>19</sup> Deposits grew by BGN 5,927,687,000 or 43.58 per cent. The banks' capital base rose by 7.78 per cent. By the close of 2004 profit was BGN 421,164,000.

Transactions throughout 2004 continued to sharpen banking system *risk profile*. *Credit risk* remained the major risk for most banks despite various supervisory and financial measures initiated to curb lending growth. The excess over the high credits to assets ratio would boost pressure on the capital position of individual banks and the system as a whole. During the last 12 months foreign financing attracted by banks increased as a result of significant bank innovations and banks' ambition for extending market niches. This meant enhanced competition between commercial banks (mostly Group I ones). New bank product prices tended to fall, especially in the consumer and mortgage segments. In some banks, however, this fall breached internal rules and procedures for the control and management of inherent risk.

Sensitivity to *currency risk* remained low. Major banks kept US dollar positions short and euro ones long. The system position was short, accounting for 4.39 per cent of own funds.

*Price risk* played an insignificant role in the banking system balance sheet. Despite some banks' ambitions to increase transactions in trading with investment instruments at a quite high level of market speculation, sensitivity to changes in securities' prices and interest rate levels was low. Most banks' portfolios mainly comprised Bulgarian government securities, particularly small and medium banks at which foreign issuers' securities comprised an insignificant share of total portfolios (less than 5 per cent). Diversification by investing in government securities issues by countries listed in Appendices 1 and 2 of BNB Ordinance No. 8 on the capital adequacy of banks presupposed a lower risk ensuing from changes in portfolio prices.

The faster growth of interest-sensitive liabilities in 2004 led to changes in *interest rate risk* parameters. By the close of the year banking system interest-sensitive liabilities exceeded interest-sensitive assets, with the share of cumulative GAP position reaching -1.57 per cent of total assets. Compared with late 2003, the interest rate GAP changed from positive to negative. Interest rate sensitivity for most of institutions remained moderate, showing a potential to meet fluctuations in interest rate levels, given the significant interest rate margin. In 2004 banks succeeded in maintaining asset structures and financing which provided adequate liquidity.

Enhanced lending was the leitmotif in 2004 commercial bank behaviour. Despite significant lending, the growth *quality of assets* remained good. Most banks had to devote more and more financial and human resources to managing their sizable credit volumes. By the end of 2004 classified assets accounted for 3.86 per cent of total banking assets against 4.26 per cent at the end of 2003. Classified loans comprised 7.06 per cent of total bank credit (against 7.97 per cent at the end of the previous year). Against the background of increased assets and their highest risk segment (credits), the growth rate of classified assets in the last 12 months (29.42 per cent or BGN 222,297,000) should be considered an indicator of a possible future worsening of assets.

Analyzing banks' behaviour, several indications pointed to particular institutions as subjects to enhanced supervision: risk sharpness above the banking system average, supervision evidence of serious weaknesses in managing credit and major risks in asset operations; non-transparent transactions; and trends toward significant exposures with related persons. Supervisory measures against banks in the increased credit risk zone worked well, decreasing the potential threat to other banks, primarily by halting the spread of poor banking practice.

*Earnings* were high, ensuring adequate returns on assets and equity. The higher 2004 result (BGN 421,164,000 against BGN 319,133,000 in 2003) predetermined a 2.06 per cent return on assets (ROA) against 2.04 per cent in 2003, and 20.02 per cent return on equity (ROE) against 18.73 per cent in 2003.

<sup>18</sup>The effect of transactions on privatization of energy distribution companies in the amount of BGN 1354 million also contributed to the reported sizable growth.

<sup>19</sup>The insignificant difference in credit growth rates in this and the first section was due to methodological differences in determining credit portfolio scopes for supervisory and statistical purposes.

Intensive 2004 credit growth, coupled with a steady increase in interest income and income from fees and commissions allowed banks to counterbalance the effect of the financing price rise to some extent and narrowed interest rate spreads. With the greater number of new products and services in both lending and deposits, fee and commission earnings became more significant. On the other hand, the change in the makeup of the sources of financing (as regards funds borrowed from abroad to make up insufficient resource) slowly pushed up asset financing rates. The increase in non-interest expenditure did not exert serious pressure on banks' profitability due to the ability to generate economies of scale. The extra profit remained an income component in only a few banks, and the effect of foreign exchange operations was insignificant. In most banks, credit and market risk levels did not worsen the quality and quantity of earnings due to additionally allocated provisions or significant interest rate fluctuations on earnings. However, poor management of financial and operational spending hit some banks' earnings. These banks featured: volatile earnings from core operations, with earnings from extra operations instrumental in forming the financial result; high operating expenditure; internal capital support deficits; and a high reliance on corrective supervisory measures. Such banks' market share was insignificant, and developments there are not indicative of general trends.

A gradual worsening of commercial banks' *capital positions* characterized the last 12 months. This involved both the structure and volume of asset risk components and capital base growth. Against 43.57 per cent asset growth and 47.15 per cent credit growth in 2003, the capital base grew by 7.78 per cent to BGN 2,320,534,000: a major factor behind falling capital indicators. Regulatory ratios were also affected by the amendments to Ordinance No. 8 of the BNB establishing the mechanism for including current profit into banks' capital bases. Most commercial banks continued to make efforts to keep asset dynamics from violating regulatory capital indicators. Concurrently, some banks' capital positions were under severe pressure from external and internal factors, resulting in capital erosion and indicators close to legal limits. Yet, even assuming a worsening of problems in some of these banks, banking as a whole would hardly be affected. The finances of these institutions and the banking model steadily engaged supervisory attention and required significant resources to subdue risk. Despite the capital adequacy ratio falling from 22.20 per cent at the end of 2003 to 16.58 per cent at the end of 2004, banking system excess capital was BGN 640,674,000 against BGN 989,004,000 at the end of 2003.

Banks' 2004 *liquidity* remained high. Liquidity was among the banking system financial indicators which have sustained their basic characteristics for over 12 months. Most banks' indicators were good, allowing more flexible asset management. There were no signs of depositor nerves, this ensuring stable funds and conditions for longer-term investment decisions (including increased lending). In 2004 banks succeeded in maintaining asset and financing structures, ensuring adequate liquidity.

## 2. Compliance with Prudent Banking Requirements

### General Conclusions

Most banks operated within supervisory requirements but a few departed from regulations, inviting corrective supervisory measures. Major findings on regulators in 2004 include:

### Capital Adequacy

The downward trend in capital indicators continued in 2004 reflecting significant lending growth. The 5.62 per cent annual fall showed the effect of aforementioned processes: faster growth of assets over the capital base increase; the key role of lending in growth; the effect of statutory constraints under which current profit may not be used to support capital; the lack of early measures to neutralize asset growth by employing flexible capital support tools. The overall fall in this indicator at most banks gives scant grounds for concluding that their capital position is approaching critical levels. However, overall capital risk requires attention by banks and changes to their 2005 business strategies. If the audited profit were included in primary capital, primary capital adequacy ratios would match the previous year's level: 14.44 per cent against 14.47 per cent in 2003.

### Large Exposures

In 2004 banks complied with regulatory requirements. Large loans (exposures) subject to regulation reached BGN 3,092,410,000, accounting for 133.26 per cent of banking system equity against 94.22 per cent at the end of 2003. No banks violated maximum admissible exposures. There were several departures from single exposure regulatory requirements in 2004, most being remedied after internal or BNB Banking Supervision Department measures.



**Internal  
Loans**

No formal regulatory violations of provisions on internal loans and loans to economically related persons were found. Nevertheless, cases of business relatedness between borrowers and banks were established in the course of full on-site supervisory inspections. Possible adverse developments in these borrowers' businesses would impact creditors.

**Foreign  
Currency  
Exposures**

In 2004 currency risk indicators reflecting the structure of the banking system's and individual banks' foreign currency positions changed little. By the close of the year the foreign currency position remained short, comprising -4.39 per cent of the capital base. Banks' positions were mostly short in US dollars and long in euro, reflecting the domination of USD liabilities by USD 274 million and euro assets by EUR 413 million. This structure does not threaten banking system equity and reflects banks' efforts to avoid balance sheet risk concentrations.

**Investment  
in Fixed  
Assets**

By the end of 2004 investment in fixed assets reached BGN 686,879,000, accounting for 29.60 per cent of banks' capital against 28.50 per cent in 2003. Investment in fixed assets and interests in companies other than banks amounted to BGN 717,122,000 or 30.90 per cent of banking system capital (against 30.59 per cent in 2003). No regulatory violations were found, with ratios in most banks being far below limits.

### 3. Banking Supervision in 2004

**Supervisory  
Policy,  
Ordinances, and  
Accounting  
Methodology**

Following a cycle of surveys on the development of the Bulgarian economy and consultations with the International Monetary Fund, a new review under the Financial Sector Assessment Program (FSAP) was prepared in 2004. It included financial market trends in the context of macroeconomic growth and the need to maintain stability. Along with a positive assessment on the BNB's enhanced institutional capacity and on regulatory framework progress, the banking sector and banking supervision section also included possible measures to curb and balance lending.

By the end of June 2004 the Basle Committee on Banking Supervision adopted the new *International Convergence of Capital Measurement and Capital Standards: a Revised Framework*. The new capital adequacy framework known as Capital Accord II, and Bulgaria's pending accession to the European Union in 2007, predetermined Bulgaria's banking supervision strategy. It complies with EU Commission views on establishing a common financial services market, and with the European supervisory framework on financial services.

To accomplish these goals and cope with the ensuing challenges, the Banking Supervision Department announced to the banking community its plan for preparing and applying the new capital requirements consistent with the expected amendments to Directive 2000/12/EC on credit institution activity. A special working group aims to organize an efficient and timely implementation of the Banking Supervision Department's major task. Specialized subgroups within it shall design a new national framework for measuring and reporting risk and capital requirements to banks.

In 2004 the Bulgarian National Bank signed a new memorandum with a foreign supervisory body: the Banking Commission of France. The memorandum aims to regulate and facilitate the exchange of bank information and supervisory cooperation. Signing of a similar memorandum between the BNB and the Republic of Turkey is pending. Thereafter, countries which own banks in Bulgaria and countries where Bulgarian banks operate through branches or subsidiaries will be fully covered.

Progress in banking supervision entails meeting new supervisory capacity requirements and higher corporate management standards, as well as making banking transactions more transparent. The Banking Supervision Department has made efforts to update and improve the regulatory base in line with Bulgarian conditions and the degree of banking risk.

The BNB amended its Ordinance No. 9 on the evaluation and classification of risk exposures of banks and the allocation of provisions to cover impairment loss. The former Doubtful and Loss Exposures have been merged into a Non-performing Exposures group on which not less than 100 per cent provision is required. The maximum default term for an obligation classified under this group has been cut from 180 to 90 days. Conditions under which banks restore restructured exposures to more favourable groups have been tightened.

In April 2004 *Ordinance No. 8* on the capital adequacy of banks was amended by setting out terms under which banks may include current profits into primary capital. The amendments provide for applying risk weights which correspond to the guarantor's risk weight on the guaranteed portions of bank exposures partially covered by zero-risk or low-risk assets.

In 2004 seminars and consultations with experts from the French and Dutch central banks were organized under their *Twinning Covenants* with the BNB. They addressed the introduction of capital requirements on market risk in determining banks' capital adequacy ratios adequate to the specific Bulgarian conditions and in compliance with EU directives.

In fulfillment of pre-accession commitments by the close of the year, a new Ordinance No. 8 on the capital adequacy of banks was adopted to include market risk capital requirements. The changes were intended to prevent banks forming significant trading portfolios of financial instruments. Banks may apply two approaches to measuring and reporting market risk (a function of capital requirement from the second half of 2005): a standard one, or one based on value-at-risk (VaR) internal models. The standard approach will be mandatory for measuring market risk, while the internal models applied by banks will be recognized for supervisory purposes where sufficient expertise is demonstrated and sundry qualitative criteria are met.

The new Ordinance on bank capital adequacy provides for greater precision in reporting bank transactions as well as safeguards for the necessary capital coverage under existing credit risk requirements. Credit risk weights are retained and include an additional requirement to mortgages risk-weighted at 50 per cent: the amount of loans may not exceed 70 per cent of property values. Where this ratio is violated, exposures have to be assigned a 100 per cent risk weight. The new requirements are expected to help restrain excessive credit risk in mortgage lending.

In line with the above, amendments to *Ordinance No. 7* on the large exposures of banks provide for an equal approach by recognizing partial guarantees in computing regulatory limits. The scope of exceptions for special cases was widened to include banks' exposures to parent banks or subsidiary credit institutions within local or foreign bank groups. The range of related persons covered by constraints has been extended. An additional provision on measuring and reporting large trading portfolio exposures was included.

*Supervisory reports* were changed to reflect amendments to the above ordinances. Updated capital adequacy measuring and market risk reports are pending.

#### **Supervisory Administration, Licenses and Permits**

The Banking Supervision Department's core work is managing bank regulation and applying measures and penalties. The year saw 34 supervisory measures imposed at 29 banks. Eleven of the measures (including lifting two earlier measures) were instructions. Less formal measures included a supplementary agreement on a rehabilitation memorandum with a bank, and a warning to a foreign bank branch for legal breaches in customer operations. Measures at banks with capital adequacy ratios close to the minimum worked well. Following enforcement by the BNB, these banks developed and implemented capital boosting procedures and adhered to Ordinance No. 8 on the capital adequacy of banks. Most supervisory measures followed inspections, though more measures than before followed regular reports and casual examinations. The Sofia City Court upheld a property sanction imposed on one bank.

Despite a number of enquiries in 2004, no banking license applications were made in the review period, and no licenses were issued. Fifty-three permits were issued under the Law on Banks: double that of the corresponding period of 2003. Most of them were under Articles 19 and 19b of the Law on Banks on acquiring more than 10 per cent of a bank's equity, or on qualified participation in the increased equity. Three bans on increasing equity holdings were issued to a bank. The remaining permits were issued for, *inter alia*, changes to banks' names and qualified holdings in non-bank companies. Also issued were 52 certificates of the banking qualifications and professional experience of bank board nominees. Eight permits were issued under BNB Ordinance No. 8 for inclusions of subordinated term debt sums (debt/capital hybrid instruments) into supplementary capital reserves, as well as one permit for transforming a sum attracted under these conditions into a contribution to the bank's equity increase. Pursuant to the newly issued BNB Ordinance No. 36, 14 banks were approved to act as custodians under the Social Security Code.

#### **On-site Supervision (Inspections)**

Inspectors evaluated bank risks through formal on-site inspections. The annual inspection schedule was prepared and followed in accordance with supervisory strategies and the risk ratings of individual banks consistent with the principles of a risk-based approach.

Banks from all bank groups were inspected: seven from Group I, ten from Group II, and four from Group III. Of 21 full supervisory inspections, 17 were at local banks, and four were at foreign banks' branches. CAMELS ratings were assigned to banks to determine supervisory strategies and importance (seriousness) criteria for follow-up supervisory measures at inspected banks. One bank got a higher rating, three had their ratings lowered, and the rest were

unchanged. The rating components for equity, asset quality and management were most often lowered, reflecting enhanced risks accompanying asset growth as well as management and credits, the highest-risk component. As a result of increased earnings from ordinary bank transactions, profitability component ratings were often improved, reflecting banks' prudent handling of operating expenditure. The liquidity component rating was least changed, evidencing effective liquidity management.

Supervisory inspections primarily aimed to identify risk zones and levels, and determine managements' capability to measure, control and manage risks effectively. Also checked were: capital adequacy, shareholder quality (support), credit risk (extent and management), management actions, internal rule and procedure quality, observance of banking legislation, earnings adequacy and trends, liquidity management, market risk (extent and management), off-balance sheet commitment risks, the scope and quality of internal control, and information technology reliability. Given enhanced lending, more than 70 per cent of on-site inspection time was spent reviewing and assessing asset quality. Supervisory inspections found 171 breaches of banking legislation and supervisory rules, resulting in 249 recommendations. Breaches mostly involved incorrect classification of risk exposures (84), credit concentrations exceeding statutory limits (19), deficient methodology for reporting credits through the method of net current value based on the effective interest rate and impairment of risk exposures under International Accounting Standard 39 (10).

Measures to remove breaches and bring operations into line with supervisory requirements were enforced. Recommendations included a wide scope of measures intended to improve lending and decrease concentrations, improve internal rules, renew information technologies. Some banks for which lending was a priority were advised to limit extensive credit growth until the removal of problems in lending and breaches found by supervisory inspections.

Banks have set up adequate lending procedures but still there were departures from their internal rules on approval and in monitoring and managing consecutive credit transactions. Approving sizable loans to new companies without backgrounds or credit histories with no proven repayment sources was defined as poor banking practice. Very often these companies appear to depend financially on shareholders (by virtue of intercorporate finance agreements) who are the actual loan recipients. This sidesteps legal constraints on large concentrations. Usually such loans feature long interest and principal repayment grace periods, while the funds are disbursed at once in advance. At the same time, there is scant monitoring of borrowers' financial states, of business development, of how investment programs are implemented, or of whether cash flows can ensure debt service. Loans often violated the requirements for prudence and control over spending, thus pushing up the probability on defaulting.

Lending reviews in certain banks showed up underdeveloped rules and procedures which did not allow adequate evaluation of the variety of credit products, poorly compiled credit files which did not contain requisite information, overworked inspectors, and hence incorrectly classified and provisioned exposures. Responding to fierce competition for customers, some banks introduced shortened procedures for studying and approving new loans which, coupled with the lack of experience in administering lending, resulted in default increases. To improve lending, various stabilizing measures were recommended and followed up.

Dynamic credit institution development through 2004 entailed a number of changes to update market profiles and improve service quality. Organizational structures, information and management information systems, and control mechanisms changed, key personnel to drive the changes through were recruited, flexible staff training was introduced, and closer interdependence between performance and personal responsibility was brought in. Remarks addressed to senior management were associated mostly with supervisory violations, the lack of comprehensive strategies, the need to improve market and operational risk assessment, imprudent dividend policies, and insufficient shareholder support.

Given the increased volume of bank assets in 2004, new inspectors were appointed, bringing the number of new employees over the past two years to eight. The increased number of inspectors complied with the supervisory strategy to reinforce personnel and helped make on-site inspections more frequent and accomplish banking supervision objectives in the context of faster banking development.

Significant legislative framework amendments coupled with consistent efforts to integrate on-site and off-site supervision entailed updating of the On-Site Inspections Manual. The most significant changes were in respect of International Accounting Standards. Given extensive lending, a number of statements in the set of required documents were supplemented or supplanted to provide comprehensive information and adequate risk evaluation. Procedures and questionnaires throughout the Manual were extended and supplemented.

## Off-site Supervision

In 2004 major emphases in off-site supervision involved:

- Adequate analysis of commercial banks' current performance based on financial reports submitted for supervisory purposes;
- Assigning three-month CAMELS ratings by four components: capital adequacy, asset quality, earnings, and liquidity, and identifying the respective trend in the risk profile of each commercial bank (steady, downward, or upward);
- Preparing three-month analyses of banking system performance, including reviewing major trends and risk zones and modeling the direction and sharpness of future risks based on stress tests.
- Analyzing the financial performance of foreign institutions with subsidiaries in Bulgaria with regard to financial backing where necessary.

The efforts of the team of inspectors and analysts were aimed at identifying increased risk zones and enforcing remedial measures.

In addition to this, inspectors helped prepare reports of varying type and complexity on pending amendments to supervisory regulations and on developments in databases for the purposes of BNB competent bodies.

Significant efforts were made to improve analytical instruments resulting in changes in the set of indicators included in the Unified Bank Performance Report. Since 2004 analyses of the banking system performance are published in the Commercial Banks in Bulgaria quarterly bulletin.

## Special Supervision

In 2004 the Special Supervision Department's priorities involved:

- strengthening banks' financial stability and increasing transparency by ongoing monitoring of commercial bank equity structures. The economic relatedness of shareholders, their financial performance and finance sources were analyzed. Supervisory effort provided information on holders (direct and indirect) of commercial bank equity; in-depth assessments of banks' financial performance and its correspondence with shareholder participation; and individual shareholders' ability to provide equity support.

As a result of these measures, equity restructuring continued, with six non-resident entities (including three offshore companies) ending their participation in three commercial banks.

- In view of the risk concentrations brought on by the launch of new bank consumer products, target supervisory inspections were conducted at banks pursuing aggressive lending policies. To gain market share, banks have pursued flexible retail policies, launching ranges of products aimed at specific groups. A supervisory goal here was to assess whether commercial banks court undue risks.

Supervisory target inspections at four banks found that they were aware of the risks implicit in newly launched products and employed effective methods for identifying measuring, controlling and monitoring them. No weaknesses in the credit process were found. Though dynamic, banking developments were accompanied by due restrictive systems and procedures and by risk evaluation. Though customer portfolio duration (approximately 12 months) was still insufficient to paint complete credit risk pictures, control systems did minimize problems. The amount of classified exposures on problem consumer credits ranged between 1.5 per cent and 2.83 per cent of the total consumer credit portfolio.

In compliance with the Basle Banking Supervision Committee's prudent banking supervision principles, and with recommendations elsewhere on money laundering, supervisory identification of money laundering and terrorist financing risks was initiated. Following clear rules and policies as regards comprehensive inspections of new and existing customers was extremely important in avoiding reputation, operational, legal and concentration risks which may cause significant financial losses. Inspections found that banks maintained a system of adequate and effective controls and procedures which helped improve customer knowledge.

Collaboration with institutions responsible for law enforcement in the financial sector remained intensive. Memorandums for understanding with the Financial Intelligence Agency and the Financial Supervision Commission led to joint actions and coordinated efforts for efficient supervision and ensuring financial sector stability.

Efforts regarding the Foreign Exchange Law and its statutory instruments aimed at ensuring transaction transparency. Special attention was paid to compliance with the requirement to declare direct investment and financial loans to the BNB, as well as the scope of financial loans.

Measures and instructions issued by the BNB to ensure compliance with foreign currency legislation involved five banks and 17 financial brokerage houses. Violations were found at one bank and administrative sanctions were imposed.

During the year six financial brokerage houses ceased complying with BNB Ordinance No. 26 and their foreign exchange permits were withdrawn.

The number of BNB licensed companies trading as financial brokerages increased by seven to 82 by the close of 2004. Of them, 29 had investment intermediary licenses from the Financial Supervision Commission. Foreign exchange bought and sold by financial brokerages against levs amounted to BGN 1,754,162,850 and BGN 1,735,433,950: an increase by 24.1 per cent and 23.6 per cent respectively.

A register is kept of entities which have advised the BNB of transactions under Article 1, para. 6 of the Law on Banks. By 31 December 2004 they numbered 60. Companies conducting transactions under Article 1, para. 5 for which no permit is required gradually increased. They were active in the sectors offering financial and operational leasing for purchasing movable and immovable property. Specific inspections of the financial services provided showed that companies operated mostly with borrowed funds or financial loans from non-residents. No cases of deposit taking were found in the course of inspections.

## VII. The Central Credit Register

The Central Credit Register (CCR) is an important information source for commercial bank lending decisions. Amendments to Ordinance No. 22 on the Central Credit Register of Banks were adopted by the BNB Governing Council, coming into force on 1 July 2004. These are the more significant changes:

- The scope of reported loans was extended, with the CCR including all loans irrespective of amount, except those to the Government or to the BNB, overdrafts on debit cards of up to BGN 1000 (provided they are classified as standard under BNB Ordinance No. 9).
- Inter-bank claims were excluded from the Register.
- Information was to be submitted electronically.
- The definition of a bank customer (all legal entities and physical persons) was clarified by excluding commercial banks.
- Nomenclatures used in the CCR were updated and a new information system was created.

Commercial banks have online access to CCR information through a password-protected website. Authorized officers' access is *via* digital certificates integrated into smart cards. The access fee fell significantly from BGN 10 to BGN 0.50 to encourage routine CCR use. Between July and December 2004 credit inquiries numbered 176,012.

At the close of 2004 the number of reported loans comprised 1,189,464 against 86,732 at the end of 2003 (loans of over BGN 10,000). The number of loans extended to legal entities at the end of 2004 was 61,608, and their balance-sheet exposure came to BGN 9590.7 million or 70.59 per cent of total balance-sheet exposure.<sup>20</sup>

By the close of 2004 loans to the *Trade, repair and technical services* sector had the largest share (25.16 per cent) of total loans, followed by those to *Manufacturing industry* (18.43 per cent) and individuals (28.43 per cent).

By 31 December 2004 claims in levs (51.12 per cent) occupied the largest share of balance-sheet exposure by currency, with the euro ranked second at 42.25 per cent, and the US dollar accounting for 6.62 per cent. Claims in other currencies occupied an insignificant share.

By term, on 31 December 2004 loans of over three years had the largest share at 59.58 per cent. Claims of one to three years accounted for 26.29 per cent, and those with a term of one year, for 14.13 per cent.

<sup>20</sup> The Central Credit Register publishes credit information on an aggregate basis by, *inter alia*, category, currency, and term on the BNB website.



## VIII. The Fiscal Agent and Official Depository Function

The Bulgarian National Bank is the state's fiscal agent and depository.<sup>21</sup> As depository, the Bank organizes and implements, *via* commercial banks, budget cash implementation and information support. Under conditions agreed with the Minister of Finance, the Bank acts as government debt agent.

In line with the Government's Debt Management Strategy (2003 to 2005), a step-by-step division of tasks agreed between the MF and the BNB continued in 2004. As a result, the number of employees in fiscal agency fell by 15.5 per cent by the end of the year. In 2004 the BNB collected market-based fees and commissions of BGN 700.8 thousand under agreements with the Ministry of Finance. Thus, the total revenue generated by the agency came to BGN 1.2762 million.

### Budget Cash Implementation and External Debt Operations

The BNB as government cash depository provides information on budget cash implementation *via* commercial banks. To this end, information on budget, extra budgetary, accumulation, deposit, and letter-of-credit accounts of budget entities in levs and other currencies was regularly gathered from depository banks (26 including the central bank) and processed by the automated information system. Under joint instructions of the Minister of Finance and the BNB Governor, since April 2004 information on these accounts was prepared daily. In 2004 the average monthly balance of budget entities' accounts with the BNB was BGN 4258 million, an increase of BGN 684.9 million on 2003. At depository commercial banks, it was BGN 947.6 million *vis-à-vis* BGN 785.6 million in 2003.

Over the reporting year current and final information on the balances of accounts included in the fiscal reserve and serviced by the BNB and depository banks was collected and submitted to the MF daily. At the end of 2004 total balances on accounts included in the fiscal reserve came to BGN 4714.5 million,<sup>22</sup> with a minimum fiscal reserve projected by the Republic of Bulgaria 2004 State Budget Law accounting for BGN 2500 million.

In compliance with the Republic of Bulgaria 2004 State Budget Law<sup>23</sup> and standing joint instructions by the Minister of Finance and the BNB Governor, balances of all budget entities' accounts with commercial banks were secured by blocking domestic and external debt government securities held by the banks in favour of the Ministry of Finance. As of 1 April 2004 the BNB began comparing data on balances of budget entities' accounts with commercial banks covered by government securities with information on the total balances of budget entities' accounts reported by commercial banks. The average monthly nominal value of blocked domestic government securities came to BGN 644.9 million, EUR 55.4 million and USD 38.9 million, and of foreign government securities to USD 76 million and EUR 9.8 million.

In 2004 the system for registering and servicing external debt registered 31 Bulgarian government foreign financial obligation agreements under which the BNB acted as agent for calculations and payments of EUR 4620.7 million.<sup>24</sup> Payments numbered 90, worth EUR 871.6 million, including repayments of EUR 643.9 million and interest of EUR 227.7 million.

### The Trade in Government Securities

The AGS automated system for holding government securities auctions was successfully launched in November 2004 pursuant to the Government's Debt Management Strategy and the Strategy for Bulgarian National Bank Development between 2004 and 2009 approved by the BNB Governing Council. The AGS terms of reference were prepared by BNB experts with regard to the business requirements agreed with the Ministry of Finance.<sup>25</sup> Thanks to the new system, interrelations between auction participants improved in line with the international procedures and standards (using SWIFT and VPN in applying a universal electronic signature). It ensures the entire automated processing of end-to-end orders. Following the launch of AGS, the

<sup>21</sup> Detailed statistical information on BNB fiscal services and the state's official depository function is presented in the Appendix.

<sup>22</sup> Balances on forex accounts are recalculated in levs based on the official BNB exchange rate for 31 December 2004.

<sup>23</sup> See § 24, paras. 2 and 3 of the Transitional and Final Provisions of the Republic of Bulgaria 2004 State Budget Law.

<sup>24</sup> Total debt is recalculated in euro based on the official BNB exchange rate for 31 December 2004.

<sup>25</sup> The new system complies with the requirements of Amendments to Ordinance No. 5 of the MF and BNB on the Terms and Procedure for Acquisition, Redemption and Trade in Government Securities (*Darjaven Vestnik*, issue 101 of 2004).

lag between the end of auctions and the notification of results to participants was reduced significantly. The system increased transparency in the government securities market and minimized risks in registering and settling transactions.

During the review period eighteen government securities issues nominally worth BGN 671.1 million, of which the lev equivalent of EUR 65 million, were sold at the 34 auctions, including five auctions held using AGS. Throughout the year government securities demand exceeded supply, with a 2.95 average bid-to-cover ratio (2.52 in 2003). An average of 20 primary dealers, as in 2003, bid at the auctions.

Four subscriptions opened for replacing USD-denominated government structural reform securities (ZUNK bonds) with EUR-denominated bonds as part of the Ministry of Finance policy of increasing the euro share of debt. One bid was received from primary dealers in government securities.

In early 2004 major changes occurred in MF issuing policy as regards government securities target issues earmarked for direct sale to individuals (savings government securities). Three-year savings government securities denominated in euro were put into circulation for the first time. The maturity of lev issues was extended from three to five years. Issue periods were extended from two to four weeks. For the first time a ceiling was set on the quantity of government securities which could be acquired by an individual from a single issue (EUR 5000 or BGN 10,000). The year saw six BGN-denominated (worth BGN 13.104 million) and four EUR-denominated government securities issues (EUR 4.859 million). These were sold at BNB tills through the Sofia regional cash centre and by nine commercial banks acting as primary dealers of savings government securities.

The AIS automated information system for selling and servicing savings government securities maintained by the BNB registered 2190 certificates of government securities sales at BNB tills amounting to BGN 4372.1 thousand and EUR 982.9 thousand. Concurrently, 12,330 registrations of interest coupon payments (BGN 851.1 thousand and EUR 10.1 thousand), 3045 registrations of principal payments (BGN 6673.1 thousand ) and 766 registrations of repurchased prior to maturity government securities (BGN 1444.7 thousand and EUR 139.2 thousand) were made by the system.

In 2004 the ESROT computerized system for registering and servicing trade in government securities registered payments of BGN 371 million at maturity date, of which BGN 240.6 million was principal and BGN 130.4 million interest. The total of newly-registered government securities plus payment registrations came to BGN 1067.7 million, a decrease of 38.9 per cent on 2003.

Interest in medium-term and long-term government securities on the secondary market of debt instruments grew markedly, with more active trading in 2004 compared with 2003. Secondary market government securities transactions reached BGN 15,381.6 million, up 12.5 per cent on 2003. However, the total number of transactions posted the insignificant drop of 1.7 per cent. The 48.1 per cent rise in the volume of transactions over 2004 was due mostly to outright purchases and sales. Transactions with, and on behalf of, customers comprised almost half of total transactions, reflecting greater institutional investor trading.

According to the Tariff of Fees and Commissions Charged on Government Securities Transactions, in 2004 fees and commissions of BGN 575.4 thousand were collected from participants, including BGN 224 thousand for participation in ESROT and BGN 351.4 thousand for government securities transactions registered on the primary and secondary markets.

By the end of the review period 2407 accounts were kept with the Government Securities Settlement system, including 85 for government securities of the issuer (the MF), 888 for participants' own government securities portfolios, 967 for government securities primary dealers' customers, 372 for encumbered government securities, and 95 for government securities in liquidation (matured target issues sold to individuals *via* the BNB). Government securities in these accounts totaled BGN 2680.6 million in nominal value.

In 2004 records of pledges and removals of pledges on government securities worth BGN 35.1 million were entered into the Central Register of Pledges created by the BNB under the Law on Registered Pledges. Concurrently, transactions in government securities for securing budget funds with commercial banks grew by 25.6 per cent compared with 2003. This largely reflects the changed procedure for securing funds on accounts of budget entities with commercial banks.<sup>26</sup>

<sup>26</sup> Pursuant to § 24, para. 2 of the Transitional and Final Provisions of the Republic of Bulgaria 2004 State Budget Law which provides for daily regulation *via* government securities.

Within the framework of regulation and control over government securities transactions,<sup>27</sup> primary dealers were selected in June and December. During the December selection 23 commercial banks and three non-bank financial institutions were granted permits for investment intermediation under the Law on Public Offering of Government Securities.

Over 2004 regular planned examinations were conducted in 26 primary dealers with regard to meeting criteria for evaluation and selection of government securities primary dealers, and two extraordinary target examinations in 11 primary dealers.<sup>28</sup> Findings report that government securities primary dealers meet the criteria, observe their internal rules and the effective regulatory framework of the book-entry government securities market.

Work was mostly concentrated on improving the systems of registration and settlement of government securities at the BNB and increasing their efficiency. Jointly with the Ministry of Finance, business requirements were prepared for modernizing the ESROT system. On this basis, terms of reference for the system's updating were developed. They were drafted by BNB experts without external technical aid. In view of Bulgaria's accession to the EU, the systems maintained by the BNB will adapt further to European standards and market infrastructures in the area of securities settlement.

The operation of government securities registration and settlement systems at the BNB was periodically reported to the Association of Global Custodian (AGC Questionnaire) and CPSS/IOSCO (Disclosure Framework), a high compliance with standards being established.

<sup>27</sup> Ordinance No. 15 of the BNB and MF on the control over transactions in book-entry government securities.

<sup>28</sup> Pursuant to the provisions of Ordinance No. 15 of the BNB and MF on the control over transactions in book-entry government securities (*Darjaven Vestnik*, issue 119 of 27 December 2002) adopted in accordance with the Law on the Government Debt.

## IX. European Integration and International Relations

In 2004 preparation for the accession of the Republic of Bulgaria to the European Union entered a new stage. At the Brussels Summit on 17 December 2004, the European Council confirmed the successful completion of the negotiation process. This marked the start of drafting Bulgaria's Accession Treaty, which was ratified in April 2005.<sup>29</sup>

The Bulgarian National Bank cooperates actively with Government in fulfilling negotiation commitments within the Bank's purview. Apart from the four working groups (*Economic and Monetary Union, Free Movement of Capital, Freedom to Provide Services and Statistics*) in which the BNB continued to participate actively, in 2004 BNB representatives joined another three working groups (*Consumers and Health Protection, Financial Control and Economic Criteria, a Lisbon Strategy sub-group*). Bank specialists took part in the May regular sitting of Subcommittee 2, *Internal Market*, and Subcommittee 4, *Economic and Foreign Exchange Issues, Movement of Capital and Statistics*, in Brussels. The Bulgarian National Bank participated in the preparation of the Pre-Accession Economic Program for the 2004 to 2007 period in the areas of monetary and exchange rate policy, and banking sector development.

In the Regular Report on Bulgaria's Progress towards Accession (2004), the European Commission praises the stability of the currency board, the banking sector's role in financial intermediation, the efficiency of banking supervision, and the high degree of harmonization of Bulgarian bank legislation with *acquis communautaire*. Based on Regular Report recommendations within the Bank's purview, the BNB prepared an Action Plan for fulfilling negotiated commitments.

### 1. Harmonization with *Acquis Communautaire*

Bulgarian bank legislation is harmonized to a high degree with EU law. In 2004 the Bank helped prepare amendments to the legal framework regarding the central bank, the banking sector, and payment systems aimed at further harmonization with *acquis communautaire*. BNB goals were to adopt the amendments in the shortest time, thus enabling the banking sector to prepare for participation in the EU internal market. The prepared amendments were discussed with representatives of the banking sector. With a view to full harmonization with EU law, legislation was drafted, the main *foci* being central bank independence, banks' capital adequacy, fund transfers, electronic payment instruments, and payment systems.

By adopting the Amendments to the Law on the Bulgarian National Bank, the Bank's legal framework was brought into line with *acquis* and with commitments negotiated on the *Economic and Monetary Union* Chapter, while retaining the currency board conditions and principles.<sup>30</sup> According to the amendments, the primary objective of the Bulgarian National Bank is "to maintain price stability through ensuring the stability of the national currency." Additional guarantees related to institutional, personal, financial and functional central bank independence were introduced in compliance with the Treaty Establishing the European Community and with the Statutes of the ESCB and the ECB. Other amendments pertain to payment systems oversight, protection of banknotes and coins against counterfeiting, and central bank internal audit. The amendments to the Law introduced complete prohibition of government financing by the central bank.

The Law on Funds Transfers, Electronic Payment Instruments and Payment Systems was drafted in 2004. At the start of 2005<sup>31</sup> the Law was adopted, achieving full compliance with EU directives on cross-border credit transfers and settlement finality, as well as the recommendation concerning electronic payment instruments (see Section III).

<sup>29</sup> On 22 February the European Commission adopted a positive avis on the Accession Treaty; on 13 April the European Parliament approved it, and it was ratified on 25 April at Luxembourg.

<sup>30</sup> The Amendments to the Law on the Bulgarian National Bank were published in Darjaven Vestnik, issue 10 of 28 January 2005.

<sup>31</sup> The Law on Funds Transfers, Electronic Payment Instruments and Payment Systems was adopted by the National Assembly on 24 March 2005 and published in Darjaven Vestnik, issue 31 of 2005.

## 2. BNB Preparation for Membership in the European System of Central Banks and the Eurosystem

After the Treaty on Bulgaria's accession to the EU is signed, the BNB is expected to receive an invitation to sit as an observer on ESCB committees and on the ECB General Council. The BNB is actively preparing and strengthening its administrative capacity for the new tasks stemming from its observer status. The Bank's priorities preparing for ESCB membership from early 2007 are clearly set out in a Road Map.

The Strategy for Bulgarian National Bank Development between 2004 and 2009 was adopted in 2004.<sup>32</sup> It maps out Bank progress to full Eurosystem membership. The BNB presents its medium-term objectives and tasks, and the actions necessary for their success. In the Strategy, the BNB declares its will to act under currency board arrangements till full membership in the Eurosystem, since the currency board is compatible with the European Commission's requirements as well as those of the European Central Bank, and can be maintained during participation in the Exchange Rate Mechanism II.

An agreement between the Council of Ministers and the BNB on policy and commitments stemming from the introduction of the euro in the Republic of Bulgaria was signed in November 2004. Bulgaria will adopt European legislation and practice and comply with them fully until its accession to the euro area, implementing a strategy towards the fastest possible accession. The Government and the Bulgarian National Bank intend to apply for accession to the intermediary stage Exchange Rate Mechanism II immediately after official EU membership starts. Provided the commitments stated in the agreement are fulfilled, we expect the Republic of Bulgaria to accede to the euro area, and the BNB to accede to the Eurosystem in the second half of 2009 or on 1 January 2010.

## 3. Cooperation with Other Central Banks

The two-year PHARE 2001 program financed project on cooperation between the BNB and the French and Dutch central banks was completed in September 2004. Its essential purposes were to improve BNB administrative capacity, to adopt and apply European Community law, and to introduce best European practice to the BNB in the process of preparing for membership in the European System of Central Banks and the financial system of the European Union.

The project was implemented in two stages. In the first year specialists from the BNB and the French and Dutch central banks analyzed BNB organization, functions and activities with a view to identifying divergences from EU and ESCB requirements and to defining specific action for the 11 components of the agreement. During the second stage BNB specialists and their French and Dutch partners conducted various actions in order to improve BNB organization and operations, and raise staff qualifications.

The Strategy for Bulgarian National Bank Development between 2004 and 2009 was prepared with the help of partners from the French central bank. Based on it, a Road Map of measures and terms for their implementation was designed with a view to preparing the BNB for its full ESCB and Eurosystem membership.

Two bilateral cooperation agreements were signed with the French and Dutch central banks as a further step and logical continuation of the twinning covenant which was appraised positively. The main *foci* will include banking supervision, accountancy, international reserves management, statistics, cash operations, and BNB preparations for participation in ESCB monetary operations.

As part of the Bank's preparation for the forthcoming BNB membership in the ESCB and in relation with its 125th anniversary, in June 2004 a seminar was held on challenges facing the BNB on its way. Lecturers from the central banks of France, the Netherlands, and Poland presented the ESCB and Eurosystem's institutional organization, the role of national central banks, the changes stemming from EU accession, and the challenges to central banks associated with European System of Central Banks membership.

An official ECB delegation headed by Mr Padoa-Schioppa, member of the ECB's Executive Board and Governing Council, visited the BNB in October 2004. The new stage of cooperation between the BNB and the ECB with a view to intensifying the relations of the two institutions in

<sup>32</sup>In September 2004 the Governing Council adopted the Strategy for Bulgarian National Bank Development between 2004 and 2009.

relation with forthcoming European System of Central Banks membership was discussed at the meetings.

Together with the successful cooperation with EU central banks, the BNB also maintains contacts and exchanges expertise with other central banks on a bilateral basis. In this direction, cooperation with the central banks of the Russian Federation and the Ukraine should be noted. A People's Bank of China delegation visited the BNB in October 2004. During the discussions, its representatives received detailed information on BNB organization and managerial structure, management, the functioning of the currency board, international reserves management, and its status as lender of last resort.

## 4. The International Financial Institutions

**The International Monetary Fund.** In March 2004 the Two-year Standby Agreement signed in 2002 and totaling SDR 240,000,000 ended successfully. A new Two-year Agreement for Bulgaria amounting to SDR 100,000,000 was approved in August. The purpose of this protective agreement is to back the Government's economic program for the 2004 to 2006 period aimed at maintaining economic growth and stability.

**The International Bank for Reconstruction and Development (IBRD).** The IBRD focused its support to Bulgaria on sectors in which the other financial institutions are not active: continuing the structural reforms in education and healthcare, pension reform, and strengthening administrative capacity.

Successful implementation of the strategy for Bulgaria for the 2002 to 2005 period continued in 2004. In June 2004 the Board of IBRD Governors approved the second program loan (Pall II) of USD 150 million (EUR 123.7 million). The first PAL II tranche of EUR 103.7 million was disbursed at the end of September 2004. This loan has a repayment term of 17 years and a five-year grace period. It aims to promote PAL I reforms underpinning economic growth, improving public sector management, and creating new jobs.

**The European Bank for Reconstruction and Development (EBRD).** By the end of 2004 the EBRD country portfolio exceeded EUR 1 billion and funds were invested in 68 projects. For each of the last four years, EBRD investment for Bulgaria was over EUR 200 million.

In 2004 the EBRD became more active in extending credit lines in support of small and medium-sized business by including more intermediary banks in order to assist the development of the private sector and in compliance with the new priorities underlying the medium-term Strategy for Bulgaria. The EBRD chose the first intermediaries, the United Bulgarian Bank and DSK Bank, from among member and accession states based on their pilot schemes for financing small and medium enterprises in rural regions through credit lines and on energy efficiency and renewable source energy projects.

In December 2004 an agreement was signed with the EBRD for laying a credit line of EUR 34 million to the Maritsa Iztok II power station for sulphur emission purification. This is the first project through which a state-owned energy company was granted a credit by the EBRD without government guarantees and also the first air quality protection project financed by the ISPA program in South-Eastern Europe. Financing extended by the EBRD to the energy sector between 1991 and the close of 2004 was over EUR 200 million.

**The European Investment Bank (EIB).** Despite the downward trend in EIB financing in the last two years, cooperation is expected to enter a new dynamic stage of development with the approach of EU accession.

The EIB country portfolio amounted to EUR 1.156 billion in the 1990 to 2004 period. Transport projects occupied the largest share at 62 per cent, industry had 13 per cent, and extended global loans had 9 per cent. The downward trend in EIB financing was preserved.

In March 2004 the European Commission (EC) approved the first Bulgarian bank (Raiffeisenbank) for participation in the EC and EIB grant scheme (part of a global loan totaling EUR 20 million) for infrastructure projects.

**The Black Sea Trade and Development Bank (BSTDB).** In pursuance of the BSTDB strategy for Bulgaria for the 2002 to 2004 period as approved by the Bank's Board of Directors on 31 December 2004, the current BSTDB country portfolio comprised USD 85.8 million, or about 20 per cent of the Bank's portfolio. Portfolio distribution by sector was as follows: credit lines for small and medium enterprises 47 per cent, energy supply 32 per cent, the environment 11 per cent, and commercial financing 10 per cent.



The Bank continued implementing its commercial financing programme. In May 2004 the BSTDB extended a credit line of EUR 5 million to Encouragement Bank AD for re-export financing of Bulgarian companies. The Bank also approved a EUR 5 million increase in the credit line extended in 2003 to ProCredit Bank (boosting the total amount to EUR 11 million), and a EUR 5 million increase in the credit line extended to Unionbank AD.

**The Bank for International Settlements (BIS).** A Resolution adopted at the annual BIS Board of Governors meeting set its dividend at SDR 225 *per* share. The BNB thus received a dividend of SDR 1.8 million on its 8000 shares.

## X. Statistics

The BNB gathers and distributes weekly and monthly data on monetary and interest rate statistics in Bulgaria and abroad. The Bank submits information on monetary aggregates and their sources, and on interest rate statistics to the ECB. The IMF receives information on BNB and commercial bank analytical reporting, international reserves, and interest rate statistics. The Bank also prepares and distributes in Bulgaria and abroad information on the balance of payments, gross external debt, foreign direct investment, international investment position, the template on international reserves and liquidity, and imports and exports. All SDDS deadlines concerning data and metadata dissemination, including monetary and interest rate statistics, balance of payments statistics, external debt and international reserves, and other financial statistical information, have been observed.<sup>33</sup>

The new system for compiling Bulgaria's monetary statistics in compliance with ECB requirements was launched in early 2004. Since February the BNB has introduced the ECB standards on indicator development by maturity, currency, and instrument in their entirety. The ECB definition on monetary aggregates was adopted and some new indicators showing shares in euro were developed. At the same time, ESA'95 requirements for sectoral classification of institutional units were covered.

Over 2004 a draft methodology of cashflow statistics was developed and submitted to an inter-bank consultative group in early August. Consultations on cashflow statistics with experts from the National Bank of Belgium were undertaken. They were supported by Eurostat. The information system of compiling cashflow statistics is expected to be launched by the end of 2005.

After preparations in 2004, interest rate statistics was changed in early 2005 as a further step to harmonization. This change was directed to establishing new indicators and expanding the maturity structure of deposits.

Cooperation with Eurostat and the ECB on balance of payments statistics was further developed by data exchange and participation in joint projects and workshops. BNB experts started working on Eurostat projects: Statistics of Enterprises under Foreign Control, and Transition from Gross Domestic Product to Gross National Income. The Bulgarian section of the new ECB publication on methodologies applied by EU member and accession states in the area of balance of payments statistics and international investment position statistics was developed. Work on implementing ECB and Eurostat recommendations included in the 2004 report on the methodology of reporting direct investment started in 2004. In line with these recommendations, foreign banks and companies' equities will be reported according to the own funds at book value method.

Over the year the BNB took part in the International Monetary Fund's projects of a survey on the implementation of methodological standards for direct investment, and an annual portfolio investment survey.

In 2004 thanks to the cooperation with the Banque de France within the twinning covenant, major elements of the new system of compiling and processing commercial banks' information on balance of payments statistics were developed. Implementation of this system is aligned with ECB and Eurostat requirements for the structure of submitted information. Major elements of the new system were explained to commercial banks at a meeting.

Throughout the year control over banks regarding compliance with the Foreign Exchange Law, BNB Ordinance No. 27 on the balance of payments statistics, and methodological guidelines for providing commercial bank information on balance of payments statistics became tighter. New ways of controlling obtained information were introduced and on-site inspections were performed at four banks.

In 2004 the BNB was regularly furnished with information from the NSI under the Agreement on data exchange between the BNB and the NSI, its dissemination among BNB units concerned, and the collection and submission of financial information to the NSI required for GDP quarterly reports. Organization and methodological work on introducing quarterly financial accounts also started during the year.

<sup>33</sup> In 2003 Bulgaria was included in the Special Data Dissemination Standard (SDDS) developed by the IMF.

The national summarized data table and other accompanying data and metadata tables were updated daily in line with Bulgaria's obligations as a member of the IMF Special Data Dissemination Standard.

Following the preparation for participation in the ESCB and complete harmonization of statistics in the medium term, priority was given to the list of monetary financial institutions and to sectoral financial accounts, and especially to financial accounts of the general government institutional sector, in compliance with European legislation and the optimum division of tasks between Eurostat and the ECB. A new priority of key significance is the system of financial stability indicators which has been developed under IMF guidance. When introduced, it will follow ESCB statistical reporting requirements.

## XI. Research

Chief thrusts in BNB research concerned the processes of analyzing and identifying trends in Bulgaria's economy, assessing the effects of the external environment on economic policy measures, and developing short-term and medium-term forecasts of major macroeconomic indicators. BNB research focuses on the dynamics of inflationary processes, monetary and credit aggregate development, economic growth and the factors surrounding it, the competitiveness of the Bulgarian economy, the stability of Bulgaria's foreign position, and challenges for the Bulgarian economy associated with EU membership.

Developing a new macroeconomic model as a stage to improving methods and instruments of analysis and forecasting was a BNB research priority in 2004. The model helps the BNB improve its forecasting. The BNB provides the government and international institutions with forecasts of major macroeconomic indicators. In the spring of 2004 a BNB representative took part in discussions on EC forecasts of world economic developments and presented major assumptions from Bank forecasts on Bulgarian economic development between 2004 and 2007.

In May the BNB started publishing a new quarterly *Economic Review* for publication in February, May, August, and November. The Review presents information and analyses of the external environment, domestic monetary and credit aggregates, their link with the development of the real economy, and their bearing on price stability, as well as the Bank's short-term expectations based on the new macroeconomic forecasting model.

BNB forecasts and conclusions presented in the *Economic Review* are based on analytical information assessing in detail the development of individual processes and economic sectors. Interest rate and spread dynamics, inflation and the formulation of the *core inflation* concept, effective taxation, the real exchange rate, and Bulgarian economic competitiveness were examined in 2004.<sup>34</sup>

BNB operations were based on a comprehensive analysis of developments in world financial markets, the state of the banking system, the functioning of the payment system, and on short-term forecasts of developments in various markets.

A new Guest Researcher Programme aimed to expand BNB research and deepen analysis. Over 2004 three experts worked on preliminarily approved topics and plans,<sup>35</sup> including the productivity and competitiveness of the Bulgarian economy, modeling the variations of the yield curve in the USA compared to a particular euro area country through mixed econometric models, and the development of the banking insurance network in the 1928 to 1947 period.

On 17 and 18 May 2004 the BNB held the Second Annual Conference of Balkan Countries' Central Banks on Productivity, Investment, and Growth. This commemorated the 125th anniversary of the Bulgarian National Bank. Prof. Dale Jorgenson of Harvard University and Prof. Alfredo Canavese of the Instituto Torcuato Di Tella in Buenos Aires were honorary lecturers. Representatives of all central banks in the Balkan region (those of Albania, Bosnia and Herzegovina, Croatia, Greece, Macedonia, Romania, Serbia, and Turkey) were among the special guests. Representatives of the European Central Bank, the Bank for International Settlements (Basle), the IMF, the World Bank, the European Bank for Reconstruction and Development, the Bulgarian government and non-governmental organizations also took part in discussions.

<sup>34</sup> Part of this research was published in the *Discussion Papers* series on the BNB website.

<sup>35</sup> The Guest Researcher Programme is explained on the BNB website under the Research menu.

## XII. Information Infrastructure

The process of updating and developing the BNB information and technology infrastructure addressed computer workstations, servers and a local network, telecommunications items, and basic and specialized programme products.

The year saw the launch of the updated version of the BNB Central Credit Register information system.<sup>36</sup> Based on a new hardware and software platform, it provides real time data updates and online information on the credit indebtedness of commercial banks.

The new system for holding government securities auctions was successfully developed, tested and introduced. This system offers new technological opportunities for the issuer (the Ministry of Finance) and for government securities primary dealers: banks and non-bank financial institutions.

The first stage of building the statistical information system for BNB monetary statistics was commissioned over the review period.

Under agreements with commercial banks, the BNB developed a new technique for collecting information on the inter-bank market. According to it, transactions in unsecured overnight deposits in levs are reported, and the LEONIA reference index is calculated and published by the BNB.

Over the year other BNB information systems were further developed and updated:

- the information system on BNB international reserve management;
- the system of reporting, controlling and managing cash at the BNB;
- the system of foreign exchange accounting;
- the system of registering and servicing the trade in government securities and the system of government securities' settlement.

Work on drafting an updated version of the RINGS system started in 2004. The new version will provide successful resolutions to problems arising during system testing and actual functioning, functional improvements, and updates to components. To ensure the proper functioning of the RINGS system, effective independent monitoring of its daily operation was designed and successfully introduced. This improved and facilitated permanent monitoring significantly.

Major steps in implementing the *Policy and Procedures for BNB IT Security* project were taken in 2004.

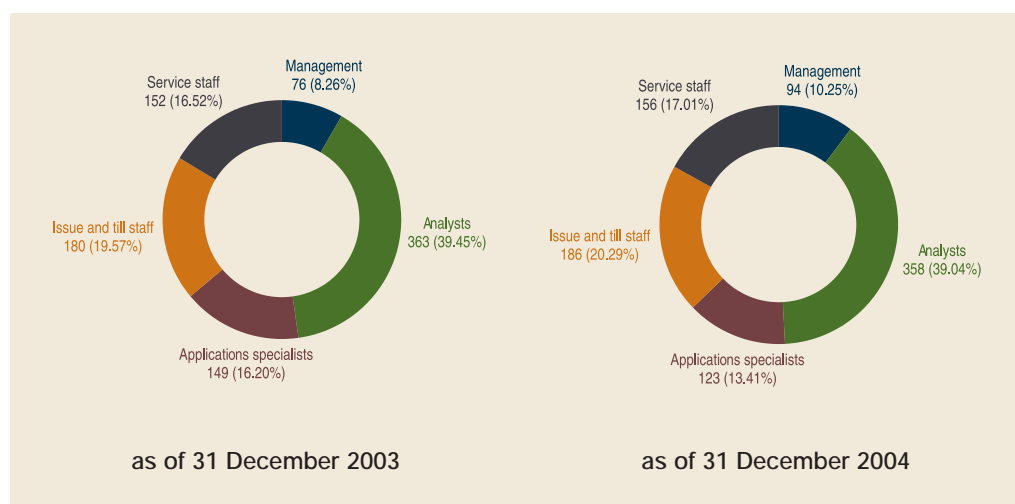
The innovation and development of BNB technological architecture included replacing the active equipment of the BNB local network. A system of new equipment management was developed, and cable system segments were replaced to ensure high speed. Work on reorganizing network resources, delivering an integrated system of data storage and archiving, as well as delivering voice communication equipment to roll over existing telephone exchanges and offer a better service commenced in 2004.

<sup>36</sup>The new system was developed in line with amendments to BNB Ordinance No. 22.

## XIII. Human Resource Management

In 2004 BNB organizational and management structure changed to optimize delivery of the Bank's major functions and ensure compliance with the Strategy for Bulgarian National Bank Development between 2004 and 2009. High criteria were used in recruiting better-qualified, more experienced staff. Measures were undertaken to bring remuneration into line with quality and productivity, with a view to introducing European human resource management standards in developing a modern system of training to boost staff knowledge and skills.

### Personnel Structure by Category

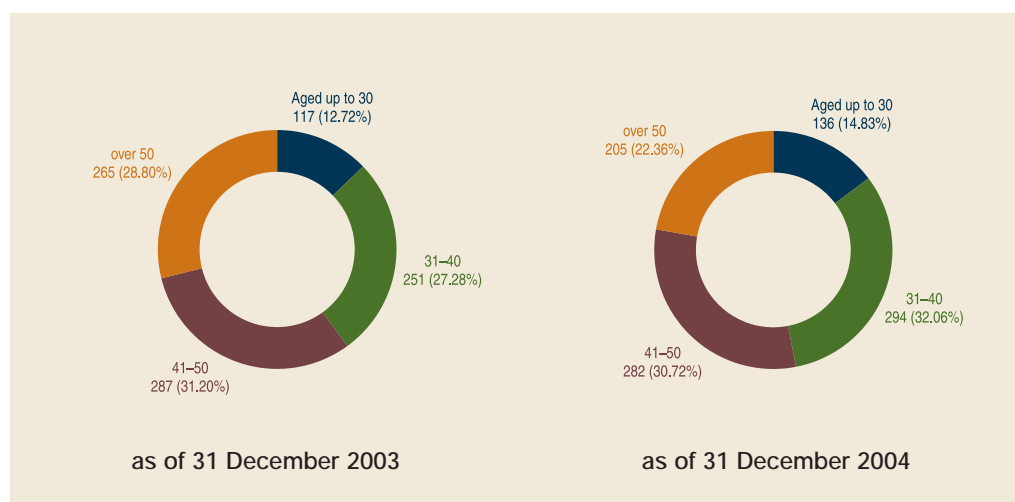


Source: BNB.

The average number of Bank staff in 2004 was 862, against an establishment number of 1012. By the end of 2004 staff numbered 917. The increase in management staff by 18 reflected changes in organizational structure and individual career development.

Staff age structure changed, with those up to 40 occupying traditional banking jobs increasing:

### Staff Age Structure

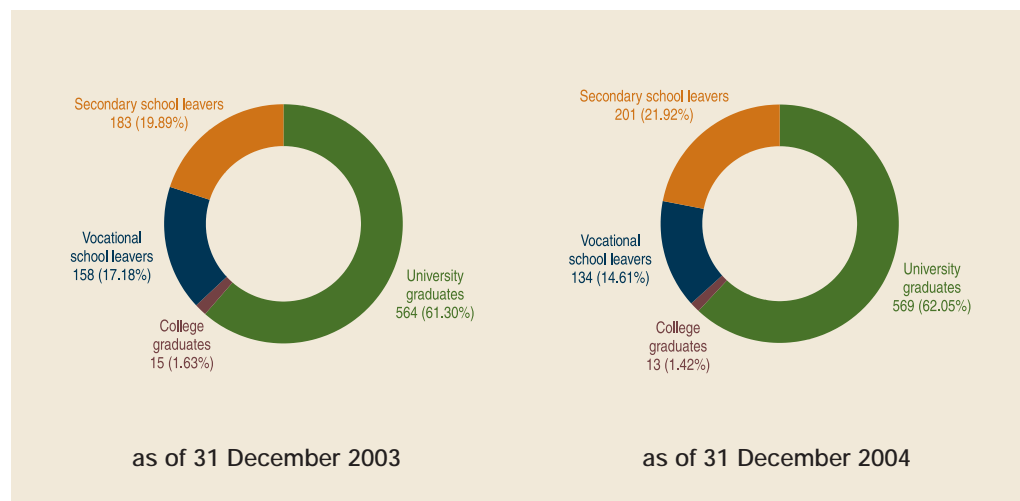


Source: BNB.

In 2004 new recruits numbered 105, primarily from the under 40 age group. Of them, 62 were in major banking activities. Over the review period 96 staff left, mainly from the 41 to 50 and over 50 age groups.

In 2004 staff training touched on macroeconomics, monetary policy, asset and risk management, banking supervision, and monetary and banking statistics. Qualifications in, *inter alia*, book-keeping, banking and financial law, human resource management, and internal audit continued to improve.

### Staff Qualifications and Educational Structure



Source: BNB.

The Bulgarian National Bank provides training to graduates. In 2004 trainees numbered 46. Following a BNB Governing Council decision, in its 125th jubilee year the BNB offered one-year scholarships to top students reading for Bachelor's, Master's and Doctor's Degrees in banking.



## XIV. Facilities Management

Facilities management comprises administering existing BNB real estate and movable long-term assets, acquiring new assets, repairing and updating existing assets, divesting of ownership as required by functional changes, and auxiliary matters. Organizational and structural changes in 2004 aimed to improve facilities management and ease control over it. Proprietary functions were separated from purchasing with a view to avoiding conflicts of interest.

Important changes to BNB facilities management included amending the Internal Rules on Selecting Consultants and Contractors and Goods and Services Suppliers under the BNB Budget. The changes ease contractor selection, speeding Budget implementation and open the way to electronic registration of properties and assets with the concomitant benefit of real time updates. The completion of this important project affords significantly better facilities management information, control and coordination within the Bank.

Investment programme spend on construction, refurbishment and updating came to BGN 2,251,000, with special vehicles coming to BGN 293,000, and office furniture and equipment costing BGN 353,000: a total of BGN 2,897,000.

Here are some particulars of spending on BNB property and related long-term assets:

- the BNB Building Central Management chambers in Sofia;
- the BNB Building in Sofia;
- the BNB Garage in Sofia;
- the Regional BNB Service Building in Plovdiv;
- the Regional BNB Service Building in Pleven;
- the Regional BNB Service Building in Varna;
- the Ralica Holiday Home and Grounds at the Sveti Konstantin i Elena resort near Varna;
- the Holiday Home and Grounds at Primorsko;
- the Iglika Holiday Home and Grounds near Smolyan;
- the Building at the Borovec ski resort near Samokov;
- a Special Listed Regional BNB Service Building in Tryavna;
- the BNB Service Building in Lukovit near Lovech;
- the BNB Regional Service Building at Radomirici near Cherven Bryag in the Pleven Region.

Another nine BNB buildings in Sofia and adjacent areas are subject to ownership clarification, divestment, or owned jointly with other corporate bodies. These situations are temporary and do not call for significant monies or management time.

In 2004 the BNB divested of these properties:<sup>37</sup>

- an uncompleted building and grounds at Inkoms Elektronika AD factory in Sofia: sold at auction;
- building permits and a building at a Velingrad holiday home: sold at auction;
- a holiday home building and grounds at Voneshta Voda: given to the Bulgarian Red Cross as a gift;
- a holiday home building and grounds at Kostenec: given to the Ministry of Healthcare as a gift;
- holiday bungalows in Chepelare: given to the local Municipality as a gift.

<sup>37</sup> Under Article 54, para. 1, item 1 of the Law on the BNB and pursuant to BNB Governing Council Resolutions Nos. 509 of 4 December 1997 and 16 of 15 March 2001.

## XV. Internal Audit and Control

A Chief Auditor appointed by the BNB Governing Council after approval by the President of the National Audit Office exercises internal control over BNB finances. He and internal auditors assess the effective and efficient function of risk control and management systems.

In 2004 the Chief Auditor worked with a team of ten internal auditors, an analyst, and a coordinator. They followed a five-year audit strategy updated in late 2003 to reflect changes in control systems and the control environment. Checks were scheduled and conducted with reference to risk assessment for each checked item. The Chief Auditor reported the results of checks and the management of significant risk directly to the Governing Council.

The year saw 22 scheduled and one unscheduled audits. Audits and checks resulted in 121 findings and 155 recommendations to relevant units. The auditors' findings were that control systems functioned adequately, and that highlighted weaknesses did not impact overall activity to any significant extent.

Audits in 2004 focused on reviewing and assessing the efficiency of information systems control, the reliability and timeliness of processed information, the security of applied systems with a view to availability, integrity, confidentiality, and auditability. Major recommendations included improvements to internal control systems to limit risks and guarantee compliance with statutory requirements and established policy and procedures.

In 2004 the Chief Auditor and internal auditors, together with specialists from the French and Dutch central banks, successfully completed the project to harmonize and apply best professional practice and standards in internal control and internal audit. As a result, a Bulgarian National Bank Internal Audit Manual was compiled, and a Draft Ordinance on BNB Internal Control was prepared.

In the reporting period BNB internal audit specialists took part in several training programmes. They also acquired the use of specialized software. A seminar on the role and position of internal audit in ECB and ESCB corporate management was held in October 2004.<sup>38</sup>

The IMF conducted a Safeguard Assessment to evaluate BNB accounting, reporting, and audit system reliability in December 2004. This addressed five key spheres of BNB business: 1. external audit mechanisms; 2. legal framework and central bank independence; 3. financial reporting; 4. internal audit; and 5. internal control systems. The evaluation concluded that the BNB had marked considerable progress to improving the reliability of its accountancy and control systems, especially in internal audit. The IMF did not identify any essential weaknesses in these systems.

<sup>38</sup> Ms Michelle Capareello, Director of Internal Audit at the European Central Bank, was a lecturer at the seminar.

# XVI. BNB Budget Implementation

The BNB budget was carried by the Bank's Governing Council on 23 October 2003 and adopted by the 39th National Assembly on 16 December 2003.

## 1. Operating Expenditure

Under Section I, projected BNB operating expenditure totaled BGN 56,453,000. Reported expenditure accounted for BGN 52,452,000, or 92.9 per cent of forecast. Based on Resolution No. 144 of the Governing Council of the BNB, spending on the materials, services and depreciation indicator was reduced by BGN 200,000, and the other administrative expenditure indicator increased by BGN 200,000 in connection with the marking of the BNB's 125th anniversary.

Currency circulation service costs totaled BGN 16,775,000, or 90.4 per cent of forecast. Banknote printing cost BGN 12,008,000. Coin minting cost BGN 3,840,000, including commemorative coins which came to BGN 1,103,000. Other expenditure included consumables for banknote and coin processing, spares for machines servicing currency in circulation, destroying worn-out banknotes, royalties for commemorative coin designs, and renting premises at the BNB Printing Works for issuing purposes.

Expenditure on materials totaled BGN 845,000; all projected funds were spent. Major expenditure comprised, *inter alia*, that on office materials (BGN 348,000), spares and fuel for the BNB transport fleet (BGN 201,000), and inventories (BGN 189,000).

Expenditure on hired services came to BGN 8,703,000 or 85 per cent of forecast. Bloomberg, Reuters, SWIFT, internet and similar services cost BGN 933,000. Spending on software amounted to BGN 939,000, and on equipment maintenance to BGN 501,000. Spending on property and refuse collection totaled BGN 761,000, on electric bills BGN 373,000, on postal, telephone and telex services BGN 549,000, on the contract with the Ministry of Internal Affairs for BNB security BGN 2,037,000, and on repair BGN 640,000.

Employees' salaries and social and health costs totaled BGN 14,052,000; all projected funds were spent.

Social expenditure totaled BGN 1,726,000, or 95.2 per cent of annual budget.

Other administrative costs comprised BGN 1,219,000, or 95.2 per cent of projections. The Bank spent BGN 57,000 on inland travel, BGN 596,000 on foreign travel, and BGN 255,000 on staff training. Bank representative and protocol costs were also reported under this indicator.

Depreciation expenditure amounted to BGN 9,132,000, or 94.1 per cent of budgeted funds.

## 2. The Investment Programme

Under Section II, projected investment funds totaled BGN 14,048,000, of which BGN 8,961,000 or 63.8 per cent were spent.

Funds went mostly on BNB computerization (BGN 5,150,000). Expenditure on software came to BGN 723,000 including, *inter alia*, expenses on modernizing the BNB Central Credit Register system, a new product for balancing nostro accounts, developing and adapting the BNB Monetary Statistics information system, and improving the Government Securities Auctions system. Hardware expenses came to BGN 4,427,000 including money spent on a unified data storage system, network and communication devices, computers, servers and printers.

Refurbishment and modernization spending totaled BGN 2,251,000, or 55.1 per cent of budgeted funds, including expenses on constructing and fitting out the BNB staff recreation base in Primorsko, on refurbishing the Borovec recreation base, and on purchasing offices for the needs of the Fiscal Services Department.

In connection with issuing, expenditure amounting to BGN 217,000 was incurred on machines servicing coins in circulation.

The bank spent BGN 697,000 on BNB security equipment with a view of expanding and modernizing existing security systems at the Bank and its regional cash centres.

Under the strategy of rolling over the transport fleet, BGN 353,000 was spent on the purchase of two vehicles, office furniture and equipment.

### Implementation of the BNB Budget, 2004

(BGN'000)

Indicators	Report 2004 (BGN'000)	Budget 2004 (BGN'000)	Implemen- tation (%)
<b>Section I. BNB operating expenditure</b>	<b>52 452</b>	<b>56 453</b>	<b>92.9</b>
Currency circulation expenditure	16 775	18 556	90.4
Materials, services and depreciation expenditure	18 680	20 783	89.9
Salaries and social security expenditure	14 052	14 054	100.0
Social activity expenditure	1 726	1 780	97.0
Other administrative expenditure	1 219	1 280	95.2
<b>Section II. Investment programme</b>	<b>8 961</b>	<b>14 048</b>	<b>63.8</b>
Expenditure on construction, reconstruction and modernization	2 251	4 082	55.1
Expenditure on currency circulation equipment	217	370	58.6
Expenditure on BNB security equipment	697	796	87.6
Expenditure on special automobiles	293	300	97.7
Expenditure on BNB computerization	5 150	8 110	63.5
Office furniture and equipment	353	390	90.5

# **XVII. BNB Consolidated Financial Statements for the Year Ending 31 December 2004**

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Independent Auditors' Report _____	62
Statement of Responsibilities of the Governing Council of the Bulgarian National Bank _____	63
Consolidated Income Statement for the Year Ending 31 December 2004 _____	64
Consolidated Balance Sheet as at 31 December 2004 _____	65
Consolidated Statement of Cash Flows for the Year Ending 31 December 2004 _____	66
Consolidated Statement of Changes in Equity _____	67
Notes to the Consolidated Financial Statements _____	68



**INDEPENDENT AUDITORS' REPORT  
TO THE MANAGING BOARD OF  
BULGARIAN NATIONAL BANK**

We have audited the accompanying consolidated balance sheet of Bulgarian National Bank and its subsidiaries as of 31 December 2004, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those 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 management, 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 consolidated financial statements give a true and fair view of the financial position of the Bulgarian National Bank and its subsidiaries as of 31 December 2004 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*KPMG Audit Plc*

**KPMG Audit Plc**

London  
28 April 2005

*KPMG Bulgaria OOD*

**KPMG Bulgaria OOD**

Sofia  
28 April 2005

## Statement of Responsibilities of the Governing Council of the Bulgarian National Bank

*The Law on the Bulgarian National Bank requires the Governing Council 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 results of its operations for the period.*

*The financial statements prepared by the Bulgarian National Bank are based on the accounting principles approved by the Governing Council in compliance with International Financial Reporting Standards.*

*The Governing Council 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.*



Ivan Iskrov  
Governor of the BNB



## Consolidated Income Statement for the Year Ending 31 December 2004

(BGN'000)

	Note	31.XII.2004	31.XII.2003
Interest and similar income	6	294,280	300,855
Interest expense and similar charges	6	(74,469)	(62,284)
<b>Net interest income</b>		<b>219,811</b>	<b>238,571</b>
Fee and commission income		4,803	3,599
Fee and commission expense		(3,252)	(2,838)
<b>Net fee and commission expense</b>		<b>1,551</b>	<b>761</b>
Other financial income/ (expense)	7	(34,292)	(13,645)
Other operating income	8	34,591	20,366
<b>Total income from banking operations</b>		<b>221,661</b>	<b>246,053</b>
General and administrative expenses	9	(66,990)	(56,200)
<b>Net income from banking and subsidiaries' operations</b>		<b>154,671</b>	<b>189,853</b>
Transfer from special reserves		88,465	69,424
<b>Net income from banking and subsidiaries' operations after special reserve transfer</b>		<b>243,136</b>	<b>259,277</b>
<b>Appropriations and transfers to reserves</b>			
Proposed contribution to the budget of the Republic of Bulgaria		149,050	170,867
Transfer to other reserves		94,086	88,410
		<b>243,136</b>	<b>259,277</b>

The income statement is to be read in conjunction with the notes set out on pages 68 to 84 forming part of the financial statements.

## Consolidated Balance Sheet as at 31 December 2004

(BGN'000)

	Note	31.XII.2004	31.XII.2003
<b>ASSETS</b>			
Cash and deposits in foreign currencies	10	2,932,527	1,441,176
Gold, instruments in gold and other precious metals	11	807,566	832,677
Investment in securities	12	9,597,580	8,235,917
Equity investments and quota in the IMF	14	1,451,818	1,498,003
Receivable from the Republic of Bulgaria	13	1,699,118	1,838,945
Property, plant, equipment and intangible assets	15	172,836	176,786
Other assets	16	41,986	34,759
<b>Total assets</b>		<b>16,703,431</b>	<b>14,058,263</b>
<b>LIABILITIES</b>			
Banknotes and coins in circulation	21	5,020,242	4,264,222
Due to banks and other financial institutions	17	2,038,219	1,002,134
Liabilities to the Government, government institutions and other borrowings	18	4,907,297	3,861,049
Borrowings against Republic of Bulgaria's IMF participation	19	1,354,627	1,398,002
Borrowings from general resources of the IMF	20	1,699,118	1,838,945
Accruals and other liabilities	22	14,292	9,070
<b>Total liabilities</b>		<b>15,033,795</b>	<b>12,373,422</b>
<b>EQUITY</b>			
Capital	23	20,000	20,000
Reserves	23	1,646,543	1,664,841
Minority interest	24	3,093	-
<b>Total equity</b>		<b>1,669,636</b>	<b>1,684,841</b>
<b>Total liabilities and equity</b>		<b>16,703,431</b>	<b>14,058,263</b>

The Governing Council approved the financial statements set out on pages 61 to 84 on 21 April 2005.



**Ivan Iskrov**  
Governor of the BNB

## Consolidated Statement of Cash Flows for the Year Ending 31 December 2004

(BGN'000)

	Note	31.XII.2004	31.XII.2003
<b>Net cash flow from operating activities</b>			
Net income from banking operations		154,671	189,853
Adjustment for non-cash and non-operating items:			
Dividend income		(4,247)	(4,038)
Depreciation	9, 15	15,338	12,588
(Profit) on disposal of non-current assets		(7,254)	(864)
Donation of non-current assets		537	-
(Profit) on revaluation of equity investments		-	(22,189)
Other non-monetary movements		(303)	-
Gains/(losses) on working capital arising from market movements		107,996	(57,044)
<b>Net cash flow from operating activities before changes in operating assets and liabilities</b>		<b>266,738</b>	<b>118,306</b>
<b>Change in operating assets</b>			
Decrease in gold and other precious metals		479	6,495
(Increase) in securities		(1,422,855)	(1,451,806)
(Increase)/decrease in receivable from the Government		82,959	(98,785)
Decrease in other assets		(1,128)	(378)
<b>Change in operating liabilities</b>			
Increase in due to banks and other financial institutions		1,048,055	221,176
Increase in government deposits and current accounts		1,014,868	771,859
Increase/(decrease) in borrowings from the IMF		(82,959)	63,060
Increase in currency in circulation		756,020	636,294
Increase in accruals and other liabilities		4,833	523
<b>Net cash flow from operating activities</b>		<b>1,667,010</b>	<b>266,744</b>
<b>Cash flow from investing activities</b>			
(Purchase) of non-current assets, net		(6,031)	(13,339)
Dividends received		4,247	4,038
Minority interest		3,093	-
<b>Net cash flow from investing activities</b>		<b>1,309</b>	<b>(9,301)</b>
<b>Cash flow from financing activities</b>			
Payment to the Government		(170,867)	(132,562)
<b>Net cash flow from financing activities</b>		<b>(170,867)</b>	<b>(132,562)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,497,452</b>	<b>124,881</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1,454,041</b>	<b>1,329,160</b>
<b>Cash and cash equivalents at end of period</b>	10, 16	<b>2,951,493</b>	<b>1,454,041</b>

The accompanying notes on pages 68 to 84 form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

(BGN'000)

	Capital	Minority interest	Revaluation reserve:			Other reserves	Total
			Non-current assets	Monetary assets	Commemorative coins		
<b>Balance as at 1 January 2003</b>	20,000	-	84,768	956,262	11,344	556,039	1,628,413
Revaluation of equity investments	-	-	22,189	-	-	-	22,189
Transfer of unrealized gold revaluation gains	-	-	-	10,375	-	-	10,375
Transfer of net foreign exchange losses	-	-	-	(9,581)	-	-	(9,581)
Transfer of net revaluation losses of securities	-	-	-	(93,391)	-	-	(93,391)
Other transfers	-	-	(658)	-	(206)	985	121
Payment of the prior year contribution to the budget of the Republic of Bulgaria	-	-	-	-	-	(132,562)	(132,562)
Current year contribution to the budget of the Republic of Bulgaria	-	-	-	-	-	170,867	170,867
Profit for the year after the contribution to the budget of the Republic of Bulgaria	-	-	-	-	-	65,410	65,410
Other special reserve	-	-	-	-	-	23,000	23,000
<b>Balance as at 31 December 2003</b>	20,000	-	106,299	863,665	11,138	683,739	1,684,841
Revaluation of equity investments	-	-	-	-	-	-	-
Transfer of unrealized gold revaluation losses	-	-	-	(24,632)	-	-	(24,632)
Transfer of net foreign exchange losses	-	-	-	(3,067)	-	-	(3,067)
Transfer of net revaluation losses of securities	-	-	-	(61,192)	-	-	(61,192)
Revaluation of non-monetary assets	-	-	261	-	-	-	261
Other transfers	-	-	(2,060)	-	(297)	420	(1,937)
Payment of the prior year contribution to the budget of the Republic of Bulgaria	-	-	-	-	-	(170,867)	(170,867)
Current year contribution to the budget of the Republic of Bulgaria	-	-	-	-	-	149,050	149,050
Profit for the year after the contribution to the budget of the Republic of Bulgaria	-	-	-	-	-	64,086	64,086
Other special reserve	-	-	-	-	-	30,000	30,000
Minority interest	-	3,093	-	-	-	-	3,093
<b>Balance as at 31 December 2004</b>	20,000	3,093	104,500	774,774	10,841	756,428	1,669,636

The accompanying notes on pages 68 to 84 form an integral part of these financial statements.

## Notes to the Consolidated Financial Statements

### 1. Statute and principal activities

The Bulgarian National Bank (the 'Bank') is 100 per cent 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 leva in excess of the Bulgarian leva equivalent of the gross international foreign currency reserves;
- the Bank must prepare its accounts in accordance with International Financial Reporting 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.
- 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 issued by the International Accounting Standards Board (IASB), and interpretations issued by the Standings Interpretations Committee of the IASB.

### 3. Basis of preparation

The financial statements are presented in Bulgarian leva (BGN) rounded to the nearest thousand. The financial statements are prepared on a fair value basis for financial assets and liabilities held for trading, available for sale assets and derivative financial instruments, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or historical cost.

The accounting policies have been consistently applied by the Bank.

In the current year IAS 1 *Presentation of Financial Statements* (revised, 2004) has been applied earlier in the preparation of the consolidated financial statement.

### 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 minority shareholders' proportionate share in the net assets of the Group's majority-owned subsidiaries is disclosed separately from capital and reserves under the *Minority interest* item.

### 5. Summary of significant accounting policies

#### (a) Income recognition

Interest income and expense are recognized in the income statement as they accrue, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense include 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 expenses arise on financial services provided by the Bank and are recognized when the corresponding service is provided.

Other financial income/expense 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 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.

**(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 cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading 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 on the settlement day. The Bank uses the specific identification method to determine the gain or loss on derecognition.

**(vii) Automatic securities lending agreements**

Investments lent under automatic securities lending agreements are reported in the balance sheet and are valued in accordance with the accounting policy applicable to assets held for trading,

respectively assets for sale. Investments lent under automatic securities lending agreements continue to be recognized in the Bank's balance sheet.

Income arising from the securities lending agreements is recognized on an accrual basis over the period of the transactions and is included in interest income.

**(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 pm 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 and stated at fair value.

Details of investments held are set out in note 14.

**(e) Property, plant, equipment and intangible assets**

Property, plant, equipment and intangible assets are stated in the balance sheet at their purchase cost as modified by any revaluation, less accumulated depreciation and impairment losses.

**(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, equipment and intangible assets. Land is not depreciated. The depreciation rates used are as follows:

(%)

Buildings	2–4
Equipment	3–20
Computers	33.3
Fixtures and fittings	6.7–20
Motor vehicles	8–25
Intangible assets	15–33.3

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 is translated to BGN at the official rates of exchange ruling on 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 (/) below. Foreign currency denominated non-monetary assets and liabilities are valued at the rate as of the date of acquisition or determination of fair value.

Open forward foreign exchange contracts are valued at market value.



The exchange rates of major foreign currencies as at 31 December 2004 and 31 December 2003 were:

Currency	31.XII. 2004	31.XII.2003
US Dollar (USD)	1 : BGN 1.43589	1 : BGN 1.54856
Euro (EUR)	1 : BGN 1.95583	1 : BGN 1.95583
Special Drawing Rights (SDR)	1 : BGN 2.22995	1 : BGN 2.30111
Gold (XAU)	1 troy ounce : BGN 628.091	1 troy ounce: BGN 647.145

**(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 (SDR). Any unrealized exchange gains or losses are accounted for in accordance with note 5(i).

**(i) Capital and reserves**

Capital represents non-distributable capital of the Bank.

In accordance with the Law on the Bulgarian National Bank, the Bank is required to transfer to reserves 25 per cent 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 Governing Council.

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.

**6. Interest income and expense**

(BGN'000)

	31.XII.2004	31.XII.2003
Interest and similar income		
- on securities	256 119	275 064
- on deposits	35 160	23 579
- on other	3 001	2 212
	<u>294 280</u>	<u>300 855</u>
Interest and similar expense		
- on deposits	71 571	61 149
- on other	2 898	1 135
	<u>74 469</u>	<u>62 284</u>

Interest expenses on deposits paid to the Government were BGN 61,882 thousand for 2004 (2003: BGN 39,059 thousand).

## 7. Other financial income/(expenses)

(BGN'000)

	31.XII.2004	31.XII.2003
Net gains from operations in securities	47,780	48,713
Net gains from operations in foreign currency	6,819	8,050
Net revaluation losses of securities	(61,192)	(93,391)
Net revaluation losses of foreign currency assets and liabilities	(3,067)	(9,581)
Net gains from revaluation of equity investments	-	22,189
Net gains/(losses) from revaluation of gold and precious metals	(24,632)	10,375
	<u>(34,292)</u>	<u>(13,645)</u>

## 8. Other operating income

(BGN'000)

	31.XII.2004	31.XII.2003
Profit on disposal of non-current assets	7,254	181
Sales by subsidiaries	21,318	14,258
Sale of coins	1,272	345
Dividend income	4,247	4,038
Other income, net	500	1,544
	<u>34,591</u>	<u>20,366</u>

## 9. General and administrative expenses

(BGN'000)

	31.XII.2004	31.XII.2003
Personnel costs	21,415	19,342
Administration	26,527	22,919
Depreciation	15,338	12,588
Other expenses	3,173	1,351
Gifting of property and equipment	537	-
	<u>66,990</u>	<u>56,200</u>

Personnel costs include salaries, social and health security under the provision of local legislation as at 31 December 2004. The number of employees of the Bank and its subsidiaries was 1302 for 2004 (2003: 1218) including BNB staff of 917 for 2004 (2003: 920).

General and administrative expenses include the administrative expenses of the BNB. The BNB personnel costs amounted to BGN 15,778 thousand, the BNB administrative expenses were BGN 10,767 thousand and the BNB depreciation was BGN 9132 thousand. The currency in circulation expenses amounted to BGN 16,775 thousand as at 31 December 2004 (2003: BGN 12,539 thousand).

## 10. Cash and deposits in foreign currencies

(BGN'000)

	31.XII.2004	31.XII.2003
Foreign currency cash	8,050	13,488
Current accounts with other banks	161,555	151,042
Deposits in foreign currency	2,762,922	1,276,646
	<u>2,932,527</u>	<u>1,441,176</u>

Cash and deposits in foreign currencies with correspondents are disclosed as follows:

(BGN'000)

	31.XII.2004	31.XII.2003
<b>Euro area residents</b>		
In EUR	940,442	549,002
In other foreign currencies	890,505	310,302
	<u>1,830,947</u>	<u>859,304</u>
<b>Non euro area residents</b>		
In EUR	889,340	230,220
In other foreign currencies	212,240	351,652
	<u>1,101,580</u>	<u>581,872</u>
	<u>2,932,527</u>	<u>1,441,176</u>

## 11. Gold, instruments in gold and other precious metals

	31.XII.2004		31.XII.2003	
	Troy ounces'000	BGN'000	Troy ounces'000	BGN'000
Gold bullion in standard form	513	322,238	513	332,013
Gold deposits in standard form	608	381,781	609	393,978
Gold in other form	-	3,217	-	3,314
Other precious metals	-	35	-	34
Other instruments in gold	160	100,295	160	103,338
		<u>807,566</u>		<u>832,677</u>

Gold deposits in standard form include gold held with correspondents. This gold earns interest at rates between 0.02 per cent and 0.11 per cent per annum. The other instruments denominated in gold are held to maturity and earn interest between 1.00 per cent and 1.31 per cent per annum.

## 12. Investment in securities

(BGN'000)

	31.XII.2004	31.XII.2003
<b>Securities available for sale</b>		
Foreign treasury bills, notes and bonds	9,597,580	8,235,917
	<u>9,597,580</u>	<u>8,235,917</u>

Debt securities comprise both EUR and USD-denominated coupon and discount securities. The EUR-denominated securities yield is 2.84 per cent and USD securities yield is 1.91 per cent.

The securities issued by foreign governments and other issuers with credit ratings graded by at least two of the three credit rating agencies – *Standard & Poor's* and *Fitch Ratings*, or the corresponding *Moody's* are disclosed as follows:

(BGN'000)

Investment grade securities	Issuers' rating	31.XII.2004	31.XII.2003
	AAA	8,092,657	5,796,745
	AA+	628,051	1,241,858
	AA	710,687	1,115,894
	AA-	166,185	81,420
		<u>9,597,580</u>	<u>8,235,917</u>

### 13. Receivable from the Republic of Bulgaria

The value of the receivable from the Government of the Republic of Bulgaria as at 31 December 2004 was SDR 761,953 thousand (2003: SDR 799,155 thousand).

The receivables from the Government have been matched to the Government's borrowings which are repayable according to the repayment schedules of the agreements (refer note 20).

The receivable is repayable as follows:

(BGN'000)

Year	31.XII.2004	31.XII.2003
2004	-	205,264
2005	397,087	409,759
2006	503,426	474,619
2007	414,786	368,193
2008	228,317	220,646
2009	116,626	120,348
2010	38,876	40,116
	<u>1,699,118</u>	<u>1,838,945</u>

### 14. Equity investments and quota in the IMF

(BGN'000)

	31.XII.2004	31.XII.2003
Republic of Bulgaria's quota in the IMF	1,427,875	1,473,349
Equity investments in international financial institutions	22,309	23,021
Equity investments in associated companies	1,634	1,633
	<u>1,451,818</u>	<u>1,498,003</u>

Republic of Bulgaria's quota in the IMF is SDR 640,200 thousand. BGN 73,263 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 1.57 per cent – 2.24 per cent annual floating rate paid quarterly.

The equity investments in international financial institutions include the equity investment in the Bank for International Settlements (BIS), Basle. Twenty-five per cent of the equity investment in BIS Basle is paid up. The current value of these shares is SDR 10,000 thousand (ref. note 29 (i)). The capital subscribed but not paid in, has an option to be paid in within three months upon a decision of the BIS' Board of Governors.

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

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

## 15. Property, plant, equipment and intangible assets

(BGN'000)

	Land and buildings	Equipment	Motor vehicles	Fixtures and fittings	Assets in progress	Other	Intangible assets	Total
<b>Cost or valuation</b>								
As at 1 January 2004	114,236	75,354	3,347	2,936	4,381	349	9,577	210,180
Additions	2,218	1,512	102	142	9,377	26	876	14,253
Disposals	(2,909)	(586)	(4)	(40)	(404)	(11)	(6)	(3,960)
Transfers	2,200	3,348	376	458	(6,898)	-	516	-
Revaluation	261	-	-	-	-	-	-	261
<b>As at 31 December 2004</b>	<b>116,006</b>	<b>79,628</b>	<b>3,821</b>	<b>3,496</b>	<b>6,456</b>	<b>364</b>	<b>10,963</b>	<b>220,734</b>
<b>Depreciation</b>								
As at 1 January 2004	(3,992)	(23,987)	(2,199)	(1,214)	-	(62)	(1,940)	(33,394)
Charge for the period	(2,999)	(9,934)	(310)	(374)	-	(61)	(1,660)	(15,338)
On disposals	297	487	4	29	-	11	6	834
<b>As at 31 December 2004</b>	<b>(6,694)</b>	<b>(33,434)</b>	<b>(2,505)</b>	<b>(1,559)</b>	<b>-</b>	<b>(112)</b>	<b>(3,594)</b>	<b>(47,898)</b>
<b>Net book value as at 31 December 2004</b>	<b>109,312</b>	<b>46,194</b>	<b>1,316</b>	<b>1,937</b>	<b>6,456</b>	<b>252</b>	<b>7,369</b>	<b>172,836</b>
<b>Net book value as at 31 December 2003</b>	<b>110,244</b>	<b>51,367</b>	<b>1,148</b>	<b>1,722</b>	<b>4,381</b>	<b>287</b>	<b>7,637</b>	<b>176,786</b>

Intangible assets primarily relate to software, licenses and other intangible assets utilized by the Bank in its operations.

Following a decision of the BNB Governing Council, the carrying amount of the tangible assets which were donated to the Ministry of Health amounted to BGN 537 thousand.

## 16. Other assets

(BGN'000)

	31.XII.2004	31.XII.2003
Balances with local banks	23	30
Balances of subsidiaries held with local banks	18,966	12,865
Precious metal commemorative coins for sale	10,841	11,138
Inventories (including spare parts)	6,640	5,460
Accounts receivable	4,716	3,831
Prepaid expenses	591	1,174
Other	209	261
	<u>41,986</u>	<u>34,759</u>

## 17. Due to banks and other financial institutions

(BGN'000)

	31.XII.2004	31.XII.2003
Demand deposits from banks and other financial institutions		
- in BGN	1,288,478	762,911
- in foreign currency	749,741	239,223
	<u>2,038,219</u>	<u>1,002,134</u>

The Bank does not pay interest on demand deposits from banks and other financial institutions. Included in demand deposits is BGN 1507 million representing the obligatory reserves which all local banks are required to maintain with the Bank as part of their current accounts.

**18. Liabilities to the Government, government institutions and other borrowings**

(BGN'000)

	31.XII.2004	31.XII.2003
Current accounts:		
- in BGN	700,583	407,632
- in foreign currency	419,252	326,037
Deposit accounts:		
- in BGN	761,167	900,109
- in foreign currency	3,026,295	2,227,271
	<u>4,907,297</u>	<u>3,861,049</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 0.62 per cent and 1.90 per cent. Government deposit accounts in EUR earn interest between 1.67 per cent and 1.89 per cent and in BGN between 1.56 per cent and 1.91 per cent.

**19. Borrowings against the Republic of Bulgaria's IMF participation**

The borrowings against Bulgaria's IMF participation as at 31 December 2004 amounted to BGN 1,354,627 thousand – SDR 605,745 thousand (2003: BGN 1,398,002 thousand – SDR 605,821 thousand).

Borrowings from the IMF are denominated in SDR. Borrowings related to Bulgaria's IMF quota are non-interest bearing with no stated maturity.

**20. Borrowings from general resources of the IMF**

(BGN'000)

	31.XII.2004	31.XII.2003
Standby facilities	493,934	432,609
Extended fund facility	1,205,184	1,384,049
Systematic transformation facility	-	22,287
	<u>1,699,118</u>	<u>1,838,945</u>

The borrowings from the general resources of the IMF bear interest at rates set by the IMF on a weekly basis. The interest rate amounts to 2.22 per cent as at 31 December 2004. The borrowings from general resources of the IMF have been matched to the receivable from the Government and are repayable according to the repayment schedules of the credit agreements (refer note 13).

All 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 2004 were BGN 3,250,721 thousand (31 December 2003: BGN 3,416,439 thousand), refer note 26.

**21. Banknotes and coins in circulation**

(BGN'000)

	31.XII.2004	31.XII.2003
Banknotes in circulation	4,938,398	4,196,288
Coins in circulation	81,844	67,934
Money in circulation	<u>5,020,242</u>	<u>4,264,222</u>
Including:		
Old banknotes issued before 5 July 1999	13,875	14,086
Old coins issued before 5 July 1999	3,697	3,698

Old banknotes and coins presented above comprise those banknotes and coins that 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.

## 22. Accruals and other liabilities

(BGN'000)

	31.XII.2004	31.XII.2003
Salaries and social security payable	1,224	486
Deferred income	1,345	146
Other liabilities	11,723	8,438
	<u>14,292</u>	<u>9,070</u>

## 23. Capital and reserves

The capital of the Bank is determined in the Law on the BNB and amounts to BGN 20,000 thousand.

Non-current asset and commemorative coin revaluation reserves comprise the cumulative net change in fair values of certain groups of tangible non-current assets, equity investments and commemorative coins.

In accordance with the Law on the Bulgarian National Bank, net profit arising from the revaluation of assets and liabilities denominated in foreign currencies or gold are transferred to a special reserve account. The special reserve includes the monetary asset revaluation.

Other reserves include the transfers to reserves of 25 per cent of the annual excess of revenue over expenditure and reserves upon a decision of the Governing Council.

Following a decision of the Governing Council, BGN 30,000 thousand was appropriated to other special reserve for covering market risk losses in the current year.

## 24. Minority interest

Pursuant to a court decision dated 9 November 2004, the BNB Printing Works AD, was transformed from a single-shareholder company into a company with two shareholders – the BNB and the Government represented by the Minister of Finance. The transformation was effected through the takeover of Formprint EOOD. The capital of the BNB Printing Works AD is increased by the issue of 3093 shares, of BGN 1000 face value each. The Bulgarian National Bank holds 95.6 per cent of the company's share capital as at 31 December 2004.

## 25. Monetary liabilities and gross international reserves

(BGN'000)

	31.XII.2004	31.XII.2003
<b>Gross international reserves</b>		
Cash and deposits in foreign currencies	2,929,479	1,439,256
Monetary gold and instruments in gold	640,265	640,738
Debt securities	9,414,191	8,044,007
Equity investments and quota in IMF	73,263	75,427
Interest receivable	186,462	193,852
	<u>13,243,660</u>	<u>10,393,280</u>
<b>Monetary liabilities</b>		
Banknotes and coins in circulation	5,020,242	4,264,222
Due to banks and other financial institutions	2,038,219	1,002,134
Liabilities to government institutions	4,394,128	3,207,420
Other borrowings	512,579	653,136
Accruals and other liabilities	918	818
	<u>11,966,086</u>	<u>9,127,730</u>
Surplus of gross international reserves over monetary liabilities	<u>1,277,574</u>	<u>1,265,550</u>

For disclosure purposes of the monetary liabilities and gross international reserves in accordance with the Law on the Bulgarian National Bank, monetary gold is valued at the lower of BGN 500 (equal EUR 255.64) per troy ounce or market value based on the official 3pm London Bullion Market closing price as at the BNB balance sheet date.



## 26. Related party transactions

### (i) 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, 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 SDR.

The Government pays the interest directly 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 (ref. note 19 and 20).

#### *Government bank accounts*

Government budget organizations and other government organizations have current accounts and term deposits with the Bank (ref. note 18).

#### *Fiduciary activities*

In accordance with the Law on the BNB and under terms agreed upon with the Ministry of Finance, the BNB acts as agent for public debt. With regard to this role, the BNB performs agent and central depository services related to administration and management of government securities issued by the Ministry of Finance. The Bank receives income for providing these services. These securities are not assets or liabilities of the BNB and are not recognized in the consolidated balance sheet. The Bank is not exposed to any credit risk relating to such placements, as it does not guarantee these investments. As at 31 December 2004 the par value of the total securities held in custody was BGN 2681 million (2003: BGN 2257 million).

## 27. Subsidiaries

(%)

Ownership interest	31.XII.2004	31.XII.2003
BORICA	100	100
State Mint	100	100
Printing Works of the BNB (ref. note 24)	95.6	100

In the reporting period the net profit of BORICA was BGN 3040 thousand; the net profit of the State Mint was BGN 215 thousand and the Printing Works BGN 1 148 thousand.

## 28. Risk management disclosures

In its capacity of a central bank, the BNB manages its international reserves guided by the security and high liquidity of investments, and maximize income in the context of the international markets conditions. Its investment strategy depends mainly on the specific function of a central bank operating under a strictly regulated currency board arrangement.

The major portion of BNB's foreign currency reserves is invested in low-risk discount and coupon bonds and in short-term foreign currency and gold deposits placed with first rate foreign banks. The remaining portion is held in SDR, and in monetary gold kept in the Bank's vaults.

For its portfolio management, the BNB defines an acceptable risk level, and maximizes income corresponding to such risk levels. The major risk types associated with the trading and investment activities are managed by means of investment limits approved by the BNB Investment Committee which regulate the management of the Bank's international reserves. With the assistance of experts from foreign central banks in the euro area, rules of behaviour and procedures regulating the performance of functions and tasks have been prepared for the basic structural units which are responsible for the international reserve management. These rules and procedures are approved by the BNB's Investment Committee.

Depending on the type of currency and the investment purpose, the Bank's assets are segregated in several portfolios. The liquid portfolios are intended to provide liquidity in terms of international assets for meeting the Bank's obligations. The investment portfolio is held for the purpose of achieving higher earnings at a risk level defined by means of investment limits and a benchmark. Portion of the Bank's assets is held in a portfolio, which is outsourced to external managers against a fixed benchmark. This management is in line with the major objectives: creating a standard for BNB's asset management, transfer of knowledge, experience and technologies in the area of investments, diversification of assets and management styles.

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 the (e) *Risk Management and Control* section of this note.

**(a) Credit risk**

The Bank is subject to credit risk through its trading operations and investment activities and in cases where it acts as an intermediary on behalf of the Government or other public institutions. The Bank assumes credit risk also in operations of purchase and sale of reserve currency with commercial banks. This credit risk is basically associated with the probability of insolvency or bankruptcy of a BNB's counterparty or debt issuer, in which the Bank has invested its own funds. Credit risk is limited by setting requirements for high credit ratings assigned by internationally recognized credit rating agencies.

From credit risk perspective, the Bank may currently invest in the following asset classes:

- bonds and commercial paper issued by countries, central banks and state-guaranteed institutions;
- bonds and commercial paper issued by supranational financial institutions, short-term foreign currency and gold deposits placed with supranational financial institutions;
- commercial paper issued by commercial banks and short-term foreign currency and gold deposits placed with commercial banks;
- secured Eurobonds – these are relatively new financial instruments issued in many countries in the euro area, of which Jumbo Pfandbriefe and Obligations Foncières bonds issued by German and French financial institutions are currently acceptable for investment;
- bonds issued by agencies, which are not guaranteed by the state;
- securities lent by the main depository.

For all instruments issued by states, central banks or state-guaranteed financial institutions there is a minimum exposure limit. This limit ensures that a certain part of the international reserves will be invested in the most risk-free and highly-liquid class of assets. For the other asset classes there are maximum exposure limits. All limits directly depend on the inherent credit risk of the respective class of assets.

The BNB investment restrictions incorporate a system of maximum exposure limits to individual counterparties. Each limit is calculated on the basis of the domestic credit rating and the own funds of the counterparty. The domestic credit rating is a function of the long-term ratings from three internationally recognized rating agencies. The maximum term of the deposits with commercial banks is set on the basis of the domestic credit rating.

The counterparties in relation to current accounts, deposits and trade in foreign currency, and the issuers of eligible debt financial instruments must have a long-term credit rating from at least two of the three credit rating agencies, not lower than AA- by *Standard & Poor's* and *Fitch Ratings*, or the corresponding *Moody's* rating.

**(b) Liquidity risk**

Liquidity risk arises in the funding of the Bank's core activities and in the management of positions, and has two aspects:

- 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 fair value within an appropriate time frame.

The Bank's customers are determined by the Law on the BNB. It attracts funds by means of a number of instruments – deposits/investment accounts, a structured indexed account (SIA), settlement accounts and other borrowed funds established by law. The Bank strives to maintain a balance between the maturity of borrowed funds and that of assets through investments in financial instruments with a range of maturities. The Bank is able to provide the required liquidity by investing in various types of investments. 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.

(BGN'000)

As at 31 December 2004	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
<b>Assets</b>						
Cash and deposits in foreign currencies	2,637,880	245,594	49,053	-	-	2,932,527
Gold, instruments in gold and other precious metals	74,425	240,132	117,350	50,169	325,490	807,566
Investment in securities	2,232,875	2,329,938	3,314,993	1,695,738	24,036	9,597,580
Equity investments and quota in the IMF	73,262	-	-	-	1,378,556	1,451,818
Receivable from the Republic of Bulgaria	7,247	55,043	334,797	1,263,155	38,876	1,699,118
Property, equipment and intangible assets	-	-	-	-	172,836	172,836
Other assets	18,743	7,351	14,462	1,292	138	41,986
<b>Total assets</b>	<b>5,044,432</b>	<b>2,878,058</b>	<b>3,830,655</b>	<b>3,010,354</b>	<b>1,939,932</b>	<b>16,703,431</b>
<b>Liabilities</b>						
Banknotes and coins in circulation	-	-	-	-	5,020,242	5,020,242
Due to banks and other financial institutions	2,038,219	-	-	-	-	2,038,219
Liabilities to the Government, government institutions and other borrowings	4,885,504	21,793	-	-	-	4,907,297
Borrowings against Republic of Bulgaria's IMF participation	-	-	-	-	1,354,627	1,354,627
Borrowings from general resources of the IMF	7,247	55,043	334,797	1,263,155	38,876	1,699,118
Accruals and other liabilities	9,069	-	3,067	-	2,156	14,292
<b>Total liabilities</b>	<b>6,940,039</b>	<b>76,836</b>	<b>337,864</b>	<b>1,263,155</b>	<b>6,415,901</b>	<b>15,035,625</b>
<b>Maturity surplus/(shortfall)</b>	<b>(1,895,607)</b>	<b>2,801,222</b>	<b>3,492,791</b>	<b>1,747,199</b>	<b>(4,475,969)</b>	<b>1,667,806</b>

(BGN'000)

As at 31 December 2003	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
<b>Assets</b>						
Cash and deposits in foreign currencies	1,362,686	78,490	-	-	-	1,441,176
Gold, instruments in gold and other precious metals	258,218	135,760	-	103,338	335,361	832,677
Investment in securities	181,609	599,290	916,473	4,145,283	2,393,262	8,235,917
Equity investments and quota in IMF	75,427	-	-	-	1,422,576	1,498,003
Receivable from the Republic of Bulgaria	-	30,087	175,177	1,473,217	160,464	1,838,945
Property, plant, equipment and intangible assets	-	-	-	-	176,786	176,786
Other assets	2,311	11,458	20,990	-	-	34,759
<b>Total assets</b>	<b>1,880,251</b>	<b>855,085</b>	<b>1,112,640</b>	<b>5,721,838</b>	<b>4,488,449</b>	<b>14,058,263</b>
<b>Liabilities</b>						
Banknotes and coins in circulation	-	-	-	-	4,264,222	4,264,222
Due to banks and other financial institutions	1,002,134	-	-	-	-	1,002,134
Liabilities to the Government, government institutions and other borrowings	3,839,191	21,855	3	-	-	3,861,049
Borrowings against Republic of Bulgaria's IMF participation	-	-	-	-	1,398,002	1,398,002
Borrowings from general resources of the IMF	-	30,087	175,177	1,473,217	160,464	1,838,945
Accruals and other liabilities	2,779	4,953	-	-	1,338	9,070
<b>Total liabilities</b>	<b>4,844,104</b>	<b>56,895</b>	<b>175,180</b>	<b>1,473,217</b>	<b>5,824,026</b>	<b>12,373,422</b>
<b>Maturity surplus/(shortfall)</b>	<b>(2,963,853)</b>	<b>798,190</b>	<b>937,460</b>	<b>4,248,621</b>	<b>(1,335,577)</b>	<b>1,684,841</b>

## (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 in net income from banking operations.

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 per cent 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.

The periods of interest rate scale change are given below. The maximum period for all assets and liabilities under the scale is one year.

(BGN'000)

As at 31 December 2004	Effective rate	Total	Floating rate instruments	Fixed rate instruments		
				Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year
<b>Assets</b>						
Cash and deposits in foreign currencies	2.11	2,921,427	161,352	2,466,702	244,479	48,896
Gold, instruments in gold and other precious metals	0.28	481,642	-	74,011	240,115	167,516
Investment in securities	2.19	9,414,191	9,994	2,214,813	2,271,578	4,917,806
Equity investments and quota in lthe MF	-	73,262	-	73,262	-	-
Receivable from the Republic of Bulgaria	-	1,699,118	1,699,118	-	-	-
Other interest-bearing assets	-	18,567	13,206	3,000	2,361	-
Non interest-bearing assets	-	2,095,222	-	-	-	-
<b>Total</b>		<b>16,703,431</b>	<b>1,883,670</b>	<b>4,831,788</b>	<b>2,758,533</b>	<b>5,134,218</b>
<b>Liabilities</b>						
Banknotes and coins in circulation	-	-	-	-	-	-
Due to banks and other financial institutions	-	2,038,219	-	2,038,219	-	-
Liabilities to the Government, government institutions and other borrowings	1.89	3,924,358	146,687	3,756,157	21,514	-
Borrowings from general resources of the IMF	-	1,699,118	1,699,118	-	-	-
Non interest- bearing liabilities	-	7,372,100	-	-	-	-
<b>Total</b>	-	<b>15,033,795</b>	<b>1,845,805</b>	<b>5,794,376</b>	<b>21,514</b>	-
<b>Asset/liability gap</b>		<b>1,669,636</b>	<b>37,865</b>	<b>(962,588)</b>	<b>2,737,019</b>	<b>5,134,218</b>

(BGN'000)

As at 31 December 2003	Effective rate	Total	Floating rate instruments	Fixed rate instruments		
				Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year
<b>Assets</b>						
Cash and deposits in foreign currencies	1.68	1,425,767	150,702	1,196,832	78,233	-
Gold, instruments in gold and other precious metals	0.27	497,288	162	258,038	135,750	103,338
Investment in securities	3.02	8,044,007	-	174,710	584,706	7,284,591
Equity investments and quota in the IMF	-	75,427	-	75,427	-	-
Receivable from the Republic of Bulgaria	-	1,838,945	1,838,945	-	-	-
Other interest-bearing assets	-	13,895	30	2,244	11,621	-
Non interest- bearing assets	-	2,162,934	-	-	-	-
<b>Total</b>	-	<b>14,058,263</b>	<b>1,989,839</b>	<b>1,707,251</b>	<b>810,310</b>	<b>7,387,929</b>
<b>Liabilities</b>						
Banknotes and coins in circulation	-	-	-	-	-	-
Due to banks and other financial institutions	-	1,002,134	-	1,002,134	-	-
Liabilities to the Government, government institutions and other borrowings	1.70	3,270,562	146,687	3,102,361	21,514	-
Borrowings from general resources of the IMF	-	1,838,945	1,838,945	-	-	-
Non interest- bearing liabilities	-	6,261,781	-	-	-	-
<b>Total</b>	-	<b>12,373,422</b>	<b>1,985,632</b>	<b>4,104,495</b>	<b>21,514</b>	<b>-</b>
<b>Asset/liability gap</b>	-	<b>1,684,841</b>	<b>4,204</b>	<b>(2,397,244)</b>	<b>788,796</b>	<b>7,387,929</b>

**(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 euro area 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 euro should not deviate by more than +/-2 per cent from the market value of liabilities denominated in the same currency.

The foreign currency exposures are as follows:

	(BGN'000)	
	31.XII.2004	31.XII.2003
<b>Assets</b>		
Bulgarian leva and euro area currencies	10,945,618	8,873,279
US dollars	1,364,847	754,119
Japanese yen	32	32
Pound sterling	320	322
SDR	3,168,274	3,440,837
Gold	807,530	832,643
Other	416,810	157,031
	<u>16,703,431</u>	<u>14,058,263</u>
<b>Liabilities and equity</b>		
Bulgarian leva and euro area currencies	11,877,736	9,884,400
US dollars	1,356,591	749,895
Japanese yen	-	-
Pound sterling	45	-
SDR	3,051,366	3,303,407
Gold	-	-
Other	417,693	120,561
	<u>16,703,431</u>	<u>14,058,263</u>
<b>Net position</b>		
Bulgarian leva and euro area currencies	(932,118)	(1,011,121)
US dollars	8,256	4,224
Japanese yen	32	32
Pound sterling	275	322
SDR	116,908	137,430
Gold	807,530	832,643
Other	(883)	36,470

#### (e) Risk measurement and control

Risks related to international reserves management are managed by an independent risk control unit. It is directly responsible for the strategic structuring of assets and setting the benchmark, and prepares and submits for approval the investment limits with regard to international reserves management. The Bank's management sets the level of maximum allowable risk on annual basis. A comprehensive review of changes in the market conditions, the amount and structure of international reserves is done and, if required, investment limits and benchmarks are updated on a quarterly basis. Compliance with the set limits, rules and procedures is monitored and controlled on a daily basis. Regular reports are issued on a daily, weekly, monthly, quarterly, and annual basis, designed for both the operational management of international reserves and to keep the Bank's management informed.

With a view to optimizing international reserves management, new financial instruments are periodically studied, analysed, and offered for approval. When these are included in the respective portfolios, they contribute to attaining higher diversification, allow for hedging of market risk and provide an opportunity for earning additional income.

##### *Interest rate sensitivity*

The Bank uses duration analysis to estimate the degree of sensitivity to interest rate changes in its non-trading 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 8000 shares of the capital of BIS, Basle, each amounting to SDR 5000. Twenty-five per cent of the equity investment in BIS Basle is paid up. The capital subscribed but not paid in is with an option to be paid in within three months following a decision of the BIS' Board of Governors. The contingent amount as at 31 December 2004 is BGN 66,899 thousand.

(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 3,250,721 thousand (2003: BGN 3,416,439 thousand).

(iii) *Capital commitments*

As at 31 December 2004, the Bank has committed to BGN 4511 thousand to purchase non-current assets.

(iv) *Retirement benefits under local legislation*

In accordance with the requirements of the Labour Code on termination of the labour contract of an employee, who has become entitled to retirement, the Bank is obliged to pay him a compensation amounting to double his 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. Management has made an approximate estimation of the compensations due and estimated the present value to be less than BGN 549 thousand.

(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**

As a sole owner of BORICA, the BNB will receive a dividend of BGN 5890 thousand which includes BGN 3300 thousand of the 2004 retained profit, and BGN 2590 thousand from the subsidiary's reserves.

Following a decision of the Governing Council, the Bank offered for sale shares of the equity of BORICA to commercial banks.



## Appendix

<b>Statistical Data</b>	<b>87</b>
Gross Domestic Product	87
Employment in 2003 and 2004	
Employed under Labour Contract	88
Average Monthly Salary of Employed under Labour Contract	88
Change in Consumer Prices by Component	89
Balance of Payments	90
Exports by Commodity Group	94
Imports by Commodity Group	95
Exports by Use	96
Imports by Use	97
Exports by Major Trading Partner and Region	98
Imports by Major Trading Partner and Region	99
Currency Structure of Exports and Imports	100
Gross External Debt	101
Gross External Debt Service, 2004	102
Debt Indicators	104
Gross External Debt Payments	104
Gross External Debt Disbursements	105
Consolidated State Budget for 2004	106
Monetary Survey	110
Analytical Reporting of the BNB	118
Analytical Reporting of Commercial Banks	126
Nominal Interest Rates on Short-term Lev Loans in 2004	136
Real Interest Rates on Short-term Lev Loans in 2004	136
Nominal Interest Rates on Lev Deposits (of over one day up to one month) in 2004	137
Real Interest Rates on Lev Deposits (of over one day up to one month) in 2004	137
Commercial Bank Claims by Industry	138
Commercial Bank Claims by Currency	138
Claims over BGN 10,000 by Loan Agreement Term	138
Inter-bank Money Market	138
The Equity and Corporate Bond Market	
Bulgarian Stock Exchange – Sofia: Primary Market	139
Volume of Bulgarian Stock Exchange Securities Transactions – Sofia	139
Forex Market. Transactions with Final Customers in 2004	140
Forex Market. Inter-bank Spot Market in 2004	140
Forex Market. BNB Spot Transactions in 2004	140
Balance Sheet of the BNB	141
Denomination Composition in Banknotes and Coins	143
Interest Rates and Government Securities Yield in 2004	144
Banking System Balance Sheet as of December 2004	145
Banking System Income Statement	147
Balance Sheet of Group I Banks as of December 2004	149

Balance Sheet of Group II Banks as of December 2004 .....	151
Balance Sheet of Group III Banks as of December 2004 .....	153
Income Statement of Group I Banks as of December 2004 .....	155
Income Statement of Group II Banks as of December 2004 .....	157
Income Statement of Group III Banks as of December 2004 .....	159
Bank Groups as of 31 December 2004 .....	161
Open Foreign Currency Positions of Commercial Banks as of 31 December 2004 .....	162
Capital Adequacy of Commercial Banks as of 31 December 2004 .....	162
Liquidity of Commercial Banks as of 31 December 2004 .....	162
Credit Portfolio of Commercial Banks .....	163
High-liquidity Asset Ratios .....	163
Funds of the Central Republican Budget and Budget-supported Entities with the BNB and Commercial Banks as at End of Period .....	164
Payments on Foreign Financial Obligations .....	164
Government Securities Auctions .....	164
List of Government Securities Primary Dealers Approved in December 2004 .....	165
Sales of Savings Government Securities Issued in 2004 .....	165
BNB Sales and Cash Payments on Savings Government Securities in 2003 and 2004 .....	166
Government Securities Primary Registration and Payments .....	166
Government Securities Transactions Registered in the Secondary Market .....	166
<b>Major Resolutions of the BNB Governing Council .....</b>	<b>167</b>

## Statistical Data

### Gross Domestic Product

Indicators	At current prices, million BGN			Physical volume index, 2003 = 100	Implicit deflators (%)
	2002	2003	2004		
Gross value added					
By economic sector	28525.8	30227.3	32941.932	105.4	103.4
Agriculture and forestry	3459.5	3498.2	3580.8	102.2	100.1
Industry	8288.8	8972.1	9878.2	105.3	104.6
Services	16777.5	17757.0	19483.0	106.0	103.5
By type of ownership					
Private sector	20813.0	22291.3	25203.2	107.5	
Public sector	7712.8	7936.044	7738.7	99.4	
Adjustments	3809.3	4319.3	5066.5	107.0	109.6
GDP					
By component of final demand	32335.1	34546.6	38008.4	105.6	104.2
Final consumption	28070.1	30314.5	33000.6	105.0	103.7
Individual	24822.9	26846.0	29136.4	104.8	103.5
Collective	3247.2	3468.5	3864.2	105.8	105.3
Gross capital formation	6405.0	7510.8	8938.7	-	-
Gross capital formation of fixed capital	5908.5	6694.4	7957.3	112.0	106.1
Reserve change	496.5	816.4	981.4	-	-
Balance (exports – imports)	-2140.1	-3278.6	-3900.8	-	-
Exports of goods and services	17180.4	18500.3	22209.8	113.1	106.2
Imports of goods and services	19320.5	21778.9	26110.6	114.1	105.1
Statistical discrepancy	0.0	0.0	-30.1	-	-

Source: NSI.

## Employment in 2003 and 2004

## Employed under Labour Contract

		Payroll number*		
		Total for the economy	Public sector	Private sector
<b>2003</b>	January	1 946 834	730 873	1 215 961
	February	1 991 623	757 271	1 234 352
	March	2 016 828	765 688	1 251 140
	April	2 043 764	771 192	1 272 572
	May	2 054 972	771 746	1 283 226
	June	2 068 694	775 281	1 293 413
	July	2 075 881	778 647	1 297 234
	August	2 067 291	776 774	1 290 517
	September	2 063 429	778 293	1 285 136
	October	2 050 282	772 629	1 277 653
	November	2 034 033	768 505	1 265 528
	December	2 005 369	758 795	1 246 574
<b>2004</b>	January	2 089 842	751 635	1 338 207
	February	2 107 924	759 485	1 348 439
	March	2 127 689	766 657	1 361 032
	April	2 146 489	767 878	1 378 611
	May	2 162 177	769 983	1 392 194
	June	2 175 873	770 520	1 405 353
	July	2 186 757	742 194	1 444 563
	August	2 181 207	738 504	1 442 703
	September	2 170 404	739 786	1 430 618
	October	2 162 474	737 760	1 424 714
	November	2 144 427	733 506	1 410 921
	December	2 109 478	717 920	1 391 558

\* Payroll number as of the last working day of the month.

Source: NSI.

## Average Monthly Salary of Employed under Labour Contract

		Total for the economy	Sectors by type of ownership	
			Public	Private
<b>2003</b>	January	264	308	238
	February	259	299	234
	March	274	325	242
	April	272	318	244
	May	280	340	242
	June	274	327	241
	July	276	326	244
	August	273	324	242
	September	286	352	245
	October	276	326	245
	November	286	344	249
	December	302	368	260
<b>2004</b>	January	277	327	249
	February	277	321	251
	March	290	350	256
	April	287	335	260
	May	295	361	257
	June	289	343	258
	July	295	351	265
	August	291	349	261
	September	303	375	265
	October	296	354	265
	November	303	366	269
	December	320	400	278

Source: NSI.

## Change in Consumer Prices by Component

(%)

		On the previous month				On correspond- ing month of previous year (total)	On average prices of previous year			
		Total	Goods		Services		Total	Goods		Services
			Food	Non-food				Food	Non-food	
2003	January	0.6	0.5	0.6	0.8	1.7	1.9	-0.2	2.4	4.5
	February	0.1	0.4	-0.3	0.1	0.2	2.0	0.2	2.0	4.6
	March	0.4	0.6	0.3	0.1	-0.2	2.4	0.8	2.3	4.7
	April	0.3	0.8	-0.7	0.5	0.2	2.7	1.7	1.6	5.2
	May	-0.6	-0.8	-1.2	0.1	1.7	2.0	0.9	0.3	5.3
	June	-2.2	-5.2	-0.6	0.4	1.2	-0.2	-4.4	-0.3	5.7
	July	0.9	-1.8	0.1	5.5	2.0	0.7	-6.1	-0.2	11.5
	August	0.8	1.4	0.4	0.4	3.5	1.5	-4.8	0.1	12.0
	September	0.9	2.2	0.4	0.0	3.6	2.4	-2.7	0.5	12.0
	October	0.7	1.4	0.5	0.1	3.3	3.1	-1.4	1.1	12.0
	November	1.8	4.7	0.1	-0.2	5.1	5.0	3.2	1.2	11.7
	December	1.8	4.2	0.3	0.0	5.6	6.9	7.5	1.5	11.7
2004	January	1.4	1.3	2.4	0.4	6.4	5.9	10.0	2.7	4.1
	February	0.3	0.3	0.9	-0.2	6.6	6.3	10.4	3.6	3.9
	March	-0.1	-0.3	0.0	0.1	6.2	6.2	10.1	3.6	4.1
	April	0.3	0.4	0.0	0.4	6.1	6.5	10.5	3.6	4.5
	May	0.0	-1.5	0.6	1.6	6.8	6.6	8.9	4.3	6.1
	June	-1.8	-4.2	-0.5	0.2	7.3	4.7	4.3	3.7	6.3
	July	1.2	0.0	0.2	4.0	7.6	5.9	4.3	3.9	10.6
	August	-0.4	-1.7	0.4	0.2	6.3	5.5	2.5	4.3	10.8
	September	0.9	2.3	0.3	0.0	6.3	6.5	4.9	4.6	10.8
	October	0.2	-0.5	0.9	0.3	5.8	6.6	4.4	5.5	11.2
	November	0.6	1.5	-0.3	0.4	4.5	7.3	6.0	5.2	11.6
	December	1.3	3.4	-0.2	0.1	4.0	8.7	9.6	5.0	11.7

Source: NSI.

## Balance of Payments

(million EUR)

Analytical presentation*	2003	2004							
	Total	I	II	III	I quarter	IV	V	VI	II quarter
<b>A. Current account <sup>1</sup></b>	<b>-1630.2</b>	<b>-230.3</b>	<b>-128.8</b>	<b>-140.2</b>	<b>-499.4</b>	<b>-225.1</b>	<b>-218.6</b>	<b>-18.8</b>	<b>-462.5</b>
Goods: credit	6668.2	500.7	582.3	636.2	1719.2	598.7	601.7	698.4	1898.8
Goods: debit	-8867.8	-654.9	-727.7	-845.0	-2227.6	-867.1	-910.2	-913.4	-2690.7
<i>Balance on goods <sup>2</sup></i>	<i>-2199.6</i>	<i>-154.2</i>	<i>-145.3</i>	<i>-208.8</i>	<i>-508.4</i>	<i>-268.4</i>	<i>-308.5</i>	<i>-215.0</i>	<i>-791.9</i>
Services: credit	2790.8	156.5	158.6	178.9	494.1	163.9	273.7	403.5	841.1
Transportation: credit <sup>3</sup>	834.3	51.1	55.1	59.7	165.8	54.2	78.1	105.2	237.5
Travel: credit <sup>4</sup>	1460.0	64.2	65.9	69.6	199.7	62.9	150.2	233.5	446.5
Other services: credit	496.6	41.2	37.7	49.6	128.5	46.9	45.4	64.9	157.1
Services: debit	-2267.6	-176.7	-157.9	-187.8	-522.4	-208.5	-206.7	-221.8	-637.0
Transportation: debit <sup>3</sup>	-1020.4	-79.5	-79.5	-91.0	-250.0	-97.9	-101.5	-105.4	-304.7
Travel: debit <sup>4</sup>	-661.1	-61.6	-45.2	-48.3	-155.0	-58.9	-59.7	-67.6	-186.2
Other services: debit	-586.2	-35.7	-33.3	-48.5	-117.4	-51.6	-45.5	-48.9	-146.1
<i>Balance on services</i>	<i>523.2</i>	<i>-20.2</i>	<i>0.7</i>	<i>-8.9</i>	<i>-28.4</i>	<i>-44.5</i>	<i>67.1</i>	<i>181.6</i>	<i>204.2</i>
<i>Balance on goods and services</i>	<i>-1676.4</i>	<i>-174.4</i>	<i>-144.6</i>	<i>-217.7</i>	<i>-536.7</i>	<i>-313.0</i>	<i>-241.4</i>	<i>-33.3</i>	<i>-587.7</i>
Income: credit	290.1	32.1	18.1	19.8	70.1	21.3	19.7	22.2	63.2
Compensation of employees: credit	59.3	4.7	5.1	7.1	16.8	7.3	7.1	7.6	22.0
Other investment income: credit	230.8	27.4	13.0	12.8	53.2	14.0	12.5	14.6	41.2
Direct investment income: credit	1.0	0.0	0.0	0.0	0.1	0.2	0.1	0.0	0.3
Portfolio investment income: credit	152.2	10.4	6.9	7.5	24.9	8.0	9.0	9.5	26.5
Other investment income: credit	77.6	16.9	6.1	5.3	28.3	5.8	3.4	5.1	14.4
Income: debit	-856.5	-134.5	-44.8	-27.3	-206.6	-15.7	-51.8	-50.8	-118.2
Compensation of employees: debit	-11.1	-1.0	-0.4	-0.6	-2.0	-0.4	-1.0	-0.7	-2.1
Other investment income: debit	-845.5	-133.5	-44.4	-26.7	-204.6	-15.2	-50.8	-50.1	-116.1
Direct investment income: debit	-493.2	-14.3	-16.6	-14.3	-45.2	-11.0	-37.7	-29.0	-77.7
Portfolio investment income: debit	-204.6	-111.1	-13.8	-0.4	-125.3	-0.2	-0.8	-0.5	-1.5
Other investment income: debit	-147.6	-8.1	-14.0	-12.0	-34.1	-4.1	-12.3	-20.5	-36.9
<i>Balance on income</i>	<i>-566.4</i>	<i>-102.4</i>	<i>-26.7</i>	<i>-7.4</i>	<i>-136.5</i>	<i>5.6</i>	<i>-32.1</i>	<i>-28.5</i>	<i>-55.1</i>
<i>Balance on goods, services, and income</i>	<i>-2242.8</i>	<i>-276.8</i>	<i>-171.4</i>	<i>-225.1</i>	<i>-673.3</i>	<i>-307.4</i>	<i>-273.5</i>	<i>-61.9</i>	<i>-642.8</i>
<i>Current transfers, net <sup>5</sup></i>	<i>612.6</i>	<i>46.4</i>	<i>42.5</i>	<i>84.9</i>	<i>173.9</i>	<i>82.2</i>	<i>54.9</i>	<i>43.1</i>	<i>180.3</i>
Current transfers: credit	762.5	57.0	51.4	95.3	203.6	94.4	66.1	65.9	226.4
Current transfers: debit	-149.9	-10.6	-8.8	-10.3	-29.7	-12.2	-11.2	-22.8	-46.1
<b>B. Capital account <sup>1, 6</sup></b>	<b>-0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Capital transfers, net	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Total, groups A plus B</i>	<i>-1630.5</i>	<i>-230.3</i>	<i>-128.8</i>	<i>-140.2</i>	<i>-499.4</i>	<i>-225.1</i>	<i>-218.6</i>	<i>-18.8</i>	<i>-462.5</i>
<b>C. Financial account <sup>1, 6</sup></b>	<b>2325.1</b>	<b>-36.4</b>	<b>350.6</b>	<b>241.7</b>	<b>555.9</b>	<b>123.1</b>	<b>393.3</b>	<b>491.3</b>	<b>1007.7</b>
Direct investment net	1827.2	122.4	115.1	116.8	354.3	39.2	79.9	542.6	661.7
Direct investment abroad	-23.3	-4.9	-1.3	-2.1	-8.3	-0.6	-0.9	-1.9	-3.4
Equity capital abroad	-21.1	-4.7	-1.2	-1.6	-7.5	-1.3	-0.6	-2.3	-4.1
Other capital abroad	-2.2	-0.2	-0.1	-0.5	-0.8	0.7	-0.3	0.4	0.7
Reinvested earnings abroad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment in reporting economy <sup>7</sup>	1850.5	127.3	116.4	118.9	362.6	39.8	80.8	364.5	485.1
Equity capital in reporting economy	1075.2	20.0	52.5	27.2	99.8	10.2	-14.1	287.0	283.0
Other capital in reporting economy <sup>8</sup>	553.3	95.8	51.4	80.8	228.0	22.0	84.7	62.8	169.5
Reinvested earnings in reporting economy	222.0	11.6	12.5	10.8	34.8	7.7	10.3	14.6	32.6
Mergers and acquisitions <sup>9</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	180.0	180.0
Portfolio investment assets	-69.2	-51.1	-13.7	29.8	-35.0	-60.1	23.0	23.2	-13.9
Equity securities: assets	-12.8	-0.3	-0.6	-0.1	-1.0	-4.7	-0.3	2.5	-2.5
Debt securities: assets	-56.4	-50.8	-13.1	29.9	-34.0	-55.4	23.3	20.7	-11.4
Portfolio investment liabilities	-121.8	-84.2	-38.7	35.1	-87.7	-13.1	6.8	103.0	96.7
Equity securities: liabilities	-20.1	-14.6	-5.2	-2.9	-22.6	9.3	-0.3	4.8	13.8

(continued)

(continued)

(million EUR)

	2003 Total	2004							
		I	II	III	I quarter	IV	V	VI	II quarter
Debt securities: liabilities	-101.7	-69.6	-33.5	38.0	-65.1	-22.4	7.0	98.2	82.8
Other investment assets	228.8	-77.1	126.7	-30.8	18.9	94.3	85.1	-339.6	-160.2
Trade credits: assets, net <sup>10</sup>	0.0	5.3	5.3	5.4	16.0	9.7	9.7	9.6	29.0
Loans: assets	-29.4	-7.1	-20.5	-9.0	-36.6	-4.6	-4.2	-13.2	-22.0
Banks	-31.0	0.2	-0.7	-4.4	-4.9	-2.8	-1.1	-4.7	-8.5
Other sectors	1.6	-7.3	-19.8	-4.6	-31.6	-1.9	-3.1	-8.5	-13.5
Currency and deposits: assets	266.1	-59.0	133.1	-34.8	39.3	71.8	81.7	-374.2	-220.7
Banks	281.2	-87.5	104.5	-63.3	-46.3	82.2	92.1	-363.8	-189.5
Other sectors <sup>11</sup>	-15.1	28.5	28.5	28.5	85.6	-10.4	-10.4	-10.4	-31.2
Other assets	-7.9	-16.3	8.8	7.7	0.2	17.5	-2.1	38.2	53.5
Other investment liabilities	460.1	53.5	161.2	90.7	305.4	62.8	198.5	162.1	423.4
Trade credits: liabilities, net <sup>12</sup>	-83.0	-16.1	-16.0	-16.2	-48.3	21.4	21.3	21.3	64.0
Loans: liabilities	196.8	75.6	24.9	120.4	220.9	45.3	53.7	93.7	192.8
General government	-91.6	-8.7	-10.4	-29.9	-48.9	5.2	7.3	-7.5	5.0
Banks	52.7	6.8	5.8	26.1	38.8	10.0	24.8	63.8	98.6
Other sectors <sup>8</sup>	235.7	77.5	29.5	124.1	231.0	30.2	21.6	37.4	89.2
Currency and deposits: liabilities	258.7	-22.6	81.6	17.1	76.1	-0.8	92.5	61.9	153.6
Other liabilities	87.6	16.5	70.7	-30.5	56.7	-3.1	30.9	-14.7	13.2
<i>Total, groups A through C</i>	<i>694.7</i>	<i>-266.8</i>	<i>221.8</i>	<i>101.5</i>	<i>56.5</i>	<i>-102.0</i>	<i>174.7</i>	<i>472.6</i>	<i>545.2</i>
<b>D. Net errors and omissions</b>	<b>-64.4</b>	<b>-36.0</b>	<b>-108.8</b>	<b>64.0</b>	<b>-80.9</b>	<b>164.4</b>	<b>126.0</b>	<b>-62.1</b>	<b>228.2</b>
<b>OVERALL BALANCE</b>	<b>630.3</b>	<b>-302.8</b>	<b>113.0</b>	<b>165.5</b>	<b>-24.4</b>	<b>62.3</b>	<b>300.6</b>	<b>410.5</b>	<b>773.4</b>
<b>E. Reserves and related items</b>	<b>-630.3</b>	<b>302.8</b>	<b>-113.0</b>	<b>-165.5</b>	<b>24.4</b>	<b>-62.3</b>	<b>-300.6</b>	<b>-410.5</b>	<b>-773.4</b>
BNB international reserves <sup>13</sup>	-816.7	283.0	-138.6	-186.2	-41.8	-50.5	-290.5	-400.0	-741.0
Use of Fund credit, net	35.3	0.0	25.6	20.7	46.4	-11.8	-10.1	-10.5	-32.4
Exceptional financing, net	151.2	19.8	0.0	0.0	19.8	0.0	0.0	0.0	0.0

(continued)



(continued)

(million EUR)

	2004								
	VII	VIII	IX	III quarter	X	XI	XII	IV quarter	Total
<b>A. Current account <sup>1</sup></b>	<b>214.3</b>	<b>146.6</b>	<b>40.9</b>	<b>401.9</b>	<b>-215.4</b>	<b>-355.4</b>	<b>-316.3</b>	<b>-887.1</b>	<b>-1447.1</b>
Goods: credit	786.7	670.2	731.6	2188.5	739.7	731.2	716.5	2187.3	7993.9
Goods: debit	-918.1	-842.6	-887.6	-2648.3	-984.4	-1086.0	-1074.8	-3145.2	-10711.8
<i>Balance on goods <sup>2</sup></i>	<i>-131.4</i>	<i>-172.3</i>	<i>-156.0</i>	<i>-459.8</i>	<i>-244.7</i>	<i>-354.9</i>	<i>-358.3</i>	<i>-957.9</i>	<i>-2718.0</i>
Services: credit	530.9	510.7	371.3	1412.9	208.0	182.3	223.4	613.7	3361.8
Transportation: credit <sup>3</sup>	135.9	129.3	101.1	366.3	66.7	62.9	68.8	198.4	968.0
Travel: credit <sup>4</sup>	329.9	327.1	211.0	868.0	86.9	59.5	85.6	232.0	1746.3
Other services: credit	65.1	54.2	59.3	178.6	54.4	60.0	69.0	183.3	647.6
Services: debit	-251.2	-251.6	-254.5	-757.3	-232.3	-227.7	-261.6	-721.6	-2638.3
Transportation: debit <sup>3</sup>	-111.1	-110.1	-110.5	-331.6	-111.7	-115.7	-117.6	-345.0	-1231.4
Travel: debit <sup>4</sup>	-77.5	-91.4	-82.1	-251.0	-64.3	-55.1	-64.1	-183.5	-775.6
Other services: debit	-62.7	-50.1	-62.0	-174.8	-56.4	-56.9	-79.8	-193.1	-631.3
<i>Balance on services</i>	<i>279.7</i>	<i>259.0</i>	<i>116.8</i>	<i>655.5</i>	<i>-24.3</i>	<i>-45.4</i>	<i>-38.1</i>	<i>-107.8</i>	<i>723.5</i>
<i>Balance on goods and services</i>	<i>148.2</i>	<i>86.7</i>	<i>-39.2</i>	<i>195.7</i>	<i>-269.0</i>	<i>-400.3</i>	<i>-396.5</i>	<i>-1065.7</i>	<i>-1994.5</i>
Income: credit	35.1	26.1	21.5	82.7	23.3	22.2	25.4	71.0	286.9
Compensation of employees: credit	7.0	10.4	7.4	24.8	6.5	7.0	6.8	20.4	84.0
Other investment income: credit	28.1	15.7	14.1	57.9	16.8	15.2	18.6	50.6	202.9
Direct investment income: credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.4
Portfolio investment income: credit	10.0	10.2	9.2	29.4	10.3	9.6	10.4	30.2	110.9
Other investment income: credit	18.1	5.5	4.9	28.5	6.5	5.6	8.2	20.3	91.6
Income: debit	-89.8	-50.6	-37.4	-177.8	-51.8	-52.8	-20.4	-125.0	-627.7
Compensation of employees: debit	-0.7	-0.8	-0.7	-2.3	-0.7	-0.7	-0.9	-2.2	-8.7
Other investment income: debit	-89.0	-49.8	-36.7	-175.5	-51.1	-52.2	-19.5	-122.8	-619.0
Direct investment income: debit	-23.1	-33.4	-23.1	-79.6	-45.4	-31.0	-11.5	-87.8	-290.3
Portfolio investment income: debit	-60.4	-0.3	-0.3	-61.0	-1.3	-2.0	-1.8	-5.0	-192.9
Other investment income: debit	-5.6	-16.0	-13.3	-34.9	-4.5	-19.2	-6.3	-29.9	-135.8
<i>Balance on income</i>	<i>-54.6</i>	<i>-24.5</i>	<i>-15.9</i>	<i>-95.1</i>	<i>-28.4</i>	<i>-30.6</i>	<i>5.0</i>	<i>-54.1</i>	<i>-340.7</i>
<i>Balance on goods, services, and income</i>	<i>93.6</i>	<i>62.2</i>	<i>-55.2</i>	<i>100.6</i>	<i>-297.4</i>	<i>-430.8</i>	<i>-391.5</i>	<i>-1119.8</i>	<i>-2335.2</i>
<i>Current transfers, net <sup>5</sup></i>	<i>120.7</i>	<i>84.4</i>	<i>96.1</i>	<i>301.3</i>	<i>82.0</i>	<i>75.4</i>	<i>75.2</i>	<i>232.7</i>	<i>888.1</i>
Current transfers: credit	134.7	98.6	108.6	342.0	96.7	89.2	90.4	276.3	1048.3
Current transfers: debit	-14.0	-14.2	-12.5	-40.7	-14.7	-13.7	-15.2	-43.6	-160.2
<b>B. Capital account <sup>1,6</sup></b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>
Capital transfers, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
<i>Total, groups A plus B</i>	<i>214.3</i>	<i>146.6</i>	<i>40.9</i>	<i>401.9</i>	<i>-215.4</i>	<i>-355.4</i>	<i>-316.3</i>	<i>-887.1</i>	<i>-1447.1</i>
<b>C. Financial account <sup>1,6</sup></b>	<b>-602.4</b>	<b>95.4</b>	<b>173.7</b>	<b>-333.3</b>	<b>328.3</b>	<b>467.5</b>	<b>681.5</b>	<b>1477.3</b>	<b>2707.5</b>
Direct investment net	-704.1	56.4	47.8	-599.9	158.3	304.8	760.3	1223.4	1639.5
Direct investment abroad	-1.8	-0.7	-2.2	-4.7	-3.5	196.4	-1.7	191.2	174.8
Equity capital abroad	-2.3	-0.1	-1.2	-3.6	-2.9	-1.5	-2.7	-7.2	-22.4
Other capital abroad	0.5	-0.5	-1.0	-1.1	-0.6	197.9	1.1	198.4	197.2
Reinvested earnings abroad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment in reporting economy <sup>7</sup>	127.2	57.1	50.1	234.3	161.8	108.5	762.0	1032.2	2114.2
Equity capital in reporting economy	34.3	26.0	50.6	110.9	154.3	118.5	804.6	1077.4	1571.1
Other capital in reporting economy <sup>8</sup>	82.0	17.7	-11.1	88.6	-1.8	-25.5	-45.2	-72.6	413.5
Reinvested earnings in reporting economy	10.8	13.3	10.6	34.8	9.3	15.5	2.6	27.4	129.6
Mergers and acquisitions <sup>9</sup>	-829.5	0.0	0.0	-829.5	0.0	0.0	0.0	0.0	-649.5
Portfolio investment assets	35.8	15.0	28.9	79.7	20.6	191.7	-244.5	-32.2	-1.3
Equity securities: assets	-1.3	0.5	0.1	-0.8	-0.3	-0.6	-16.7	-17.6	-21.8
Debt securities: assets	37.2	14.5	28.8	80.5	20.9	192.3	-227.9	-14.6	20.5
Portfolio investment liabilities	-609.7	-9.4	20.9	-598.2	-3.4	21.7	15.1	33.5	-555.7
Equity securities: liabilities	3.5	0.7	0.2	4.4	0.0	2.9	2.2	5.1	0.7
Debt securities: liabilities	-613.2	-10.2	20.7	-602.6	-3.4	18.8	12.9	28.4	-556.4

(continued)

(continued)

(million EUR)

	2004								Total
	VII	VIII	IX	III quarter	X	XI	XII	IV quarter	
Other investment assets	17.9	7.0	-48.7	-23.7	-16.6	100.5	-258.5	-174.6	-339.7
Trade credits: assets, net <sup>10</sup>	8.6	8.6	8.6	25.7	20.0	19.5	19.0	58.5	129.2
Loans: assets	2.1	-7.5	-12.9	-18.2	-1.4	-2.1	-2.1	-5.5	-82.3
Banks	-3.2	-4.2	-2.3	-9.7	-0.1	-2.6	-3.8	-6.5	-29.6
Other sectors	5.3	-3.3	-10.6	-8.5	-1.3	0.4	1.8	0.9	-52.7
Currency and deposits: assets	24.5	18.4	-48.9	-6.0	-23.3	16.7	-289.7	-296.3	-483.7
Banks	52.8	25.6	-41.8	36.6	-48.3	25.7	-331.9	-354.5	-553.8
Other sectors <sup>11</sup>	-7.1	-7.1	-7.1	-21.4	-13.9	-9.0	42.2	19.3	52.4
Other assets	-17.2	-12.5	4.5	-25.3	-11.9	66.4	14.2	68.7	97.2
Other investment liabilities	657.7	26.4	124.7	808.8	169.3	-151.3	409.1	427.1	1964.7
Trade credits: liabilities, net <sup>12</sup>	9.1	9.1	9.1	27.2	20.3	19.8	19.5	59.6	102.4
Loans: liabilities	649.5	42.8	41.1	733.3	50.0	-203.1	262.3	109.2	1256.2
General government	18.1	-5.9	-11.0	1.2	5.2	2.3	-2.8	4.7	-38.0
Banks	63.0	17.9	25.2	106.1	5.5	30.8	127.1	163.4	406.9
Other sectors <sup>8</sup>	568.3	30.7	26.9	626.0	39.3	-236.2	138.0	-58.9	887.3
Currency and deposits: liabilities	0.4	-39.6	47.5	8.3	101.4	27.1	147.6	276.1	514.0
Other liabilities	-1.2	14.1	27.1	40.0	-2.4	4.9	-20.3	-17.8	92.1
<i>Total, groups A through C</i>	<i>-388.0</i>	<i>241.9</i>	<i>214.7</i>	<i>68.6</i>	<i>112.9</i>	<i>112.1</i>	<i>365.1</i>	<i>590.1</i>	<i>1260.4</i>
<b>D. Net errors and omissions</b>	<b>-81.4</b>	<b>62.8</b>	<b>-13.8</b>	<b>-32.4</b>	<b>112.2</b>	<b>131.2</b>	<b>-219.2</b>	<b>24.2</b>	<b>139.2</b>
<b>OVERALL BALANCE</b>	<b>-469.5</b>	<b>304.8</b>	<b>200.9</b>	<b>36.2</b>	<b>225.1</b>	<b>243.3</b>	<b>146.0</b>	<b>614.4</b>	<b>1399.6</b>
<b>E. Reserves and related items</b>	<b>469.5</b>	<b>-304.8</b>	<b>-200.9</b>	<b>-36.2</b>	<b>-225.1</b>	<b>-243.3</b>	<b>-146.0</b>	<b>-614.4</b>	<b>-1399.6</b>
BNB international reserves <sup>13</sup>	469.5	-295.3	-292.9	-118.8	-216.1	-229.7	-146.0	-591.8	-1493.4
Use of Fund credit, net	0.0	-10.1	-10.4	-20.5	-9.0	-13.6	0.0	-22.6	-29.1
Exceptional financing, net	0.0	0.6	102.5	103.1	0.0	0.0	0.0	0.0	122.9

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

<sup>1</sup> Preliminary data.<sup>2</sup> Data based on customs declarations as of the date of customs clearings, processed by the BNB and supplemented with NSI information. Data are coordinated with the NSI.<sup>3</sup> BNB estimates.<sup>4</sup> Estimates according to the methodology of the BNB and the Ministry of Economy.<sup>5</sup> Including data provided by the Ministry of Finance, Agency for Foreign Aid, the Bulgarian Red Cross and Customs Agency.<sup>6</sup> A minus sign denotes a capital outflow (increase in assets or decrease in liabilities).<sup>7</sup> Data provided by the companies with foreign interest, the Privatization Agency, the NSI, the Central Depository, commercial banks, etc.<sup>8</sup> Data based on reports of residents' obligations on financial credits to foreign persons received at the BNB.<sup>9</sup> Mergers and acquisitions are included in this item.<sup>10</sup> Bulgaria's foreign claims on trade credits (prepaid advances and receivables from suppliers) are included in this item.<sup>11</sup> BIS data for 2003 and the January – September 2004 period. BNB data for the October – December 2004 period, subject to revisions.<sup>12</sup> Bulgaria's foreign liabilities on trade credits (received advances and payables to suppliers) are included in this item.<sup>13</sup> Excluding changes in BNB international reserves due to valuation adjustments. A minus sign denotes an increase in international reserves and a positive sign a decrease.

## Exports by Commodity Group

Commodity groups*	January – December				Change on same period of previous year	
	2003		2004			
	million EUR	share, %	million EUR	share, %	million EUR	%
<b>Textile, leather materials, clothing, footwear and other consumer goods, including:</b>	<b>2044.6</b>	<b>30.7</b>	<b>2173.0</b>	<b>27.2</b>	<b>128.4</b>	<b>6.3</b>
Chapter 62. Clothing and accessories to clothing other than knitwear	745.5	11.2	808.7	10.1	63.2	8.5
Chapter 61. Clothing and accessories to clothing from knitwear	574.9	8.6	595.7	7.5	20.8	3.6
Chapter 64. Shoes, gaiters and similar articles; their components	200.5	3.0	187.1	2.3	-13.4	-6.7
Chapter 94. Furniture; medical furniture; sleeping accessories and similar articles	132.0	2.0	162.4	2.0	30.4	23.0
<b>Base metals and their products, including:</b>	<b>1248.6</b>	<b>18.7</b>	<b>1808.8</b>	<b>22.6</b>	<b>560.2</b>	<b>44.9</b>
Chapter 72. Cast-iron, iron and steel	541.4	8.1	805.9	10.1	264.5	48.9
Chapter 74. Copper and its products	403.2	6.0	588.0	7.4	184.8	45.8
Chapter 73. Cast-iron, iron and steel products	101.0	1.5	146.8	1.8	45.8	45.4
Chapter 76. Aluminum and its products	83.4	1.3	109.6	1.4	26.2	31.5
Chapter 79. Zinc and its products	59.8	0.9	80.6	1.0	20.8	34.7
<b>Machines, transport facilities, appliances, tools and weapons, including:</b>	<b>984.7</b>	<b>14.8</b>	<b>1125.6</b>	<b>14.1</b>	<b>140.8</b>	<b>14.3</b>
Chapter 84. Nuclear reactors, boilers, machines, appliances and machinery; spare parts	423.6	6.4	509.9	6.4	86.3	20.4
Chapter 85. Electrical machines and appliances	348.1	5.2	365.5	4.6	17.4	5.0
<b>Mineral products and fuels, including:</b>	<b>638.0</b>	<b>9.6</b>	<b>901.4</b>	<b>11.3</b>	<b>263.4</b>	<b>41.3</b>
Chapter 27. Mineral fuels, mineral oils and distilled products	556.6	8.3	818.7	10.2	262.1	47.1
<b>Animal and vegetable products, food, drink and tobacco, including:</b>	<b>702.0</b>	<b>10.5</b>	<b>853.7</b>	<b>10.7</b>	<b>151.7</b>	<b>21.6</b>
Chapter 10. Cereals	59.1	0.9	119.6	1.5	60.5	102.4
Chapter 24. Tobacco and processed substitutes	66.7	1.0	115.5	1.4	48.8	73.2
Chapter 12. Oil-bearing seeds and fruit; miscellaneous seeds	99.4	1.5	95.1	1.2	-4.3	-4.3
Chapter 22. Soft and alcoholic drinks and vinegars	73.1	1.1	72.7	0.9	-0.4	-0.6
<b>Chemical products, plastics and rubber, including:</b>	<b>710.1</b>	<b>10.6</b>	<b>746.3</b>	<b>9.3</b>	<b>36.2</b>	<b>5.1</b>
Chapter 39. Plastics and plastic products	133.0	2.0	159.6	2.0	26.6	20.0
Chapter 29. Organic chemical products	110.5	1.7	133.4	1.7	22.8	20.6
Chapter 28. Inorganic chemical products	129.9	1.9	128.9	1.6	-1.0	-0.8
Chapter 30. Pharmaceuticals	70.7	1.1	72.4	0.9	1.7	2.4
Chapter 33. Essential oils, perfumes and toiletries	78.2	1.2	66.5	0.8	-11.7	-15.0
<b>Wood, paper, earthenware and glass products, including:</b>	<b>340.2</b>	<b>5.1</b>	<b>385.0</b>	<b>4.8</b>	<b>44.9</b>	<b>13.2</b>
Chapter 44. Timber and wood products; wood coal	126.1	1.9	149.9	1.9	23.8	18.9
Chapter 48. Paper and cardboard; products of cellulose, paper and cardboard	66.8	1.0	78.1	1.0	11.4	17.0
<b>EXPORTS, TOTAL (FOB)</b>	<b>6668.2</b>	<b>100.0</b>	<b>7993.9</b>	<b>100.0</b>	<b>1325.6</b>	<b>19.9</b>

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

Source: Customs Agency data. For 2003 – final data. For 2004 – preliminary data as of 26 January 2005. Information is supplemented with NSI data and processed by the BNB. Data coordinated with the NSI.

## Imports by Commodity Group

Commodity groups*	January – December				Change on same period of previous year	
	2003		2004			
	million EUR	share, %	million EUR	share, %	million EUR	%
<b>Machines, transport facilities, appliances, tools and weapons, including:</b>	<b>2954.5</b>	<b>30.7</b>	<b>3694.5</b>	<b>31.8</b>	<b>740.0</b>	<b>25.0</b>
Chapter 84. Nuclear reactors, boilers, machines, appliances and machinery; spare parts	1143.4	11.9	1312.1	11.3	168.8	14.8
Chapter 87. Automobile transport	810.6	8.4	1255.2	10.8	444.6	54.8
Chapter 85. Electrical machines and appliances	768.0	8.0	823.4	7.1	55.4	7.2
Chapter 90. Optical instruments and appliances	150.8	1.6	191.3	1.6	40.6	26.9
<b>Mineral products and fuels, including:</b>	<b>2066.9</b>	<b>21.5</b>	<b>2461.0</b>	<b>21.2</b>	<b>394.1</b>	<b>19.1</b>
Chapter 27. Mineral fuels, mineral oils and distilled products	1679.8	17.5	1939.8	16.7	259.9	15.5
Chapter 26. Ores, slags and ashes	312.7	3.3	449.7	3.9	137.0	43.8
<b>Textile, leather materials, clothing, footwear and other consumer goods, including:</b>	<b>1688.3</b>	<b>17.6</b>	<b>1750.1</b>	<b>15.1</b>	<b>61.8</b>	<b>3.7</b>
Chapter 61. Clothing and accessories to clothing from knitwear	273.1	2.8	260.2	2.2	-12.9	-4.7
Chapter 52. Cotton	224.4	2.3	233.4	2.0	9.1	4.0
Chapter 55. Staple synthetic and artificial fibres	168.9	1.8	175.9	1.5	7.0	4.2
Chapter 51. Wool, sheer and coarse filaments; yarns and fabrics from manes and tails	137.8	1.4	159.4	1.4	21.6	15.7
Chapter 54. Synthetic or artificial fibres	134.2	1.4	133.5	1.1	-0.7	-0.5
Chapter 62. Clothing and accessories to clothing other than knitwear	116.1	1.2	121.2	1.0	5.1	4.4
Chapter 60. Knitted textiles	105.3	1.1	113.8	1.0	8.5	8.1
<b>Chemical products, plastics and rubber, including:</b>	<b>1179.2</b>	<b>12.3</b>	<b>1460.1</b>	<b>12.6</b>	<b>281.0</b>	<b>23.8</b>
Chapter 39. Plastics and plastic products	359.8	3.7	457.1	3.9	97.3	27.0
Chapter 30. Pharmaceuticals	218.6	2.3	337.5	2.9	118.8	54.4
Chapter 38. Miscellaneous products of chemical industry	111.2	1.2	125.6	1.1	14.4	13.0
Chapter 40. Rubber and rubber products	95.0	1.0	113.6	1.0	18.6	19.5
Chapter 29. Organic chemical products	94.3	1.0	99.9	0.9	5.7	6.0
<b>Base metals and their products, including:</b>	<b>651.2</b>	<b>6.8</b>	<b>1015.9</b>	<b>8.7</b>	<b>364.7</b>	<b>56.0</b>
Chapter 72. Cast-iron, iron and steel	248.0	2.6	458.7	3.9	210.7	85.0
Chapter 73. Cast-iron, iron and steel products	139.4	1.5	208.2	1.8	68.8	49.3
Chapter 76. Aluminum and its products	127.9	1.3	159.4	1.4	31.5	24.6
<b>Animal and vegetable products, food, drink and tobacco, including:</b>	<b>534.8</b>	<b>5.6</b>	<b>651.9</b>	<b>5.6</b>	<b>117.0</b>	<b>21.9</b>
Chapter 02. Meat and edible offal	54.8	0.6	73.5	0.6	18.6	34.0
<b>Wood, paper, earthenware and glass products, including:</b>	<b>406.7</b>	<b>4.2</b>	<b>488.0</b>	<b>4.2</b>	<b>81.3</b>	<b>20.0</b>
Chapter 48. Paper and cardboard; products of cellulose, paper and cardboard	195.0	2.0	207.1	1.8	12.1	6.2
<b>Other imports<sup>1</sup></b>	<b>129.0</b>	<b>1.3</b>	<b>96.0</b>	<b>0.8</b>	<b>-33.0</b>	<b>-25.6</b>
<b>IMPORTS, TOTAL (CIF)</b>	<b>9610.5</b>	<b>100.0</b>	<b>11617.4</b>	<b>100.0</b>	<b>2006.9</b>	<b>20.9</b>
( - ) Freight expenditure	742.7		905.6			
<b>IMPORTS, TOTAL (FOB)</b>	<b>8867.8</b>		<b>10711.8</b>		<b>1844.0</b>	<b>20.8</b>

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

<sup>1</sup> Including information on imports of goods from Chapter 99 *Customs Reliefs* of the Customs Tariff.

Source: Customs Agency data. For 2003 – final data. For 2004 – preliminary data as of 26 January 2005. Information is supplemented with NSI data and processed by the BNB. Data coordinated with the NSI.

## Exports by Use

Commodity groups	January – December				Change on same period of previous year	
	2003		2004			
	million EUR	share, %	million EUR	share, %	million EUR	%
<b>Consumer goods</b>	<b>2440.5</b>	<b>36.6</b>	<b>2626.6</b>	<b>32.9</b>	<b>186.1</b>	<b>7.6</b>
Food	299.5	4.5	348.9	4.4	49.4	16.5
Cigarettes	17.1	0.3	22.9	0.3	5.8	33.6
Drink	73.0	1.1	72.6	0.9	-0.5	-0.6
Clothing and footwear	1457.6	21.9	1551.2	19.4	93.7	6.4
Medical goods and cosmetics	163.2	2.4	153.3	1.9	-9.9	-6.0
Housing and home furniture	245.7	3.7	279.9	3.5	34.2	13.9
Other	184.4	2.8	197.8	2.5	13.4	7.3
<b>Raw material feedstocks</b>	<b>2758.9</b>	<b>41.4</b>	<b>3484.5</b>	<b>43.6</b>	<b>725.6</b>	<b>26.3</b>
Cast-iron, iron and steel	541.4	8.1	805.9	10.1	264.5	48.9
Non-ferrous metals	534.7	8.0	749.3	9.4	214.7	40.2
Chemical products	229.4	3.4	255.4	3.2	26.0	11.3
Plastics, rubber	172.1	2.6	198.7	2.5	26.6	15.5
Fertilizers	79.4	1.2	58.1	0.7	-21.3	-26.8
Textile materials	278.2	4.2	293.9	3.7	15.7	5.6
Food feedstocks	218.4	3.3	278.8	3.5	60.4	27.7
Wood and paper, cardboard	196.7	2.9	229.2	2.9	32.5	16.5
Cement	29.3	0.4	22.8	0.3	-6.5	-22.2
Tobacco	49.6	0.7	92.7	1.2	43.1	86.9
Other	429.7	6.4	499.6	6.3	69.9	16.3
<b>Investment goods</b>	<b>912.2</b>	<b>13.7</b>	<b>1073.9</b>	<b>13.4</b>	<b>161.8</b>	<b>17.7</b>
Machines, tools and appliances	310.4	4.7	357.4	4.5	47.0	15.1
Electrical machines	112.5	1.7	96.5	1.2	-16.0	-14.2
Transport facilities	68.9	1.0	83.8	1.0	14.9	21.6
Spare parts and equipment	192.5	2.9	238.9	3.0	46.4	24.1
Other	227.8	3.4	297.3	3.7	69.5	30.5
<b>Non-energy commodities, total</b>	<b>6111.6</b>	<b>91.7</b>	<b>7185.1</b>	<b>89.9</b>	<b>1073.5</b>	<b>17.6</b>
<b>Energy commodities</b>	<b>556.6</b>	<b>8.3</b>	<b>808.8</b>	<b>10.1</b>	<b>252.2</b>	<b>45.3</b>
Petroleum products	385.0	5.8	624.8	7.8	239.8	62.3
Other	171.6	2.6	184.0	2.3	12.4	7.2
<b>EXPORTS, TOTAL (FOB)</b>	<b>6668.2</b>	<b>100.0</b>	<b>7993.9</b>	<b>100.0</b>	<b>1325.6</b>	<b>19.9</b>

Source: Customs Agency data. For 2003 – final data. For 2004 – preliminary data as of 26 January 2005. Information is supplemented with NSI data and processed by the BNB. Data coordinated with the NSI.

## Imports by Use

Commodity groups	January – December				Change on same period of previous year	
	2003		2004			
	million EUR	share, %	million EUR	share, %	million EUR	%
<b>Consumer goods</b>	<b>1475.8</b>	<b>15.4</b>	<b>1895.2</b>	<b>16.3</b>	<b>419.5</b>	<b>28.4</b>
Food, drink and cigarettes	264.5	2.8	306.4	2.6	41.9	15.8
Housing and home furniture	320.5	3.3	394.6	3.4	74.1	23.1
Medical goods and cosmetics	315.3	3.3	425.6	3.7	110.2	34.9
Clothing and footwear	109.6	1.1	120.6	1.0	10.9	10.0
Automobiles	244.3	2.5	385.2	3.3	140.9	57.7
Other	221.4	2.3	262.9	2.3	41.4	18.7
<b>Raw material feedstocks</b>	<b>3849.5</b>	<b>40.1</b>	<b>4602.8</b>	<b>39.6</b>	<b>753.3</b>	<b>19.6</b>
Ores	312.7	3.3	449.7	3.9	137.0	43.8
Cast-iron, iron and steel	248.0	2.6	458.7	3.9	210.7	85.0
Non-ferrous metals	96.2	1.0	130.3	1.1	34.1	35.4
Textile materials	1321.0	13.7	1355.3	11.7	34.3	2.6
Wood and paper, cardboard	212.0	2.2	248.2	2.1	36.2	17.1
Chemical products	232.2	2.4	256.5	2.2	24.4	10.5
Plastics, rubber	439.3	4.6	552.8	4.8	113.5	25.8
Food feedstocks	198.2	2.1	241.8	2.1	43.5	22.0
Leather and furs	101.3	1.1	91.0	0.8	-10.3	-10.2
Tobacco	20.4	0.2	31.2	0.3	10.7	52.6
Other	668.1	7.0	787.3	6.8	119.3	17.9
<b>Investment goods</b>	<b>2466.2</b>	<b>25.7</b>	<b>3083.4</b>	<b>26.5</b>	<b>617.2</b>	<b>25.0</b>
Machines, tools and appliances	937.3	9.8	1053.3	9.1	116.0	12.4
Electrical machines	316.8	3.3	350.3	3.0	33.5	10.6
Transport facilities	541.6	5.6	837.3	7.2	295.7	54.6
Spare parts and equipment	360.3	3.7	422.4	3.6	62.1	17.2
Other	310.2	3.2	420.1	3.6	110.0	35.5
<b>Non-energy commodities, total</b>	<b>7791.4</b>	<b>81.1</b>	<b>9581.4</b>	<b>82.5</b>	<b>1790.0</b>	<b>23.0</b>
<b>Energy commodities</b>	1690.1	17.6	1940.0	16.7	249.9	14.8
<b>Fuels</b>	1529.7	15.9	1723.8	14.8	194.0	12.7
Crude oil and natural gas	1302.3	13.6	1482.6	12.8	180.2	13.8
Coal	184.9	1.9	211.5	1.8	26.6	14.4
Other fuels	42.5	0.4	29.8	0.3	-12.8	-30.0
<b>Other</b>	160.4	1.7	216.2	1.9	55.9	34.8
Oils	160.4	1.7	216.2	1.9	55.9	34.8
Other imports <sup>1</sup>	129.0	1.3	96.0	0.8	-33.0	-25.6
<b>IMPORTS, TOTAL (CIF)</b>	<b>9610.5</b>	<b>100.0</b>	<b>11617.4</b>	<b>100.0</b>	<b>2006.9</b>	<b>20.9</b>

<sup>1</sup> Information on imports of goods in Chapter 99 *Customs Reliefs* of the Customs Tariff is insufficient to classify goods by commodity group.

Source: Customs Agency data. For 2003 – final data. For 2004 – preliminary data as of 26 January 2005. Information is supplemented with NSI data and processed by the BNB. Data coordinated with the NSI.

## Exports by Major Trading Partner and Region

Countries	January – December				Change on same period of previous year	
	2003		2004		million EUR	%
	million EUR	share, %	million EUR	share, %		
<b>European Union–25, incl.:</b>	<b>4010.3</b>	<b>60.1</b>	<b>4653.1</b>	<b>58.2</b>	<b>642.7</b>	<b>16.0</b>
<b>European Union–15, incl.:<sup>1</sup></b>	<b>3769.8</b>	<b>56.5</b>	<b>4330.2</b>	<b>54.2</b>	<b>560.4</b>	<b>14.9</b>
Italy	935.2	14.0	1043.8	13.1	108.6	11.6
Germany	718.2	10.8	816.6	10.2	98.4	13.7
Greece	691.4	10.4	788.9	9.9	97.5	14.1
Belgium	404.7	6.1	476.9	6.0	72.2	17.8
France	338.2	5.1	360.2	4.5	22.0	6.5
Spain	181.1	2.7	269.2	3.4	88.1	48.7
United Kingdom	168.7	2.5	198.0	2.5	29.3	17.4
Austria	134.7	2.0	175.9	2.2	41.1	30.5
Netherlands	102.7	1.5	101.8	1.3	-0.9	-0.9
<b>European Union–10, incl.:<sup>2</sup></b>	<b>240.5</b>	<b>3.6</b>	<b>322.8</b>	<b>4.0</b>	<b>82.4</b>	<b>34.2</b>
Poland	54.7	0.8	80.3	1.0	25.7	46.9
Hungary	55.3	0.8	69.4	0.9	14.0	25.3
<b>Europe, incl.:<sup>3</sup></b>	<b>231.2</b>	<b>3.5</b>	<b>294.4</b>	<b>3.7</b>	<b>63.2</b>	<b>27.3</b>
Russia	93.2	1.4	100.8	1.3	7.6	8.2
Ukraine	52.5	0.8	60.5	0.8	7.9	15.1
<b>Balkan countries, incl.:<sup>4</sup></b>	<b>1244.8</b>	<b>18.7</b>	<b>1640.2</b>	<b>20.5</b>	<b>395.4</b>	<b>31.8</b>
Turkey	610.2	9.2	798.6	10.0	188.5	30.9
Romania	203.4	3.0	323.4	4.0	120.0	59.0
Serbia and Montenegro	220.2	3.3	277.7	3.5	57.5	26.1
Macedonia	136.7	2.1	166.7	2.1	30.0	21.9
<b>America, incl.:</b>	<b>392.1</b>	<b>5.9</b>	<b>463.8</b>	<b>5.8</b>	<b>71.7</b>	<b>18.3</b>
USA	297.9	4.5	357.2	4.5	59.3	19.9
<b>Asia, incl.:</b>	<b>363.8</b>	<b>5.5</b>	<b>479.1</b>	<b>6.0</b>	<b>115.3</b>	<b>31.7</b>
Singapore	39.2	0.6	77.0	1.0	37.7	96.2
Israel	38.2	0.6	60.0	0.8	21.8	57.2
Lebanon	10.3	0.2	54.2	0.7	44.0	428.1
Georgia	39.6	0.6	52.1	0.7	12.4	31.4
<b>Other countries</b>	<b>426.0</b>	<b>6.4</b>	<b>463.2</b>	<b>5.8</b>	<b>37.3</b>	<b>8.7</b>
<b>EXPORTS, TOTAL (FOB)</b>	<b>6668.2</b>	<b>100.0</b>	<b>7993.9</b>	<b>100.0</b>	<b>1325.6</b>	<b>19.9</b>

<sup>1</sup> Including EU member states prior to the enlargement of 1 May 2004.<sup>2</sup> Including new member states which joined the EU on 1 May 2004.<sup>3</sup> Including Russia, Switzerland, Ukraine, Gibraltar (UK), Moldova, Belarus, Norway, Liechtenstein, San Marino, Iceland, and Monaco.<sup>4</sup> Including Turkey, Romania, Serbia and Montenegro, Macedonia, Albania, Croatia, and Bosnia and Herzegovina.

Source: Customs Agency data. For 2003 – final data. For 2004 – preliminary data as of 26 January 2005. Information is supplemented with NSI data and processed by the BNB. Data coordinated with the NSI.



## Imports by Major Trading Partner and Region

Countries	January – December				Change on same period of previous year	
	2003		2004			
	million EUR	share, %	million EUR	share, %	million EUR	%
<b>European Union–25, incl.:</b>	<b>5309.1</b>	<b>55.2</b>	<b>6284.5</b>	<b>54.1</b>	<b>975.3</b>	<b>18.4</b>
<b>European Union–15, incl.:<sup>1</sup></b>	<b>4757.0</b>	<b>49.5</b>	<b>5596.5</b>	<b>48.2</b>	<b>839.5</b>	<b>17.6</b>
Germany	1370.4	14.3	1693.6	14.6	323.2	23.6
Italy	982.3	10.2	1141.5	9.8	159.3	16.2
Greece	637.6	6.6	667.5	5.7	29.9	4.7
France	541.7	5.6	617.1	5.3	75.4	13.9
United Kingdom	239.5	2.5	282.1	2.4	42.7	17.8
Austria	210.7	2.2	274.9	2.4	64.3	30.5
Spain	214.0	2.2	244.0	2.1	30.0	14.0
Netherlands	170.7	1.8	193.0	1.7	22.3	13.0
Belgium	130.6	1.4	167.7	1.4	37.1	28.4
Sweden	110.9	1.2	134.2	1.2	23.3	21.0
<b>European Union–10, incl.:<sup>2</sup></b>	<b>552.1</b>	<b>5.7</b>	<b>687.9</b>	<b>5.9</b>	<b>135.8</b>	<b>24.6</b>
Czech Republic	156.0	1.6	196.7	1.7	40.7	26.1
Poland	135.2	1.4	173.1	1.5	37.8	28.0
Hungary	119.2	1.2	141.2	1.2	22.0	18.5
<b>Europe, incl.:<sup>3</sup></b>	<b>1649.4</b>	<b>17.2</b>	<b>2119.6</b>	<b>18.2</b>	<b>470.2</b>	<b>28.5</b>
Russia	1208.2	12.6	1469.8	12.7	261.6	21.7
Ukraine	305.8	3.2	471.3	4.1	165.5	54.1
Switzerland	108.2	1.1	138.9	1.2	30.7	28.3
<b>Balkan countries, incl.:<sup>4</sup></b>	<b>899.1</b>	<b>9.4</b>	<b>1154.6</b>	<b>9.9</b>	<b>255.5</b>	<b>28.4</b>
Turkey	588.6	6.1	700.0	6.0	111.5	18.9
Romania	231.1	2.4	342.3	2.9	111.2	48.1
Serbia and Montenegro	30.2	0.3	42.4	0.4	12.1	40.1
Macedonia	21.2	0.2	41.0	0.4	19.8	93.6
<b>America, incl.:</b>	<b>529.6</b>	<b>5.5</b>	<b>743.3</b>	<b>6.4</b>	<b>213.7</b>	<b>40.4</b>
USA	245.6	2.6	262.2	2.3	16.6	6.8
Brazil	105.4	1.1	190.8	1.6	85.4	81.1
<b>Asia, incl.:</b>	<b>957.1</b>	<b>10.0</b>	<b>1121.1</b>	<b>9.7</b>	<b>164.0</b>	<b>17.1</b>
China	248.6	2.6	377.7	3.3	129.1	51.9
Japan	121.4	1.3	151.4	1.3	30.1	24.8
<b>Other countries</b>	<b>266.2</b>	<b>2.8</b>	<b>194.3</b>	<b>1.7</b>	<b>-71.9</b>	<b>-27.0</b>
<b>IMPORTS, TOTAL (CIF)</b>	<b>9610.5</b>	<b>100.0</b>	<b>11617.4</b>	<b>100.0</b>	<b>2006.9</b>	<b>20.9</b>

<sup>1</sup> Including EU member states prior to the enlargement of 1 May 2004.<sup>2</sup> Including new member states which joined the EU on 1 May 2004.<sup>3</sup> Including Russia, Switzerland, Ukraine, Gibraltar (UK), Moldova, Belarus, Norway, Liechtenstein, San Marino, Iceland, and Monaco.<sup>4</sup> Including Turkey, Romania, Serbia and Montenegro, Macedonia, Albania, Croatia, and Bosnia and Herzegovina.

Source: Customs Agency data. For 2003 – final data. For 2004 – preliminary data as of 26 January 2005. Information is supplemented with NSI data and processed by the BNB. Data coordinated with the NSI.

## Currency Structure of Exports and Imports

(%)

Currency	January – December			
	2003		2004	
	imports	exports	imports	exports
<b>US dollar</b>	<b>34.7</b>	<b>36.4</b>	<b>34.1</b>	<b>35.3</b>
<b>Euro</b>	<b>62.7</b>	<b>60.7</b>	<b>63.6</b>	<b>62.1</b>
<b>Other currencies, incl.:</b>	<b>2.6</b>	<b>2.9</b>	<b>2.3</b>	<b>2.6</b>
British pound	1.0	1.6	0.9	1.5
Swedish krone	0.1	0.8	0.1	0.8
Swiss franc	0.6	0.2	0.6	0.2
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Customs Agency data. For 2003 – final data. For 2004 – preliminary data as of 26 January 2005. Information is supplemented with NSI data and processed by the BNB. Data coordinated with the NSI.

## Gross External Debt

(million EUR)

By institutional sector <sup>1</sup>	XII.1999	XII.2000	XII.2001	XII.2002	XII.2003	XII.2004
<b>I. General government <sup>2</sup></b>	<b>8751.9</b>	<b>9249.6</b>	<b>9143.4</b>	<b>7446.3</b>	<b>6624.1</b>	<b>5824.7</b>
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	8751.9	9249.6	9143.4	7446.3	6624.1	5824.7
Bonds and notes <sup>3</sup>	5068.6	5412.7	5658.6	4682.8	3929.4	3145.4
Bonds and notes held by residents <sup>4</sup>	-16.8	-9.3	-62.4	-320.9	-346.8	-288.5
Loans	3700.0	3846.2	3547.2	3084.3	3041.5	2967.9
<b>II. Monetary authorities</b>	<b>116.2</b>	<b>109.9</b>	<b>74.0</b>	<b>20.2</b>	<b>0.0</b>	<b>0.0</b>
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	116.2	109.9	74.0	20.2	0.0	0.0
Loans	116.2	109.9	74.0	20.2	0.0	0.0
<b>III. Commercial banks <sup>5</sup></b>	<b>300.9</b>	<b>336.5</b>	<b>292.3</b>	<b>415.8</b>	<b>790.0</b>	<b>1712.0</b>
Short-term	300.2	300.5	242.2	311.2	602.3	1128.1
Loans	0.1	9.9	12.0	13.2	9.7	27.6
Currency and deposits <sup>6</sup>	129.0	185.1	230.1	298.0	496.8	998.9
Other debt liabilities	171.2	105.6	0.2	0.0	95.8	101.6
Arrears	171.2	105.6	0.2	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	95.8	101.6
Long-term	0.6	36.0	50.1	104.7	187.7	583.8
Bonds and notes	0.0	0.0	0.0	0.0	0.0	5.8
Loans	0.6	36.0	50.1	104.7	187.7	578.1
<b>IV. Other sectors <sup>7</sup></b>	<b>1302.3</b>	<b>1732.2</b>	<b>1761.9</b>	<b>2209.2</b>	<b>1870.6</b>	<b>2811.2</b>
Short-term	774.0	1017.2	845.4	1204.4	922.6	1248.1
Loans	105.9	164.7	109.5	149.5	268.4	537.2
Trade credits	668.1	852.6	735.9	1054.8	654.2	710.9
Long-term	528.2	715.0	916.6	1004.8	948.0	1563.1
Bonds and notes	0.0	0.0	0.0	0.0	2.9	2.9
Loans	491.2	679.2	851.4	954.3	945.1	1560.2
Other debt liabilities	37.0	35.8	65.1	50.5	0.0	0.0
<b>V. Direct investment: inter-company loans</b>	<b>375.4</b>	<b>454.5</b>	<b>663.3</b>	<b>677.4</b>	<b>1353.9</b>	<b>1898.1</b>
<b>GROSS EXTERNAL DEBT (I+II+III+IV+V)</b>	<b>10846.6</b>	<b>11882.7</b>	<b>11934.9</b>	<b>10768.9</b>	<b>10638.7</b>	<b>12245.9</b>
<b>Memo items</b>						
Long-term external debt	9587.0	10344.4	10564.9	8996.6	8375.0	8940.0
Short-term external debt	1259.6	1538.3	1370.0	1772.3	2263.7	3305.9
Public and publicly guaranteed external debt	9396.1	9876.7	9698.5	7960.6	7047.9	6423.0
Private non-guaranteed external debt	1450.5	2006.0	2236.5	2808.3	3590.8	5822.9
Revolving credits <sup>8</sup>	0.0	0.0	0.0	97.8	177.2	332.7
Trade credits <sup>8</sup>	705.2	888.4	801.0	1105.3	965.0	979.9

<sup>1</sup> Gross external debt is presented in accordance with *External Debt Statistics: Guide for Compilers and Users, 2003*, which was prepared by international organizations and issued by the IMF. Preliminary data. The euro equivalent is calculated using monthly average exchange rates of respective foreign currencies as of end of period.

<sup>2</sup> Data source: *Register of Government and Government Guaranteed Debt* of the Ministry of Finance. Preliminary data as of 7 March 2005. Excluding debt liabilities of public companies and government guaranteed debt which are included in the *Other sectors* item.

<sup>3</sup> Brady bonds, Eurobonds, Global bonds and government securities (denominated in BGN and foreign currency) purchased by non-residents are included in this item.

<sup>4</sup> In accordance with the residence concept, government securities issued and held by residents on international financial markets are subtracted from debt; therefore, they are shown with a minus sign (at nominal value).

<sup>5</sup> Data source: commercial banks (including data on private and state-owned banks).

<sup>6</sup> Deposits related to contingent liabilities are excluded.

<sup>7</sup> Data on public and private companies, including government guaranteed loans. Inter-company loans are excluded. Data cover only loans registered by the BNB and on which the BNB has received information.

<sup>8</sup> Data are included in the *Gross External Debt* table.

## Gross External Debt Service, 2004

(million EUR)

By institutional sector <sup>1</sup>	First quarter			Second quarter		
	Principal	Interest	Total	Principal	Interest	Total
<b>I. General government<sup>2</sup></b>	<b>186.1</b>	<b>148.5</b>	<b>334.6</b>	<b>82.8</b>	<b>19.1</b>	<b>101.8</b>
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	186.1	148.5	334.6	82.8	19.1	101.8
Bonds and notes	40.8	141.1	181.9	0.2	0.0	0.2
Bonds and notes held by residents <sup>3</sup>	69.6	-16.5	53.1	35.3	0.0	35.3
Loans	75.7	23.9	99.6	47.3	19.1	66.3
<b>II. Monetary authorities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>III. Commercial banks<sup>4</sup></b>	<b>66.1</b>	<b>2.6</b>	<b>68.7</b>	<b>54.7</b>	<b>6.8</b>	<b>61.5</b>
Short-term	63.4	0.9	64.3	41.5	2.7	44.2
Loans	2.3	0.9	3.2	2.6	2.7	5.3
Currency and deposits <sup>5</sup>	25.1	0.0	25.1	8.0	0.0	8.0
Other debt liabilities	36.0	0.0	36.0	30.9	0.0	30.9
Long-term	2.8	1.7	4.4	13.3	4.1	17.4
Loans	2.8	1.7	4.4	13.3	4.1	17.4
<b>IV. Other sectors<sup>6</sup></b>	<b>33.1</b>	<b>3.7</b>	<b>36.8</b>	<b>57.8</b>	<b>12.1</b>	<b>69.8</b>
Short-term	13.9	0.2	14.1	19.0	1.3	20.3
Loans	13.9	0.2	14.1	19.0	1.3	20.3
Long-term	19.2	3.5	22.7	38.8	10.8	49.6
Loans	19.2	3.5	22.7	38.8	10.8	49.6
<b>V. Direct investment: inter-company loans</b>	<b>21.8</b>	<b>4.7</b>	<b>26.5</b>	<b>27.6</b>	<b>2.4</b>	<b>30.0</b>
<b>GROSS EXTERNAL DEBT (I+II+III+IV+V)</b>	<b>307.1</b>	<b>159.5</b>	<b>466.6</b>	<b>222.9</b>	<b>40.3</b>	<b>263.2</b>
<b>Memo items</b>						
Long-term external debt	217.4	156.9	374.3	156.5	36.0	192.5
Short-term external debt	89.7	2.6	92.3	66.4	4.3	70.7
Public and publicly guaranteed external debt	191.0	150.6	341.6	97.6	26.8	124.4
Private non-guaranteed external debt	116.1	8.9	125.0	125.3	13.5	138.8
Revolving credits <sup>7</sup>	40.5	0.7	41.2	26.6	0.4	27.1
Trade credits <sup>8</sup>	48.3	0.0	48.3	0.9	0.0	0.9

(continued)

(continued)

(million EUR)

By institutional sector <sup>1</sup>	Third quarter			Fourth quarter			2004		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
<b>I. General government<sup>2</sup></b>	<b>767.3</b>	<b>84.5</b>	<b>851.8</b>	<b>99.4</b>	<b>21.3</b>	<b>120.7</b>	<b>1135.6</b>	<b>273.4</b>	<b>1409.0</b>
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	767.3	84.5	851.8	99.4	21.3	120.7	1135.6	273.4	1409.0
Bonds and notes	613.2	62.1	675.3	0.3	0.0	0.3	654.5	203.2	857.7
Bonds and notes held by residents <sup>3</sup>	31.0	-2.0	29.0	46.2	0.0	46.2	182.1	-18.5	163.6
Loans	123.1	24.4	147.5	52.9	21.3	74.2	299.0	88.7	387.7
<b>II. Monetary authorities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>III. Commercial banks<sup>4</sup></b>	<b>74.8</b>	<b>2.9</b>	<b>77.7</b>	<b>91.8</b>	<b>5.6</b>	<b>97.4</b>	<b>287.5</b>	<b>17.8</b>	<b>305.3</b>
Short-term	68.2	0.1	68.2	81.6	0.1	81.8	254.7	3.8	258.4
Loans	2.0	0.1	2.0	6.6	0.1	6.7	13.5	3.8	17.3
Currency and deposits <sup>5</sup>	57.8	0.0	57.8	27.9	0.0	27.9	118.7	0.0	118.7
Other debt liabilities	8.4	0.0	8.4	47.2	0.0	47.2	122.5	0.0	122.5
Long-term	6.7	2.8	9.5	10.1	5.4	15.6	32.8	14.0	46.9
Loans	6.7	2.8	9.5	10.1	5.4	15.6	32.8	14.0	46.9
<b>IV. Other sectors<sup>6</sup></b>	<b>119.4</b>	<b>6.0</b>	<b>125.4</b>	<b>327.4</b>	<b>14.6</b>	<b>342.0</b>	<b>537.6</b>	<b>36.4</b>	<b>574.0</b>
Short-term	13.0	0.3	13.3	221.6	3.6	225.2	267.5	5.4	272.9
Loans	13.0	0.3	13.3	221.6	3.6	225.2	267.5	5.4	272.9
Long-term	106.4	5.6	112.1	105.7	11.0	116.7	270.2	30.9	301.1
Loans	106.4	5.6	112.1	105.7	11.0	116.7	270.2	30.9	301.1
<b>V. Direct investment: inter-company loans</b>	<b>68.9</b>	<b>4.8</b>	<b>73.7</b>	<b>96.5</b>	<b>6.7</b>	<b>103.2</b>	<b>214.8</b>	<b>18.5</b>	<b>233.3</b>
<b>GROSS EXTERNAL DEBT (I+II+III+IV+V)</b>	<b>1030.5</b>	<b>98.1</b>	<b>1128.6</b>	<b>615.1</b>	<b>48.1</b>	<b>663.2</b>	<b>2175.5</b>	<b>346.0</b>	<b>2521.6</b>
<b>Memo items</b>									
Long-term external debt	913.6	96.9	1010.5	283.2	43.2	326.3	1570.6	333.0	1903.6
Short-term external debt	116.9	1.2	118.1	331.9	4.9	336.9	605.0	13.0	618.0
Public and publicly guaranteed external debt	773.1	86.7	859.8	122.3	27.3	149.6	1183.9	291.5	1475.4
Private non-guaranteed external debt	257.4	11.4	268.8	492.8	20.7	513.6	991.7	54.5	1046.2
Revolving credits <sup>7</sup>	37.4	0.9	38.3	58.5	1.1	59.6	163.0	3.2	166.2
Trade credits <sup>8</sup>	34.9	0.0	34.9	153.5	0.0	153.5	237.6	0.0	237.6

<sup>1</sup> Gross external debt is presented in accordance with *External Debt Statistics: Guide for Compilers and Users, 2003*, which was prepared by international organizations and issued by the IMF. Actual disbursements. Preliminary data. The euro equivalent is calculated using monthly average exchange rates of respective foreign currencies.

<sup>2</sup> Data source: *Register of Government and Government Guaranteed Debt* of the Ministry of Finance. Preliminary data as of 7 March 2005. Excluding debt liabilities of public companies and government guaranteed debt which are included in the *Other sectors* item.

<sup>3</sup> In accordance with the residence concept, government securities issued and held by residents on international financial markets are subtracted from debt; therefore, they are shown with a minus sign (at nominal value). The net increase in the stock of Brady bonds, Eurobonds and Global bonds held by residents represents a net decrease in liabilities to non-residents and is reflected with a positive sign.

<sup>4</sup> Data source: commercial banks (including data on private and state-owned banks).

<sup>5</sup> Deposits related to contingent liabilities are excluded.

<sup>6</sup> Including principal and interest payments (excluding inter-company loans) registered by the BNB and on which the BNB has received information, as well as payments on government guaranteed debt (Source: *Register of Government and Government Guaranteed Debt* of the Ministry of Finance. Preliminary data as of 7 March 2005).

<sup>7</sup> Data not included in the *Gross External Debt Service* tables.

<sup>8</sup> The net increase in the trade credit stock over the reporting month is reported in supplementary tables to the *Gross External Debt Disbursements* table, while the net decrease is reported in supplementary tables to the *Gross External Debt Service* table.

## Debt Indicators

	(%)					
	XII.1999	XII.2000	XII.2001	XII.2002	XII.2003	XII.2004
Gross external debt (per cent of GDP)	89.2	86.9	78.6	65.1	60.5	63.1
Gross external debt (per cent of exports of goods and non-factor services)	200.1	156.0	147.4	126.1	112.5	107.8
Short-term external debt (per cent of GDP)	10.4	11.2	9.0	10.7	12.9	17.0
Short-term debt /gross external debt service (%)	11.6	12.9	11.5	16.5	21.3	27.0
Gross external debt service (per cent of GDP)*	8.0	9.2	11.1	8.5	7.6	13.0
Gross external debt service (per cent of exports of goods and non-factor services)*	17.9	16.6	20.8	16.4	14.1	22.2

\* Including expenditure on buybacks of DISCs in 2004.

Source: BNB and MF.

## Gross External Debt Payments

	(million EUR)				
	Quarter				2004 Total
	I	II	III	IV	
Principal	186.1	82.8	767.3	99.4	1135.6
Interest	148.5	19.1	84.5	21.3	273.4
Total	334.6	101.8	851.8	120.7	1409.0

Source: BNB and MF.

## Gross External Debt Disbursements

By institutional sector <sup>1</sup>	Quarter				(million EUR)
	I	II	III	IV	2004 Total
<b>I. General government<sup>2</sup></b>	<b>155.6</b>	<b>123.1</b>	<b>189.4</b>	<b>38.7</b>	<b>506.8</b>
Short-term	0.0	0.0	0.0	0.0	0.0
Long-term	155.6	123.1	189.4	38.7	506.8
Bonds and notes	4.0	0.0	9.2	2.2	15.4
Bonds and notes held by residents <sup>3</sup>	62.4	105.0	24.3	15.0	206.7
Loans	89.2	18.0	155.9	21.5	284.7
<b>II. Monetary authorities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>III. Commercial banks<sup>4</sup></b>	<b>216.5</b>	<b>307.7</b>	<b>206.7</b>	<b>496.8</b>	<b>1227.6</b>
Short-term	183.3	194.0	100.3	317.9	795.5
Loans	6.8	4.9	4.9	13.6	30.1
Currency and deposits <sup>5</sup>	101.2	161.5	66.0	303.9	632.7
Other debt liabilities	75.4	27.5	29.3	0.4	132.7
Long-term	33.1	113.7	106.4	178.8	432.1
Bonds and notes	0.0	0.4	1.0	4.4	5.7
Loans	33.1	113.3	105.5	174.5	426.4
<b>IV. Other sectors<sup>6</sup></b>	<b>263.4</b>	<b>133.4</b>	<b>782.5</b>	<b>245.6</b>	<b>1424.8</b>
Short-term	61.5	82.6	268.5	70.9	483.5
Loans	61.5	82.6	268.5	70.9	483.5
Long-term	201.8	50.8	514.0	174.7	941.3
Loans	201.8	50.8	514.0	174.7	941.3
<b>V. Direct investment: inter-company loans</b>	<b>128.4</b>	<b>143.4</b>	<b>206.6</b>	<b>286.3</b>	<b>764.7</b>
<b>GROSS EXTERNAL DEBT (I+II+III+IV+V)</b>	<b>763.9</b>	<b>707.5</b>	<b>1385.2</b>	<b>1067.4</b>	<b>3923.9</b>
<b>Memo items</b>					
Long-term external debt	480.8	376.1	941.2	628.1	2426.2
Short-term external debt	283.1	331.4	443.9	439.3	1497.7
Public and publicly guaranteed external debt	221.2	142.3	244.2	134.6	742.4
Private non-guaranteed external debt	542.7	565.2	1141.0	932.8	3181.5
Revolving credits <sup>7</sup>	128.3	84.0	74.1	70.9	357.2
Trade credits <sup>8</sup>	92.9	110.4	29.9	59.7	293.0

<sup>1</sup> Gross external debt is presented in accordance with *External Debt Statistics: Guide for Compilers and Users, 2003*, which was prepared by international organizations and issued by the IMF. Preliminary data. Actual disbursements. The euro equivalent is calculated using monthly average exchange rates of respective foreign currencies.

<sup>2</sup> Data source: *Register of Government and Government Guaranteed Debt* of the Ministry of Finance. Preliminary data as of 7 March 2005. Excluding debt liabilities of public companies and government guaranteed debt which are included in the *Other sectors* item.

<sup>3</sup> In accordance with the residence concept, the net decrease in the stock of Brady bonds, Eurobonds and Global bonds held by residents represents a net increase in liabilities to non-residents and is reflected with a positive sign in the *Gross External Debt Disbursements* table.

<sup>4</sup> Data source: commercial banks (including data on private and state-owned banks).

<sup>5</sup> Deposits related to contingent liabilities are excluded.

<sup>6</sup> Including received loans (excluding inter-company loans) registered by the BNB and on which the BNB has received information, as well as government guaranteed loans (Source: *Register of Government and Government Guaranteed Debt* of the Ministry of Finance. Preliminary data as of 7 March 2005).

<sup>7</sup> Data not included in the *Gross External Debt Disbursements* table.

<sup>8</sup> The net increase in the trade credit stock over the reporting month is reported in supplementary tables to the *Gross External Debt Disbursements* table, while the net decrease is reported in supplementary tables to the *Gross External Debt Service* table.



## Consolidated State Budget for 2004\*

(BGN '000)

	Consolidated state budget	Republican budget	Central republican budget	Ministries and agencies			National Audit Office	Social Security			
				Total	Ministries and agencies	Special agencies		Total	Public Insurance	National Health Insurance Fund	Teachers' Pension Fund
I. REVENUE AND GRANTS	15 854 584.4	10 186 513.6	8 900 325.6	1 283 716.7	1 084 675.4	199 041.3	4.3	4 175 692.8	3 269 337.6	882 967.1	23 388.0
Total revenue	15 399 941.8	10 166 160.6	8 899 730.3	1 263 959.1	1 069 346.5	194 612.6	4.3	4 175 692.6	3 269 337.6	882 966.9	23 388.0
Current revenue	15 399 941.8	10 166 160.6	8 899 730.3	1 263 959.1	1 069 346.5	194 612.6	4.3	4 175 692.6	3 269 337.6	882 966.9	23 388.0
Tax revenue	12 773 971.4	8 469 657.1	8 274 045.6	195 611.5	195 611.5	0.0	0.0	4 079 461.5	3 211 526.8	847 660.7	20 274.1
Corporate taxes	938 249.6	938 249.6	924 035.4	14 214.1	14 214.1	0.0	0.0	0.0	0.0	0.0	0.0
Corporate tax	857 764.1	857 764.1	848 678.7	9 085.3	9 085.3	0.0	0.0	0.0	0.0	0.0	0.0
Dividend and income tax	80 485.5	80 485.5	75 356.7	5 128.8	5 128.8	0.0	0.0	0.0	0.0	0.0	0.0
Personal income tax	1 247 548.7	1 247 548.7	1 245 888.5	1 660.2	1 660.2	0.0	0.0	0.0	0.0	0.0	0.0
Insurance and reinsurance premium tax	34 512.8	34 319.2	34 317.7	1.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0
Value added tax	3 891 305.0	3 891 305.0	3 852 333.9	38 971.1	38 971.1	0.0	0.0	0.0	0.0	0.0	0.0
Excises and fuel charges	1 881 002.5	1 880 998.2	1 744 663.2	136 335.0	136 335.0	0.0	0.0	0.0	0.0	0.0	0.0
Customs duties and fees	292 489.9	292 489.9	292 350.2	139.7	139.7	0.0	0.0	0.0	0.0	0.0	0.0
Public insurance revenue	4 079 461.5	0.0	0.0	0.0	0.0	0.0	0.0	4 079 461.5	3 211 526.8	847 660.7	20 274.1
Social insurance contributions	3 231 800.8	0.0	0.0	0.0	0.0	0.0	0.0	3 231 800.8	3 211 526.8	0.0	20 274.1
Health insurance contributions	847 660.7	0.0	0.0	0.0	0.0	0.0	0.0	847 660.7	0.0	847 660.7	0.0
Other taxes	409 401.5	184 746.6	180 456.6	4 290.0	4 290.0	0.0	0.0	0.0	0.0	0.0	0.0
Property taxes	224 825.2	190.1	0.0	190.1	190.1	0.0	0.0	0.0	0.0	0.0	0.0
- Immovable property tax	57 914.7	119.7	0.0	119.7	119.7	0.0	0.0	0.0	0.0	0.0	0.0
- Legacy tax	477.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Vehicle tax	50 470.7	43.0	0.0	43.0	43.0	0.0	0.0	0.0	0.0	0.0	0.0
- Property acquisition tax	83 992.0	5.6	0.0	5.6	5.6	0.0	0.0	0.0	0.0	0.0	0.0
- Road tax	31 970.0	21.8	0.0	21.8	21.8	0.0	0.0	0.0	0.0	0.0	0.0
Other taxes under the Corporate Income Tax Law	177 623.4	177 623.4	177 205.4	418.0	418.0	0.0	0.0	0.0	0.0	0.0	0.0
- Guest entertainment expenses tax	13 717.7	13 717.7	13 635.4	82.3	82.3	0.0	0.0	0.0	0.0	0.0	0.0
- Social expenses tax	97 820.1	97 820.1	97 546.8	273.3	273.3	0.0	0.0	0.0	0.0	0.0	0.0
- Car expenses tax	17 732.0	17 732.0	17 673.7	58.3	58.3	0.0	0.0	0.0	0.0	0.0	0.0
- Donation and sponsorship tax	5 088.6	5 088.6	5 084.7	4.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0
- Final tax on gambling stakes	30 092.3	30 092.3	30 092.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Income tax of budget-supported enterprises	13 172.6	13 172.6	13 172.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other taxes	6 952.9	6 933.1	3 251.1	3 682.0	3 682.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-tax revenue	2 625 970.4	1 696 503.4	625 684.7	1 068 347.5	873 735.0	194 612.6	4.3	96 231.1	57 810.9	35 306.3	3 114.0
Property revenue and income	1 193 320.9	910 679.1	488 319.8	422 343.9	337 971.2	84 372.7	0.5	16 399.7	859.9	12 426.6	3 113.2
Government, municipal and court charges	860 410.5	491 204.3	939.7	488 073.6	421 335.6	66 738.0	0.0	0.0	0.0	0.0	0.0
Government charges	490 676.4	490 676.4	939.7	487 545.7	420 807.7	66 738.0	0.0	0.0	0.0	0.0	0.0
Court charges	48 855.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal charges	320 878.6	527.9	0.0	527.9	527.9	0.0	0.0	0.0	0.0	0.0	0.0
Fines, sanctions and penalty interest	269 426.8	171 539.6	118 717.1	52 584.7	49 614.9	2 969.7	0.0	73 365.7	50 570.6	22 791.7	3.4
- confiscated funds and revenue from sale of confiscated goods	3 962.0	3 767.4	307.7	3 459.7	3 230.3	229.4	0.0	0.0	0.0	0.0	0.0
- fines, sanctions, forfeits, penalty interest, indemnification, defalcation	265 464.8	167 772.2	118 409.5	49 125.0	46 384.6	2 740.4	0.0	73 365.7	50 570.6	22 791.7	3.4
Revenue from foreign pension institutes under international programs	3 082.1	0.0	0.0	0.0	0.0	0.0	0.0	3 082.1	3 082.1	0.0	0.0
Other non-tax revenue	78 710.8	16 584.3	-7 885.8	24 462.5	13 819.9	10 642.6	3.7	3 248.0	3 162.7	87.9	-2.6
Revenue from sale of government and municipal property	190 072.6	77 928.5	1 062.2	76 846.9	46 957.4	29 889.5	0.0	135.6	135.6	0.0	0.0
Concession revenue	30 616.2	28 237.2	24 531.6	3 705.5	3 705.5	0.0	0.0	0.0	0.0	0.0	0.0
License revenue	330.5	330.5	0.0	330.5	330.5	0.0	0.0	0.0	0.0	0.0	0.0
Grants	454 642.6	20 353.0	595.3	19 757.6	15 328.9	4 428.7	0.0	0.2	0.0	0.2	0.0
TOTAL EXPENDITURE (EXPENDITURE+TRANSFERS)	15 198 954.2	9 755 131.5	8 730 269.9	1 022 395.7	823 984.7	198 411.0	-1.2	4 157 965.6	3 272 612.3	883 056.5	2 296.8
II. EXPENDITURE	15 198 954.2	9 755 131.5	8 730 269.9	1 022 395.7	823 984.7	198 411.0	-1.2	4 157 965.6	3 272 612.3	883 056.5	2 296.8
Current expenditure	13 615 347.6	5 528 452.4	900 426.1	4 616 204.3	3 091 061.0	1 525 143.3	8 160.8	5 070 724.6	4 189 680.0	878 664.8	2 379.8
Salaries and remuneration of employed under labour contracts and temporarily employed	1 671 518.5	649 013.7	0.0	641 969.3	623 674.6	18 294.6	4 998.5	38 260.3	27 034.0	11 226.3	0.0
Other remuneration and staff payments	261 560.3	80 927.7	0.0	80 656.9	78 698.2	1 958.7	192.5	1 788.4	968.4	820.1	0.0
Social security payments	641 630.0	248 008.6	0.0	245 874.4	239 171.0	6 703.4	1 519.0	12 765.8	8 972.5	3 793.3	0.0
Scholarships	46 039.5	11 155.8	0.0	11 155.8	11 155.8	0.0	0.0	0.0	0.0	0.0	0.0
Administrative costs	2 380 131.1	1 157 161.5	106 783.1	1 048 037.2	998 353.7	49 683.6	1 445.4	52 835.4	43 259.9	9 554.5	20.9
Subsidies, total	868 076.4	688 969.5	132 353.4	556 616.1	556 616.1	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies to non-financial enterprises	789 690.3	653 843.5	128 601.5	525 242.0	525 242.0	0.0	0.0	0.0	0.0	0.0	0.0
- operating subsidies	287 028.7	207 518.9	118 632.2	88 886.8	88 886.8	0.0	0.0	0.0	0.0	0.0	0.0
- other subsidies and payments	78 494.1	73 622.7	9 969.4	63 653.3	63 653.3	0.0	0.0	0.0	0.0	0.0	0.0

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(BGN '000)

	Consolidated state budget	Republican budget	Central republican budget	Ministries and agencies			National Audit Office	Social Security			
				Total	Ministries and agencies	Special agencies		Total	Public Insurance	National Health Insurance Fund	Teachers' Pension Fund
- subsidies for healthcare and medical services	424 167.5	372 701.9	0.0	372 701.9	372 701.9	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies to non-profit organizations	78 386.1	35 126.1	3 751.9	31 374.2	31 374.2	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies to financial institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Membership fees and participation in non-profit organizations	53 832.8	12 630.2	0.0	12 598.7	12 596.3	2.4	5.4	56.7	56.7	0.0	0.0
Interest, total	697 429.2	692 476.8	661 289.5	31 187.2	31 187.2	0.0	0.0	882.4	882.4	0.0	0.0
Interest on external loans	516 722.9	514 665.5	483 493.4	31 172.1	31 172.1	0.0	0.0	882.4	882.4	0.0	0.0
- London Club	74 973.7	74 973.7	74 973.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- World Bank	57 469.1	56 586.7	52 818.5	3 768.2	3 768.2	0.0	0.0	882.4	882.4	0.0	0.0
- G24	1 750.1	1 750.1	1 750.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- EU	14 377.8	14 377.8	14 084.8	292.9	292.9	0.0	0.0	0.0	0.0	0.0	0.0
- Paris Club	14 590.1	14 590.1	14 590.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- EIB	19 025.9	19 025.9	235.6	18 790.3	18 790.3	0.0	0.0	0.0	0.0	0.0	0.0
- EBRD	2 726.2	2 726.2	0.0	2 726.2	2 726.2	0.0	0.0	0.0	0.0	0.0	0.0
- other interest payments on external loans	10 140.3	8 965.3	3 370.9	5 594.4	5 594.4	0.0	0.0	0.0	0.0	0.0	0.0
- on bonds issued and traded in international capital markets	321 256.7	321 256.7	321 256.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- on called government guaranteed loans	412.9	412.9	412.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- other interest expenditure on foreign persons	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest on internal loans	180 706.4	177 811.3	177 796.2	15.1	15.1	0.0	0.0	0.0	0.0	0.0	0.0
- bond loans (long-term and medium-term securities)	120 227.3	119 314.6	119 314.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- debt to the BNB	49 011.7	49 011.7	49 011.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- loans by other banks	1 980.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- on government securities issued for structural reform	9 249.3	9 249.3	9 249.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- on deposit insurance government securities	220.6	220.6	220.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- on other domestic loans	15.1	15.1	0.0	15.1	15.1	0.0	0.0	0.0	0.0	0.0	0.0
- other interest payments to residents	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Interest paid on called guarantees on loans by domestic banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social and health security payments	5 545 051.4	566 955.9	0.0	566 955.9	535 617.3	31 338.6	0.0	4 964 098.0	4 108 468.5	853 270.6	2 358.8
Pensions	3 516 914.3	0.0	0.0	0.0	0.0	0.0	0.0	3 516 914.3	3 514 638.4	0.0	2 275.8
Indemnification and grants to households	1 794 152.2	555 088.0	0.0	555 088.0	524 765.1	30 322.8	0.0	1 234 845.7	381 575.1	853 270.6	0.0
Paid by the Public Insurance, ministries and agencies	663 061.4	281 486.7	0.0	281 486.7	281 486.7	0.0	0.0	381 574.8	381 574.8	0.0	0.0
Indemnification and grants to unemployed	101 330.2	8.3	0.0	8.3	8.3	0.0	0.0	101 321.9	101 321.9	0.0	0.0
Capital expenditure	1 556 282.0	848 265.4	122 421.1	725 253.2	501 912.7	223 340.5	335.0	9 191.1	6 221.9	2 969.1	0.0
State reserve growth and farm produce procurement	27 324.7	27 324.7	0.0	27 324.7	27 324.7	0.0	0.0	0.0	0.0	0.0	0.0
III. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO REPUBLICAN BUDGET, BUDGET ACCOUNTS AND EXTRABUDGETARY FUNDS/ACCOUNTS (NET)	0.0	-733 727.2	-258 656.3	-475 070.8	-458 995.9	-16 075.0	0.0	-5 168.7	-3 829.1	-1 422.6	83.0
IV. TEMPORARY NON-INTEREST-BEARING LOANS FROM/TO CENTRAL REPUBLICAN BUDGET, BUDGETARY AND EXTRABUDGETARY FUNDS AND ACCOUNTS (NET)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
V. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO CENTRAL REPUBLICAN BUDGET TO OTHER BUDGETS (NET)	0.0	-2 617 361.8	-7 448 766.5	4 821 457.3	3 255 309.6	1 566 147.7	8 497.0	927 118.7	927 118.7	0.0	0.0
VI. DEFICIT (-)/SURPLUS (+)	655 630.2	431 382.1	170 055.7	261 321.0	260 690.7	630.3	5.4	17 727.1	-3 274.7	-89.4	21 091.2
VII. FINANCING	-655 630.2	-431 382.1	-170 055.7	-261 321.0	-260 690.7	-630.3	-5.4	-17 727.1	3 274.7	89.4	-21 091.2
External financing, net	-622 491.4	-639 449.5	-750 524.0	111 074.5	111 074.5	0.0	0.0	-1 860.8	-1 860.8	0.0	0.0
Internal financing, net	-1 210 713.3	-866 618.4	-494 217.6	-372 395.4	-371 765.1	-630.3	-5.4	-15 866.3	5 135.5	89.4	-21 091.2
Privatization	1 177 574.5	1 074 685.9	1 074 685.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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	Legal institutions	Municipalities	Public universities	Bulgarian Academy of Sciences	Bulgarian National Radio	Bulgarian National TV	Extrabudgetary funds and accounts	Municipalities' extrabudgetary funds and accounts
<b>I. REVENUE AND GRANTS</b>	55 355.8	821 531.9	144 492.6	23 596.3	1 712.8	15 301.7	428 437.6	1 949.4
Total revenue	55 126.5	814 353.5	130 642.2	23 399.4	1 710.8	15 300.7	16 066.9	1 488.8
Current revenue	55 126.5	814 353.5	130 642.2	23 399.4	1 710.8	15 300.7	16 066.9	1 488.8
Tax revenue	0.0	224 659.1	0.0	0.0	0.0	0.0	193.6	0.0
Corporate taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporate tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend and income tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personal income tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance and reinsurance premium tax	0.0	0.0	0.0	0.0	0.0	0.0	193.6	0.0
Value added tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Excises and fuel charges	0.0	4.2	0.0	0.0	0.0	0.0	0.0	0.0
Customs duties and fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public insurance revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social insurance contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health insurance contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other taxes	0.0	224 654.9	0.0	0.0	0.0	0.0	0.0	0.0
Property taxes	0.0	224 635.1	0.0	0.0	0.0	0.0	0.0	0.0
- Immovable property tax	0.0	57 795.0	0.0	0.0	0.0	0.0	0.0	0.0
- Legacy tax	0.0	477.8	0.0	0.0	0.0	0.0	0.0	0.0
- Vehicle tax	0.0	50 427.7	0.0	0.0	0.0	0.0	0.0	0.0
- Property acquisition tax	0.0	83 986.4	0.0	0.0	0.0	0.0	0.0	0.0
- Road tax	0.0	31 948.2	0.0	0.0	0.0	0.0	0.0	0.0
Other taxes under the Corporate Income Tax Law	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Guest entertainment expenses tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Social expenses tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Car expenses tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Donation and sponsorship tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Final tax on gambling stakes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Income tax of budget-supported enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other taxes	0.0	19.7	0.0	0.0	0.0	0.0	0.0	0.0
Non-tax revenue	55 126.5	589 694.4	130 642.2	23 399.4	1 710.8	15 300.7	15 873.2	1 488.8
Property revenue and income	412.4	79 528.0	131 165.2	23 281.3	1 624.0	14 276.4	15 488.9	466.0
Government, municipal and court charges	48 855.5	320 327.8	0.0	0.0	0.0	0.0	0.0	22.8
Government charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Court charges	48 855.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal charges	0.0	320 327.8	0.0	0.0	0.0	0.0	0.0	22.8
Fines, sanctions and penalty interest	1 088.6	23 067.6	58.6	1.0	0.0	52.1	15.0	238.5
- confiscated funds and revenue from sale of confiscated goods	181.7	13.0	0.0	0.0	0.0	0.0	0.0	0.0
- fines, sanctions, forfeits, penalty interest, indemnification, defalcation	906.9	23 054.7	58.6	1.0	0.0	52.1	15.0	238.5
Revenue from foreign pension institutes under international programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-tax revenue	4 322.3	53 247.6	-753.2	56.9	85.2	913.2	249.0	757.5
Revenue from sale of government and municipal property	447.6	111 144.4	171.5	60.1	1.6	59.0	120.4	4.0
Concession revenue	0.0	2 379.0	0.0	0.0	0.0	0.0	0.0	0.0
License revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	229.3	7 178.4	13 850.4	196.9	2.0	1.0	412 370.7	460.6
<b>TOTAL EXPENDITURE (EXPENDITURE+TRANSFERS)</b>	53 637.7	744 019.7	138 436.7	18 661.8	749.0	11 367.5	270 632.5	48 352.3
<b>II. EXPENDITURE</b>	221 931.2	2 335 651.4	389 352.9	82 151.0	35 397.7	66 073.8	537 607.8	46 830.3
Current expenditure	208 583.0	2 066 585.9	358 346.7	77 218.3	32 712.1	49 405.2	218 318.6	5 000.9
Salaries and remuneration of employed under labour contacts and temporarily employed	119 463.4	654 912.5	147 045.5	35 359.0	9 869.3	12 754.3	3 980.2	860.3
Other remuneration and staff payments	15 233.1	122 739.6	29 050.7	6 688.4	1 088.4	1 987.6	1 453.6	602.9
Social security payments	42 430.6	266 854.8	49 720.8	12 678.4	3 300.4	4 253.9	1 300.0	316.5
Scholarships	0.0	10 235.4	23 317.1	1 313.2	0.0	0.0	17.8	0.0
Administrative costs	31 451.2	882 901.7	99 758.2	21 022.2	18 388.1	30 260.4	83 235.0	3 117.5
Subsidies, total	0.0	90 324.4	95.4	0.0	0.0	0.0	88 687.1	0.0
Subsidies to non-financial enterprises	0.0	62 831.1	59.7	0.0	0.0	0.0	72 955.9	0.0
- operating subsidies	0.0	6 738.6	0.0	0.0	0.0	0.0	72 771.2	0.0
- other subsidies and payments	0.0	4 626.9	59.7	0.0	0.0	0.0	184.8	0.0
- subsidies for healthcare and medical services	0.0	51 465.6	0.0	0.0	0.0	0.0	0.0	0.0

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(BGN '000)

	Legal institutions	Municipalities	Public universities	Bulgarian Academy of Sciences	Bulgarian National Radio	Bulgarian National TV	Extrabudgetary funds and accounts	Municipalities' extrabudgetary funds and accounts
Subsidies to non-profit organizations	0.0	27 493.3	35.6	0.0	0.0	0.0	15 731.1	0.0
Subsidies to financial institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Membership fees and participation in non-profit organizations	4.8	1 135.3	122.7	85.1	53.6	147.5	39 596.8	0.3
Interest, total	0.0	3 916.7	0.5	0.0	1.5	0.0	48.0	103.4
Interest on external loans	0.0	1 127.0	0.0	0.0	0.0	0.0	48.0	0.0
- London Club	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- World Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- G24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- EU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Paris Club	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- EIB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- EBRD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- other interest payments on external loans	0.0	1 127.0	0.0	0.0	0.0	0.0	48.0	0.0
- on bonds issued and traded in international capital markets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- on called government guaranteed loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- other interest expenditure on foreign persons	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest on internal loans	0.0	2 789.7	0.5	0.0	1.5	0.0	0.0	103.4
- bond loans (long-term and medium-term securities)								
- debt to the BNB	0.0	912.7	0.0	0.0	0.0	0.0	0.0	0.0
- loans by other banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- on government securities issued	0.0	1 877.0	0.0	0.0	0.0	0.0	0.0	103.4
for structural reform	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- on deposit insurance government securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- on other domestic loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- other interest payments to residents	0.0	0.0	0.5	0.0	1.5	0.0	0.0	0.0
- Interest paid on called guarantees on loans by domestic banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social and health security payments	0.0	4 731.8	9 235.9	29.9	0.0	0.0	0.0	0.0
Pensions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indemnification and grants to households	0.0	4 213.6	5.0	0.0	0.0	0.0	0.0	0.0
Paid by the Public Insurance, ministries and agencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indemnification and grants to unemployed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	13 348.2	269 065.6	31 006.2	4 932.7	2 685.5	16 668.6	319 289.2	41 829.4
State reserve growth and farm produce procurement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
III. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO REPUBLICAN BUDGET, BUDGET ACCOUNTS AND EXTRABUDGETARY FUNDS/ACCOUNTS (NET)	-2 462.3	162 636.6	250 916.3	63 489.2	0.0	9.2	266 975.3	-2 668.4
IV. TEMPORARY NON-INTEREST-BEARING LOANS FROM/TO CENTRAL REPUBLICAN BUDGET, BUDGETARY AND EXTRABUDGETARY FUNDS AND ACCOUNTS (NET)	0.0	-1 146.5	0.0	0.0	0.0	0.0	0.0	1 146.5
V. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO CENTRAL REPUBLICAN BUDGET TO OTHER BUDGETS (NET)	170 755.8	1 430 141.6	0.0	0.0	34 648.6	54 697.1	0.0	0.0
VI. DEFICIT (-)/SURPLUS (+)	1 718.1	77 512.2	6 055.9	4 934.6	963.8	3 934.2	157 805.1	-46 402.9
VII. FINANCING	-1 718.1	-77 512.2	-6 055.9	-4 934.6	-963.8	-3 934.2	-157 805.1	46 402.9
External financing, net	0.0	18 818.9	0.0	0.0	0.0	0.0	0.0	0.0
Internal financing, net	-1 718.1	-96 331.1	-6 055.9	-4 934.6	-963.8	-3 934.2	-213 689.4	-601.5
Privatization	0.0	0.0	0.0	0.0	0.0	0.0	55 884.3	47 004.4

\* Preliminary data.

Source: MF.

## Monetary Survey

(BGN '000)

	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
Exchange rate: BGN/USD 1	1.54856	1.57932	1.575	1.59999	1.63709	1.6034	1.60907
BGN/EUR 1	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
<b>NET FOREIGN ASSETS</b>	<b>10048952</b>	<b>9859049</b>	<b>9719717</b>	<b>9940250</b>	<b>10016439</b>	<b>10133046</b>	<b>11385693</b>
Foreign assets	13386263	13150045	13245036	13763149	13857498	14163226	15650034
Cash in foreign currencies	252197	214271	210589	222354	225357	242028	243518
incl. EUR	0	0	98283	114151	125628	151580	138660
Deposits	3169361	3613547	3670426	4110445	3977608	4007096	5160804
BGN	0	0	0	0	0	0	0
Foreign currencies	3169361	3613547	3670426	4110445	3977608	4007096	5160804
incl. EUR	0	0	1884076	2211574	2309613	2359381	3294191
Repo agreements	0	0	0	0	58675	0	160378
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	58675	0	160378
incl. EUR	0	0	0	0	58675	0	160378
Credits	101286	99649	101097	116093	114106	103852	119294
BGN	9610	9610	10319	9093	13706	12710	15362
Foreign currencies	91676	90039	90778	107000	100400	91142	103932
incl. EUR	0	0	40248	40751	40375	39873	47728
Securities other than shares	8848296	8297359	8282831	8277674	8448600	8791215	8979384
BGN	0	0	0	0	0	0	0
Foreign currencies	8848296	8297359	8282831	8277674	8448600	8791215	8979384
incl. EUR	0	0	7539814	7525548	7593930	7988936	8141634
Shares and other equity	3376	2988	2954	25145	34217	34163	28897
BGN	0	0	0	0	0	0	0
Foreign currencies	3376	2988	2954	25145	34217	34163	28897
incl. EUR	0	0	1973	1973	8623	8623	3342
Monetary gold and SDR holdings*	820957	823896	863374	908248	886014	854194	834004
Claims on interest	190790	98335	113765	103190	112921	130678	123755
BGN	0	0	0	0	0	0	0
Foreign currencies	190790	98335	113765	103190	112921	130678	123755
incl. EUR	0	0	109025	99639	109194	127572	120116
Less: foreign liabilities	3337311	3290996	3525319	3822899	3841059	4030180	4264341
Deposits	1439254	1395209	1575763	1837594	1872058	2066336	2330011
BGN	133240	135838	142110	163447	150679	148510	150776
Foreign currencies	1306014	1259371	1433653	1674147	1721379	1917826	2179235
incl. EUR	0	0	1096713	1138850	1187739	1403426	1514235
Repo agreements	42976	10059	20110	0	0	31712	19368
BGN	0	0	0	0	0	0	0
Foreign currencies	42976	10059	20110	0	0	31712	19368
incl. EUR	0	0	20110	0	0	8145	8145
Credits**	1838945	1869592	1913368	1985245	1968913	1931277	1914107
Debt securities issued	16136	16136	16078	60	88	855	855
BGN	0	0	0	14	14	14	14
Foreign currencies	16136	16136	16078	46	74	841	841
incl. EUR	0	0	16078	46	74	841	841
Interest liabilities	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
<b>NET DOMESTIC ASSETS</b>	<b>10499239</b>	<b>10752675</b>	<b>11197452</b>	<b>11205938</b>	<b>11375539</b>	<b>11453676</b>	<b>11032615</b>
<b>DOMESTIC CREDIT</b>	<b>10251357</b>	<b>10607341</b>	<b>11103318</b>	<b>11049121</b>	<b>11171026</b>	<b>11304334</b>	<b>10895790</b>
<b>CLAIMS ON GENERAL GOVERNMENT</b>	<b>763908</b>	<b>872881</b>	<b>1100293</b>	<b>658120</b>	<b>352640</b>	<b>129891</b>	<b>-575919</b>
Central government, net	736871	845665	1070196	628792	324135	101219	-605989
Claims	3862895	3991750	4163091	4197406	4230564	4189286	4016634
Government securities	2023950	2122082	2249623	2212112	2261562	2257909	2102427
BGN	1150965	1164827	1215135	1237744	1241586	1239003	1226483
Foreign currencies	872985	957255	1034488	974368	1019976	1018906	875944
incl. EUR	0	0	669064	596724	596174	599009	529751
Repo agreements	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Credits	1838945	1869668	1913468	1985294	1969002	1931377	1914207
BGN	0	76	99	49	90	100	100
Foreign currencies	1838945	1869592	1913369	1985245	1968912	1931277	1914107
incl. EUR	0	0	0	0	0	0	0

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(BGN '000)

	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
Less: liabilities	3126024	3146085	3092895	3568614	3906429	4088067	4622623
Deposits	3126024	3146085	3092895	3568614	3906429	4088067	4622623
BGN	958550	1152055	1112831	1516820	1850200	2126113	2367575
Foreign currencies	2167474	1994030	1980064	2051794	2056229	1961954	2255048
incl. EUR	0	0	1387654	1406150	1414655	1387703	1689871
Repo agreements	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Local government and social security funds	27037	27216	30097	29328	28505	28672	30070
Securities other than shares	2402	2401	2401	2404	2144	2144	2144
BGN	1229	1228	1228	1231	971	971	971
Foreign currencies	1173	1173	1173	1173	1173	1173	1173
incl. EUR	0	0	1173	1173	1173	1173	1173
Repo agreements	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Credits	24635	24815	27696	26924	26361	26528	27926
BGN	24635	24815	27696	26924	26361	26528	27406
Foreign currencies	0	0	0	0	0	0	520
incl. EUR	0	0	0	0	0	0	520
CLAIMS ON NON-GOVERNMENT SECTOR	9487449	9734460	10003025	10391001	10818386	11174443	11471709
Non-financial corporations	6731475	6946768	7 053 505	7 285 049	7 535 817	7 737 424	7 807 182
Repo agreements	0	0	2543	2640	3134	5086	5241
BGN	0	0	2543	2640	3134	3130	5241
Foreign currencies	0	0	0	0	0	1956	0
incl. EUR	0	0	0	0	0	1956	0
Credits	6575340	6785654	6 888 281	7 117 651	7 362 996	7 552 619	7 620 328
BGN	2936106	2963840	2 924 218	2 978 880	3 016 866	3 055 103	2 993 474
Foreign currencies	3639234	3821814	3964063	4138771	4 346 130	4 497 516	4 626 854
incl. EUR	0	0	3166013	3333220	3 517 998	3 693 058	3 846 386
Securities other than shares	41296	40405	41664	40706	50064	59925	64222
BGN	34974	33767	34758	34504	43863	48257	52554
Foreign currencies	6322	6638	6906	6202	6201	11668	11668
incl. EUR	0	0	6906	6202	6201	11668	11668
Shares and other equity	114839	120709	121017	124052	119623	119794	117391
BGN	114839	120709	121017	124052	119623	119794	117391
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Financial corporations	254069	257256	294 284	303 617	331 646	329 217	361 505
Repo agreements	103201	104520	89600	91268	98289	79339	93774
BGN	34012	39396	33607	32643	39670	28346	33761
Foreign currencies	69189	65124	55993	58625	58619	50993	60013
incl. EUR	0	0	51706	54271	53749	46288	45830
Credits	122674	124492	176 079	184 015	205 225	218 001	238 649
BGN	889	918	47 775	51 110	54 194	59 723	66 134
Foreign currencies	121785	123574	128304	132905	151 031	158 278	172 515
incl. EUR	0	0	123409	128447	146 752	153 977	168 430
Securities other than shares	11178	11177	10444	10166	9958	12721	12613
BGN	7968	7968	7968	7328	7315	6717	6717
Foreign currencies	3210	3209	2476	2838	2643	6004	5896
incl. EUR	0	0	2476	2838	2643	6004	5896
Shares and other equity	17016	17067	18161	18168	18174	19156	16469
BGN	17016	17067	18161	18168	18174	19156	16469
Foreign currencies	0	0	0	0	0	0	0
Households and non-profit institutions serving households	2501905	2530436	2655236	2802335	2950923	3107802	3303022
Repo agreements	0	0	0	0	485	485	485
BGN	0	0	0	0	485	485	485
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Credits	2501905	2530436	2655236	2802335	2950438	3107317	3302537
BGN	2279405	2323601	2434854	2568228	2699991	2845110	3014845
Foreign currencies	222500	206835	220382	234107	250447	262207	287692
incl. EUR	0	0	187503	200081	213642	226530	252168
FIXED ASSETS	1182778	1192105	1207428	1218274	1229686	1234491	1243415
OTHER ITEMS (net)	-934896	-1046771	-1113294	-1061457	-1025173	-1085149	-1106590
Inter-bank accounts (net)	-36203	-30064	-43081	10218	7895	-10490	-36163

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(BGN '000)

	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
BGN	-17572	-5550	-16063	17021	31648	4901	9997
Foreign currencies	-18631	-24514	-27018	-6803	-23753	-15391	-46160
incl. EUR	0	0	-4573	-6257	-16645	-11302	-32973
Other assets and liabilities (net)	-901236	-1017747	-1069519	-1048217	-1034599	-1061243	-1096813
BGN	-750940	-823443	-826092	-798496	-826481	-875339	-879731
Foreign currencies	-150296	-194304	-243427	-249721	-208118	-185904	-217082
incl. EUR	0	0	-131470	-154457	-156039	-138423	-71505
Accounts between BNB and CBs	2543	1040	-694	-23458	1531	-13416	26386
BGN	-3830	-5334	-7072	-11474	-4843	-10448	-8223
Foreign currencies	6373	6374	6378	-11984	6374	-2968	34609
incl. EUR	0	0	0	1957	-1	0	1
<b>BROAD MONEY M3</b>	<b>16566457</b>	<b>16519049</b>	<b>16739139</b>	<b>16806256</b>	<b>17190153</b>	<b>17401213</b>	<b>18160804</b>
<b>MONEY M1</b>	<b>8029897</b>	<b>7788399</b>	<b>7852519</b>	<b>7835074</b>	<b>7987248</b>	<b>8035700</b>	<b>8422313</b>
Currency outside banks	3874108	3718345	3717578	3722593	3784975	3830095	3960825
Overnight deposits	4155789	4070054	4134941	4112481	4202273	4205605	4461488
BGN	2926880	2796539	2824322	2817583	2886504	2776727	2920395
Local government and social security funds	214430	217499	248462	272403	261690	281139	272614
Non-financial corporations	1822468	1700650	1649742	1621425	1666984	1531520	1653645
Financial corporations	63234	69436	64960	69704	76301	50179	53909
Households and non-profit institutions serving households	826748	808954	861158	854051	881529	913889	940227
Foreign currencies	1228909	1273515	1310619	1294898	1315769	1428878	1541093
Local government and social security funds	10364	1547	3502	4879	5237	4205	3135
Non-financial corporations	841967	894238	924306	896249	901101	993766	1099103
Financial corporations	9231	11726	15051	14461	19854	29166	30548
Households and non-profit institutions serving households	367347	366004	367760	379309	389577	401741	408307
incl. EUR	0	0	806567	804730	838515	900694	1041512
Local government and social security funds	0	0	3254	4471	4800	3781	2804
Non-financial corporations	0	0	621639	610399	628337	674105	807481
Financial corporations	0	0	8129	8128	11243	17902	18843
Households and non-profit institutions serving households	0	0	173545	181732	194135	204906	212384
<b>MONEY M2 (M1 + quasi-money)</b>	<b>16464663</b>	<b>16438949</b>	<b>16655291</b>	<b>16678466</b>	<b>17081496</b>	<b>17270337</b>	<b>18032897</b>
<b>QUASI-MONEY</b>	<b>8434766</b>	<b>8650550</b>	<b>8802772</b>	<b>8843392</b>	<b>9094248</b>	<b>9234637</b>	<b>9610584</b>
Deposits with agreed maturity of up to two years	6814899	7009818	7131140	7136865	7335167	7452531	7794663
BGN	2797084	2838225	2885083	2950261	3075641	3129693	3080655
Local government and social security funds	783179	832059	833768	840509	850469	848924	854456
Non-financial corporations	670026	600134	594034	587290	663802	685113	596314
Financial corporations	104970	114041	103148	129402	142827	149900	141268
Households and non-profit institutions serving households	1238909	1291991	1354133	1393060	1418543	1445756	1488617
Foreign currencies	4017815	4171593	4246057	4186604	4259526	4322838	4714008
Local government and social security funds	322	8999	9042	9660	9182	9090	14226
Non-financial corporations	1175351	1205292	1231489	1107288	1102684	1190715	1519701
Financial corporations	69775	84961	94015	95334	105222	87345	71781
Households and non-profit institutions serving households	2772367	2872341	2911511	2974322	3042438	3035688	3108300
incl. EUR	0	0	2153322	2089862	2141946	2207421	2595769
Local government and social security funds	0	0	5087	5615	5040	5034	10100
Non-financial corporations	0	0	951755	855474	868389	919961	1247435
Financial corporations	0	0	75106	74100	81115	61941	52791
Households and non-profit institutions serving households	0	0	1121374	1154673	1187402	1220485	1285443
Deposits redeemable at notice of up to three months	1619867	1640732	1671632	1706527	1759081	1782106	1815921
BGN	789772	801507	817759	829000	848898	862556	888491
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	8460	11740	11376	24032	38238
Financial corporations	0	0	601	1	1	1	1
Households and non-profit institutions serving households	789772	801507	808698	817259	837521	838523	850252
Foreign currencies	830095	839225	853873	877527	910183	919550	927430
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	15463	21700	24257	28487	8704
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	830095	839225	838410	855827	885926	891063	918726

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	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
incl. EUR	0	0	388192	413186	436938	457774	461598
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	13572	21523	24075	28309	8526
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	374620	391663	412863	429465	453072
MONEY M3 (M2+issued debt securities with a term of up to two years+repo agreements)	16566457	16519049	16739139	16806256	17190153	17401213	18160804
Repo agreements	99459	77765	81513	125487	106249	128454	125885
BGN	83221	65460	68789	85584	76452	101232	84513
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	12085	7528	11135	9235	10735	30344	10064
Financial corporations	71136	57932	57654	76349	65717	70888	74449
Households and non-profit institutions serving households	0	0	0	0	0	0	0
Foreign currencies	16238	12305	12724	39903	29797	27222	41372
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	7774	2039	4659	17942	6256	9911	4233
Financial corporations	7402	9184	7435	21321	23541	17311	37139
Households and non-profit institutions serving households	1062	1082	630	640	0	0	0
incl. EUR	0	0	7888	34057	26358	24029	39118
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	453	12736	2817	6718	1979
Financial corporations	0	0	7435	21321	23541	17311	37139
Households and non-profit institutions serving households	0	0	0	0	0	0	0
Debt securities issued with a term of up to two years	2335	2335	2335	2303	2408	2422	2022
BGN	2335	2335	2335	2303	2408	2422	2022
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	301	301	301	541	641	641	751
Financial corporations	1920	1920	1920	1710	1710	1710	1200
Households and non-profit institutions serving households	114	114	114	52	57	71	71
Foreign currencies	0	0	0	0	0	0	0
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0	0
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0	0
LONG-TERM LIABILITIES NOT INCLUDED IN MONEY SUPPLY	3981734	4092675	4178030	4339932	4201825	4185509	4257504
DEPOSITS	201740	210336	247979	259700	278511	295934	315000
Deposits with agreed maturity of over two years	201740	210336	247954	259674	278471	295891	314996
BGN	117839	115251	124200	126183	120860	125855	135313
Foreign currencies	83901	95085	123754	133491	157611	170036	179683
incl. EUR	0	0	47211	50977	62666	70679	73809
Deposits redeemable at notice of over three months	0	0	25	26	40	43	4
BGN	0	0	3	1	1	2	2
Foreign currencies	0	0	22	25	39	41	2
incl. EUR	0	0	22	25	39	41	2
DEBT SECURITIES WITH A TERM OF OVER TWO YEARS	53981	56561	56856	118187	126841	126540	128659
BGN	5325	5325	5315	29971	26859	27061	26763
Foreign currencies	48656	51236	51541	88216	99982	99479	101896
incl. EUR	0	0	47603	62719	71234	71376	73775
CAPITAL AND RESERVES	3726013	3825778	3873195	3962045	3796473	3763035	3813845
Funds contributed by owners	955316	958136	955592	990150	993423	994838	994838
Reserves	2044942	2101951	2109156	2181840	2271338	2316425	2358321
Financial result	725755	765691	808447	790055	531712	451772	460686

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	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
Exchange rate: BGN/USD 1	1.62458	1.61492	1.57614	1.53555	1.4711	1.43589
BGN/EUR 1	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
<b>NET FOREIGN ASSETS</b>	<b>10226803</b>	<b>10775805</b>	<b>11234236</b>	<b>11300871</b>	<b>11471702</b>	<b>11180756</b>
Foreign assets	14645671	15129057	15653479	16065004	16419800	17740339
Cash in foreign currencies	263042	249680	224116	208267	224010	245975
incl. EUR	142185	134834	130067	122894	127731	156847
Deposits	4238885	4605883	5001564	4866690	5020446	5730649
BGN	360	195	300	1000	13950	8530
Foreign currencies	4238525	4605688	5001264	4865690	5006496	5722119
incl. EUR	2367861	2892846	3199536	3011185	2979455	3413038
Repo agreements	8619	10564	13917	5839	9374	10051
BGN	0	0	0	0	0	0
Foreign currencies	8619	10564	13917	5839	9374	10051
incl. EUR	0	0	0	0	3729	0
Credits	123178	137225	146979	151943	157225	156307
BGN	16159	15543	15621	18424	20159	18739
Foreign currencies	107019	121682	131358	133519	137066	137568
incl. EUR	52331	61773	63882	62823	67942	65562
Securities other than shares	9007594	9143112	9325681	9893050	10081015	10652297
BGN	0	0	0	0	18254	25558
Foreign currencies	9007594	9143112	9325681	9893050	10062761	10626739
incl. EUR	8348092	8466868	8722063	9216602	9342411	9664454
Shares and other equity	28925	27094	26512	26508	26502	27214
BGN	0	0	0	0	0	0
Foreign currencies	28925	27094	26512	26508	26502	27214
incl. EUR	3342	3342	3342	3342	3342	4057
Monetary gold and SDR holdings*	834790	801090	777852	759517	733615	732066
Claims on interest	140638	154409	136858	153190	167613	185780
BGN	0	0	0	0	0	0
Foreign currencies	140638	154409	136858	153190	167613	185780
incl. EUR	137260	151867	133642	149068	164890	183364
Less: foreign liabilities	4418868	4353252	4419243	4764133	4948098	6559583
Deposits	2489282	2456456	2577536	2941792	3185778	4806466
BGN	115833	116228	121602	121001	227825	233138
Foreign currencies	2373449	2340228	2455934	2820791	2957953	4573328
incl. EUR	1780449	1772669	1840409	2285144	2448903	3947039
Repo agreements	6842	0	0	7056	0	48353
BGN	0	0	0	0	0	0
Foreign currencies	6842	0	0	7056	0	48353
incl. EUR	0	0	0	0	0	48353
Credits**	1921409	1894106	1838939	1810405	1751146	1693464
Debt securities issued	1335	2690	2768	4880	11174	11300
BGN	498	498	498	498	498	498
Foreign currencies	837	2192	2270	4382	10676	10802
incl. EUR	837	2192	2270	4382	10225	10362
Interest liabilities	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
<b>NET DOMESTIC ASSETS</b>	<b>12491130</b>	<b>12012535</b>	<b>12053853</b>	<b>12132647</b>	<b>12084924</b>	<b>13980697</b>
<b>DOMESTIC CREDIT</b>	<b>12407507</b>	<b>11943215</b>	<b>12037192</b>	<b>12069722</b>	<b>12056836</b>	<b>13770634</b>
<b>CLAIMS ON GENERAL GOVERNMENT</b>	<b>378183</b>	<b>-280126</b>	<b>-622545</b>	<b>-1005993</b>	<b>-1474135</b>	<b>-339209</b>
Central government, net	347528	-310770	-653050	-1035818	-1504200	-367463
Claims	3972513	3986663	3983652	3923185	3900798	3905046
Government securities	2051029	2092501	2144712	2112780	2149653	2211581
BGN	1182448	1177607	1216363	1227913	1243746	1312827
Foreign currencies	868581	914894	928349	884867	905907	898754
incl. EUR	527893	566486	575986	528051	551340	535191
Repo agreements	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Credits	1921484	1894162	1838940	1810405	1751145	1693465
BGN	75	56	0	0	0	1
Foreign currencies	1921409	1894106	1838940	1810405	1751145	1693464
incl. EUR	0	0	0	0	0	0
Less: liabilities	3624985	4297433	4636702	4959003	5404998	4272509

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	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
Deposits	3624985	4297433	4636702	4959003	5404998	4272509
BGN	1445634	1707335	1820571	2071794	2176834	616898
Foreign currencies	2179351	2590098	2816131	2887209	3228164	3655611
incl. EUR	1820932	2307398	2564506	2581404	2554592	2428082
Repo agreements	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Local government and social security funds	30655	30644	30505	29825	30065	28254
Securities other than shares	2144	2144	2144	1560	1560	1495
BGN	971	971	971	971	971	906
Foreign currencies	1173	1173	1173	589	589	589
incl. EUR	1173	1173	1173	589	589	589
Repo agreements	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Credits	28511	28500	28361	28265	28505	26759
BGN	27991	28500	28361	28265	28505	26759
Foreign currencies	520	0	0	0	0	0
incl. EUR	520	0	0	0	0	0
CLAIMS ON NON-GOVERNMENT SECTOR	12029324	12223341	12659737	13075715	13530971	14109843
Non-financial corporations	8 176 808	8 210 222	8 475 238	8 708 993	8 967 162	9306307
Repo agreements	4890	0	0	0	0	0
BGN	4890	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Credits	7 983 700	8 000 234	8 267 646	8 508 089	8 773 757	9074063
BGN	2 989 731	2 954 569	3 089 020	3 115 927	3 155 210	3146710
Foreign currencies	4 993 969	5 045 665	5 178 626	5 392 162	5 618 547	5927353
incl. EUR	4 121 624	4 186 052	4 363 641	4 668 866	4 903 948	5134736
Securities other than shares	70000	92522	90562	83822	78123	114693
BGN	54569	55774	55727	49177	46255	81574
Foreign currencies	15431	36748	34835	34645	31868	33119
incl. EUR	15431	36748	34835	34645	31868	33119
Shares and other equity	118218	117466	117030	117082	115282	117551
BGN	118218	117466	117030	117082	115282	117551
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Financial corporations	364 054	368 184	377 667	390 425	405 291	429672
Repo agreements	78847	71379	69071	69234	83743	91325
BGN	24666	26141	27910	28966	33932	37178
Foreign currencies	54181	45238	41161	40268	49811	54147
incl. EUR	51688	42760	38741	36702	47336	47971
Credits	248 940	260 567	272 453	285 432	287 715	296282
BGN	69 551	75 770	83 323	86 702	90 083	94854
Foreign currencies	179 389	184 797	189 130	198 730	197 632	201428
incl. EUR	175 397	181 880	186 323	198 161	197 087	200896
Securities other than shares	17161	17161	17073	16617	14591	22805
BGN	6716	6716	6645	6645	6645	16227
Foreign currencies	10445	10445	10428	9972	7946	6578
incl. EUR	10445	10445	10428	9972	7946	6578
Shares and other equity	19106	19077	19070	19142	19242	19260
BGN	19106	19077	19070	19142	19242	19260
Foreign currencies	0	0	0	0	0	0
Households and non-profit institutions serving households	3488462	3644935	3806832	3976297	4158518	4373864
Repo agreements	485	485	485	0	0	0
BGN	485	485	485	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Credits	3487977	3644450	3806347	3976297	4158518	4373864
BGN	3168050	3305316	3440791	3579692	3724926	3894021
Foreign currencies	319927	339134	365556	396605	433592	479843
incl. EUR	285703	305740	333511	365107	403122	450789
FIXED ASSETS	1256898	1275513	1286075	1300295	1318500	1337395
OTHER ITEMS (net)	-1173275	-1206193	-1269414	-1237370	-1290412	-1127332
Inter-bank accounts (net)	-51202	-51097	-18066	-18520	-40454	-11105

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	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
BGN	8866	9628	11644	23491	7334	-2885
Foreign currencies	-60068	-60725	-29710	-42011	-47788	-8220
incl. EUR	-21017	-5971	-9386	-21589	-27884	-5074
Other assets and liabilities (net)	-1118721	-1142611	-1262212	-1217420	-1245101	-1120603
BGN	-912985	-940845	-998148	-966670	-993275	-936980
Foreign currencies	-205736	-201766	-264064	-250750	-251826	-183623
incl. EUR	-83618	-75980	-87024	-134720	-131781	-83023
Accounts between BNB and CBs	-3352	-12485	10864	-1430	-4857	4376
BGN	-8753	-7061	-11889	-7808	-11230	-735
Foreign currencies	5401	-5424	22753	6378	6373	5111
incl. EUR	-978	-391	0	-1	-1	0
<b>BROAD MONEY M3</b>	<b>18365493</b>	<b>18345297</b>	<b>18763309</b>	<b>18847048</b>	<b>18859118</b>	<b>20394366</b>
<b>MONEY M1</b>	<b>8735835</b>	<b>9047641</b>	<b>9239235</b>	<b>9220009</b>	<b>9184800</b>	<b>10297864</b>
Currency outside banks	4130513	4275130	4342316	4284269	4247435	4627875
Overnight deposits	4605322	4772511	4896919	4935740	4937365	5669989
BGN	3064513	3196857	3331503	3319494	3331392	4121653
Local government and social security funds	297566	283842	279627	261573	252201	317684
Non-financial corporations	1717025	1836722	1967190	1948778	1946577	2560437
Financial corporations	62387	63355	55422	59430	73444	71107
Households and non-profit institutions serving households	987535	1012938	1029264	1049713	1059170	1172425
Foreign currencies	1540809	1575654	1565416	1616246	1605973	1548336
Local government and social security funds	2509	2211	2371	3401	2285	10855
Non-financial corporations	1088694	1100415	1104959	1160761	1149373	1074881
Financial corporations	22118	33790	17394	19925	26439	17614
Households and non-profit institutions serving households	427488	439238	440692	432159	427876	444986
incl. EUR	1049597	1049571	1027654	1015268	1057392	1048140
Local government and social security funds	2188	2010	2168	3155	2115	7182
Non-financial corporations	801967	775423	766959	758265	786640	762894
Financial corporations	16066	28286	11414	13642	19752	10954
Households and non-profit institutions serving households	229376	243852	247113	240206	248885	267110
<b>MONEY M2 (M1 + quasi-money)</b>	<b>18292550</b>	<b>18281712</b>	<b>18674651</b>	<b>18777394</b>	<b>18791391</b>	<b>20302372</b>
<b>QUASI-MONEY</b>	<b>9556715</b>	<b>9234071</b>	<b>9435416</b>	<b>9557385</b>	<b>9606591</b>	<b>10004508</b>
Deposits with agreed maturity of up to two years	7589460	7243533	7406579	7544439	7620425	7927382
BGN	3144290	3198804	3289386	3409998	3505222	3697969
Local government and social security funds	866698	860661	871709	864567	861098	795312
Non-financial corporations	596073	590585	641233	729231	764198	866540
Financial corporations	146464	161335	156605	147104	155947	195035
Households and non-profit institutions serving households	1535055	1586223	1619839	1669096	1723979	1841082
Foreign currencies	4445170	4044729	4117193	4134441	4115203	4229413
Local government and social security funds	14234	14503	13618	13520	13354	4894
Non-financial corporations	1140415	685112	740606	737468	729922	790400
Financial corporations	94871	104749	114124	116083	108525	113943
Households and non-profit institutions serving households	3195650	3240365	3248845	3267370	3263402	3320176
incl. EUR	2341412	1964005	2074746	2127411	2178985	2278850
Local government and social security funds	10076	10369	9622	9616	9615	4716
Non-financial corporations	908634	466663	513460	514281	511773	517655
Financial corporations	71566	78416	89111	88907	83739	92309
Households and non-profit institutions serving households	1351136	1408557	1462553	1514607	1573858	1664170
Deposits redeemable at notice of up to three months	1967255	1990538	2028837	2012946	1986166	2077126
BGN	897993	915199	924410	941563	975342	1053277
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	33083	31754	25200	45821	63007	64591
Financial corporations	1	1	6001	1	1	1
Households and non-profit institutions serving households	864909	883444	893209	895741	912334	988685
Foreign currencies	1069262	1075339	1104427	1071383	1010824	1023849
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	116860	115441	139801	102136	52954	38239
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	952402	959898	964626	969247	957870	985610

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(BGN '000)

	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
incl. EUR	599193	614877	644442	614890	578702	597703
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	116680	115262	134898	96837	48333	33827
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	482513	499615	509544	518053	530369	563876
MONEY M3 (M2+issued debt securities with a term of up to two years+repo agreements)	18365493	18345297	18763309	18847048	18859118	20394366
Repo agreements	70921	61563	86636	67632	65705	91994
BGN	53847	43649	75927	63174	61132	91738
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	11814	14250	46750	46750	46750	75400
Financial corporations	42033	29399	29177	16424	14382	16338
Households and non-profit institutions serving households	0	0	0	0	0	0
Foreign currencies	17074	17914	10709	4458	4573	256
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	2991	7743	8362	4458	4270	0
Financial corporations	14083	10171	2347	0	303	256
Households and non-profit institutions serving households	0	0	0	0	0	0
incl. EUR	14083	14521	6133	0	303	0
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	0	4350	3786	0	0	0
Financial corporations	14083	10171	2347	0	303	0
Households and non-profit institutions serving households	0	0	0	0	0	0
Debt securities issued with a term of up to two years	2022	2022	2022	2022	2022	0
BGN	2022	2022	2022	2022	2022	0
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	751	751	751	751	751	0
Financial corporations	1200	1200	1200	1200	1200	0
Households and non-profit institutions serving households	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0
LONG-TERM LIABILITIES NOT INCLUDED IN MONEY SUPPLY	4352440	4443043	4524780	4586470	4697508	4767087
DEPOSITS	330853	347620	360012	373640	377766	394080
Deposits with agreed maturity of over two years	330848	347613	360012	373640	377766	394080
BGN	141616	149586	156291	161257	163962	181237
Foreign currencies	189232	198027	203721	212383	213804	212843
incl. EUR	78384	82973	86026	91671	95668	96527
Deposits redeemable at notice of over three months	5	7	0	0	0	0
BGN	1	1	0	0	0	0
Foreign currencies	4	6	0	0	0	0
incl. EUR	4	6	0	0	0	0
DEBT SECURITIES WITH A TERM OF OVER TWO YEARS	137697	141099	155069	163001	168357	176871
BGN	35075	39617	41057	42237	42225	44028
Foreign currencies	102622	101482	114012	120764	126132	132843
incl. EUR	74011	72887	85787	93332	99399	106756
CAPITAL AND RESERVES	3883890	3954324	4009699	4049829	4151385	4196136
Funds contributed by owners	994838	1005938	1012438	1014035	1033865	1050033
Reserves	2376534	2373288	2477300	2472029	2465076	2459272
Financial result	512518	575098	519961	563765	652444	686831

\* Including the reserve position in the IMF.

\*\* Including only loans received from the IMF.

Source: BNB and commercial banks.

## Analytical Reporting of the BNB

(BGN '000)

	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
<b>ASSETS</b>	8235291	7686509	7956408	7981606	7757858	7977087	8170096
<b>NET FOREIGN ASSETS</b>	8544638	7972597	8199810	8532053	8659160	9259134	10061595
Foreign assets	10383583	9842189	10113178	10517298	10628073	11190411	11975702
Cash in foreign currencies	13488	11096	9704	11694	16295	23331	5477
incl. EUR	0	0	9143	10472	14853	22666	4499
Deposits	1316175	1522009	1787009	2083998	2086150	2315176	2754842
BGN	0	0	0	0	0	0	0
Foreign currencies	1316175	1522009	1787009	2083998	2086150	2315176	2754842
incl. EUR	0	0	1248317	1478861	1643305	1753375	2101021
Repo agreements	0	0	0	0	58675	0	160378
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	58675	0	160378
incl. EUR	0	0	0	0	58675	0	160378
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
incl. EUR	0	0	0	0	0	0	0
Securities other than shares	8041341	7386021	7338494	7387147	7444997	7844011	8074225
BGN	0	0	0	0	0	0	0
Foreign currencies	8041341	7386021	7338494	7387147	7444997	7844011	8074225
incl. EUR	0	0	6963187	6990925	7033859	7469699	7635257
Shares and other equity	832	832	832	23021	23021	23021	23021
BGN	0	0	0	0	0	0	0
Foreign currencies	832	832	832	23021	23021	23021	23021
incl. EUR	0	0	0	0	0	0	0
Monetary gold and SDR holdings*	820957	823896	863374	908248	886014	854194	834004
Claims on interest	190790	98335	113765	103190	112921	130678	123755
BGN	0	0	0	0	0	0	0
Foreign currencies	190790	98335	113765	103190	112921	130678	123755
incl. EUR	0	0	109025	99639	109194	127572	120116
Less: foreign liabilities	1838945	1869592	1913368	1985245	1968913	1931277	1914107
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
incl. EUR	0	0	0	0	0	0	0
Repo agreements	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Credits**	1838945	1869592	1913368	1985245	1968913	1931277	1914107
Interest liabilities	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
<b>CLAIMS ON GENERAL GOVERNMENT</b>	-508357	-483013	-439012	-747269	-1097793	-1476813	-2085127
Central government (net)	-508357	-483013	-439012	-747269	-1097793	-1476813	-2085127
Claims	1838945	1869592	1913369	1985245	1968912	1931277	1914107
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
incl. EUR	0	0	0	0	0	0	0
Repo agreements	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Credits	1838945	1869592	1913369	1985245	1968912	1931277	1914107
BGN	0	0	0	0	0	0	0
Foreign currencies	1838945	1869592	1913369	1985245	1968912	1931277	1914107
incl. EUR	0	0	0	0	0	0	0
Less: liabilities	2347302	2352605	2352381	2732514	3066705	3408090	3999234
Deposits	2347302	2352605	2352381	2732514	3066705	3408090	3999234
BGN	446934	634144	630987	1007964	1336097	1732710	2013361
Foreign currencies	1900368	1718461	1721394	1724550	1730608	1675380	1985873
incl. EUR	0	0	1164362	1131137	1135274	1119782	1445731

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	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
Repo agreements	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0	0
Repo agreements	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	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
incl. EUR	0	0	0	0	0	0	0
CLAIMS ON COMMERCIAL BANKS	6827	6828	6828	6828	6829	6828	6827
BGN	421	421	421	421	421	421	421
Foreign currencies	6406	6407	6407	6407	6408	6407	6406
incl. EUR	0	0	0	0	0	0	0
CLAIMS ON NON-GOVERNMENT SECTOR	74234	74234	74234	74234	74234	74234	74234
Non-financial corporations	71734	71734	71734	71734	71734	71734	71734
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
incl. EUR	0	0	0	0	0	0	0
Shares and other equity	71734	71734	71734	71734	71734	71734	71734
BGN	71734	71734	71734	71734	71734	71734	71734
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Financial corporations	2500	2500	2500	2500	2500	2500	2500
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
incl. EUR	0	0	0	0	0	0	0
Shares and other equity	2500	2500	2500	2500	2500	2500	2500
BGN	2500	2500	2500	2500	2500	2500	2500
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
FIXED ASSETS	130869	129481	129685	129853	130124	130309	130721
OTHER ITEMS (NET)	-12920	-13618	-15137	-14093	-14696	-16605	-18154
Other assets	1421801	1444740	1438601	1461901	1466952	1453300	1454757
BGN	18677	18511	21601	22008	22302	21747	20654
Foreign currencies	1403124	1426229	1417000	1439893	1444650	1431553	1434103
incl. EUR	0	0	80	123	42	83	123
Less: other liabilities	1434721	1458358	1453738	1475994	1481648	1469905	1472911
BGN	38612	38845	39326	39231	40137	41314	41839
Foreign currencies	1396109	1419513	1414412	1436763	1441511	1428591	1431072
incl. EUR	0	0	745	292	199	404	391
LIABILITIES	8235291	7686509	7956408	7981606	7757858	7977087	8170096
RESERVE MONEY	5266355	4621510	4867767	4977898	4928204	5059221	5236458
Money in circulation	4264222	3995222	3990354	4029049	4097372	4167582	4284915
Deposits of commercial banks	1002133	626288	877413	948849	830832	891639	951543
BGN	762910	465895	403076	321784	381337	315329	305702
Foreign currencies	239223	160393	474337	627065	449495	576310	645841
incl. EUR	0	0	283	60229	53384	90388	4351
LIABILITIES INCLUDED IN MONEY SUPPLY	1513232	1549277	1560473	1430537	1419518	1509411	1522135
DEPOSITS	1513232	1549277	1560473	1430537	1419518	1509411	1522135
Overnight deposits	128492	98409	104109	84624	70570	123965	132494
BGN	119691	79505	86655	77550	57810	89328	104282
Social security funds	119092	78365	84432	64827	57209	89229	103727
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	599	1140	2223	12723	601	99	555
Households and non-profit institutions serving households	0	0	0	0	0	0	0
Foreign currencies	8801	18904	17454	7074	12760	34637	28212
Social security funds	0	0	0	0	0	0	0

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	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
Non-financial corporations	8801	18904	17404	6976	12631	34536	27251
Financial corporations	0	0	50	98	129	101	961
Households and non-profit institutions serving households	0	0	0	0	0	0	0
incl. EUR	0	0	17362	6981	12664	34371	27946
Social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	17312	6883	12535	34270	26985
Financial corporations	0	0	50	98	129	101	961
Households and non-profit institutions serving households	0	0	0	0	0	0	0
Deposits with agreed maturity of up to two years	1384740	1450868	1456364	1345913	1348948	1385446	1389641
BGN	741006	789471	789100	794042	797075	796409	798647
Social security funds	741006	789471	789100	794042	797075	796409	798647
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0	0
Foreign currencies	643734	661397	667264	551871	551873	589037	590994
Social security funds	0	0	0	0	0	0	0
Non-financial corporations	637601	637601	639556	551544	551544	588705	590661
Financial corporations	6133	23796	27708	327	329	332	333
Households and non-profit institutions serving households	0	0	0	0	0	0	0
incl. EUR	0	0	667192	551798	551798	588964	590920
Social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	639556	551544	551544	588705	590661
Financial corporations	0	0	27636	254	254	259	259
Households and non-profit institutions serving households	0	0	0	0	0	0	0
Deposits redeemable at notice of up to three months	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	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
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0	0
LONG-TERM LIABILITIES NOT INCLUDED IN MONEY SUPPLY	1455704	1515722	1528168	1573171	1410136	1408455	1411503
DEPOSITS	0	0	0	0	0	0	0
Deposits with agreed maturity of over two years	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	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
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0

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(BGN '000)

	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
Social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0	0
Deposits redeemable at notice of over three months	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	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
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0	0
CAPITAL AND RESERVES	1455704	1515722	1528168	1573171	1410136	1408455	1411503
Funds contributed by owners	20000	20000	20000	20000	20000	20000	20000
Reserves	1180449	1216503	1214103	1240944	1317497	1297935	1284797
Financial result	255255	279219	294065	312227	72639	90520	106706

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	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
ASSETS	8402559	8283148	8557372	8623074	8560644	9922885
NET FOREIGN ASSETS	9135043	9735919	10347053	10788985	11267749	11571243
Foreign assets	11056452	11630025	12185992	12599390	13018895	13264707
Cash in foreign currencies	5441	3998	9151	7341	10277	8050
incl. EUR	3924	2555	7752	5885	9346	7045
Deposits	1922905	2349415	2691741	2493681	2744205	2833299
BGN	0	0	0	0	0	0
Foreign currencies	1922905	2349415	2691741	2493681	2744205	2833299
incl. EUR	1358304	1790938	2133837	1909493	1867782	1750521
Repo agreements	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	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
incl. EUR	0	0	0	0	0	0
Securities other than shares	8129657	8298092	8547369	9162640	9340164	9482491
BGN	0	0	0	0	0	0
Foreign currencies	8129657	8298092	8547369	9162640	9340164	9482491
incl. EUR	7864244	7982316	8238163	8766612	8898608	8793827
Shares and other equity	23021	23021	23021	23021	23021	23021
BGN	0	0	0	0	0	0
Foreign currencies	23021	23021	23021	23021	23021	23021
incl. EUR	0	0	0	0	0	0
Monetary gold and SDR holdings*	834790	801090	777852	759517	733615	732066
Claims on interest	140638	154409	136858	153190	167613	185780
BGN	0	0	0	0	0	0
Foreign currencies	140638	154409	136858	153190	167613	185780
incl. EUR	137260	151867	133642	149068	164890	183364
Less: foreign liabilities	1921409	1894106	1838939	1810405	1751146	1693464
Deposits	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Repo agreements	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Credits**	1921409	1894106	1838939	1810405	1751146	1693464
Interest liabilities	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
CLAIMS ON GENERAL GOVERNMENT	-925329	-1646014	-1984716	-2361001	-2897874	-1836521
Central government (net)	-925329	-1646014	-1984716	-2361001	-2897874	-1836521
Claims	1921409	1894106	1838940	1810405	1751145	1693464
Government securities	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Repo agreements	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Credits	1921409	1894106	1838940	1810405	1751145	1693464
BGN	0	0	0	0	0	0
Foreign currencies	1921409	1894106	1838940	1810405	1751145	1693464
incl. EUR	0	0	0	0	0	0
Less: liabilities	2846738	3540120	3823656	4171406	4649019	3529985
Deposits	2846738	3540120	3823656	4171406	4649019	3529985
BGN	1073859	1337603	1432594	1721395	1845598	246372
Foreign currencies	1772879	2202517	2391062	2450011	2803421	3283613
incl. EUR	1469771	1936661	2156864	2161670	2146606	2072039
Repo agreements	0	0	0	0	0	0
BGN	0	0	0	0	0	0

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(BGN '000)

	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Repo agreements	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	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
incl. EUR	0	0	0	0	0	0
CLAIMS ON COMMERCIAL BANKS	6827	6823	6822	6821	6820	6820
BGN	421	421	421	421	421	421
Foreign currencies	6406	6402	6401	6400	6399	6399
incl. EUR	0	0	0	0	0	0
CLAIMS ON NON-GOVERNMENT SECTOR	74234	74234	74234	74234	74234	74234
Non-financial corporations	71734	71734	71734	71734	71734	71734
Credits	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Shares and other equity	71734	71734	71734	71734	71734	71734
BGN	71734	71734	71734	71734	71734	71734
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Financial corporations	2500	2500	2500	2500	2500	2500
Credits	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Shares and other equity	2500	2500	2500	2500	2500	2500
BGN	2500	2500	2500	2500	2500	2500
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
FIXED ASSETS	131181	131751	132276	133729	134488	134458
OTHER ITEMS (NET)	-19397	-19565	-18297	-19694	-24773	-27349
Other assets	1459158	1453582	1428466	1419325	1393234	1371245
BGN	19729	19830	21086	20441	19765	20186
Foreign currencies	1439429	1433752	1407380	1398884	1373469	1351059
incl. EUR	42	83	124	42	83	135
Less: other liabilities	1478555	1473147	1446763	1439019	1418007	1398594
BGN	42106	42105	42237	42536	47020	49914
Foreign currencies	1436449	1431042	1404526	1396483	1370987	1348680
incl. EUR	319	575	486	819	833	753
LIABILITIES	8402559	8283148	8557372	8623074	8560644	9922885
RESERVE MONEY	5412170	5748071	6011612	6112520	6027604	7058463
Money in circulation	4446778	4612096	4693967	4606942	4581065	5020242
Deposits of commercial banks	965392	1135975	1317645	1505578	1446539	2038221
BGN	354177	471981	643638	787181	770553	1288481
Foreign currencies	611215	663994	674007	718397	675986	749740
incl. EUR	3158	9026	15597	17847	12527	187573
LIABILITIES INCLUDED IN MONEY SUPPLY	1565145	1094788	1094191	1047771	1054297	1376504
DEPOSITS	1565145	1094788	1094191	1047771	1054297	1376504
Overnight deposits	168966	153416	142274	108550	112402	506122
BGN	116520	108155	107270	69628	64906	464459
Social security funds	115682	104125	101132	68639	64141	124173
Non-financial corporations	0	0	0	0	0	340000
Financial corporations	838	4030	6138	989	765	286
Households and non-profit institutions serving households	0	0	0	0	0	0
Foreign currencies	52446	45261	35004	38922	47496	41663
Social security funds	0	0	0	0	0	0
Non-financial corporations	47239	41141	33980	37878	46423	40555
Financial corporations	5207	4120	1024	1044	1073	1108
Households and non-profit institutions serving households	0	0	0	0	0	0

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(BGN '000)

	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
incl. EUR	52205	45160	34905	38835	47412	41582
Social security funds	0	0	0	0	0	0
Non-financial corporations	46998	41040	33881	37791	46339	40474
Financial corporations	5207	4120	1024	1044	1073	1108
Households and non-profit institutions serving households	0	0	0	0	0	0
Deposits with agreed maturity of up to two years	1396179	941372	951917	939221	941895	870382
BGN	805185	796308	814678	801984	804661	750752
Social security funds	805185	796308	807678	799984	795661	739752
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	7000	2000	9000	11000
Households and non-profit institutions serving households	0	0	0	0	0	0
Foreign currencies	590994	145064	137239	137237	137234	119630
Social security funds	0	0	0	0	0	0
Non-financial corporations	590661	144731	115394	115394	115394	97791
Financial corporations	333	333	21845	21843	21840	21839
Households and non-profit institutions serving households	0	0	0	0	0	0
incl. EUR	590920	144990	137167	137167	137167	119564
Social security funds	0	0	0	0	0	0
Non-financial corporations	590661	144731	115394	115394	115394	97791
Financial corporations	259	259	21773	21773	21773	21773
Households and non-profit institutions serving households	0	0	0	0	0	0
Deposits redeemable at notice of up to three months	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0
LONG-TERM LIABILITIES NOT INCLUDED IN MONEY SUPPLY	1425244	1440289	1451569	1462783	1478743	1487918
DEPOSITS	0	0	0	0	0	0
Deposits with agreed maturity of over two years	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0
Deposits redeemable at notice of over three months	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0

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(BGN '000)

	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
Households and non-profit institutions serving households	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0
<b>CAPITAL AND RESERVES</b>	<b>1425244</b>	<b>1440289</b>	<b>1451569</b>	<b>1462783</b>	<b>1478743</b>	<b>1487918</b>
Funds contributed by owners	20000	20000	20000	20000	20000	20000
Reserves	1274860	1270049	1263868	1254328	1246483	1231829
Financial result	130384	150240	167701	188455	212260	236089

\* Including the reserve position in the IMF.

\*\* Including only loans received from the IMF.

Source: BNB.

## Analytical Reporting of Commercial Banks

(BGN '000)

	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
<b>ASSETS</b>	13705432	13828666	14111235	14420173	14777635	14839046	15524126
<b>NET FOREIGN ASSETS</b>	1504314	1886452	1519907	1408197	1357279	873912	1324098
Foreign assets	3002680	3307856	3131858	3245851	3229425	2972815	3674332
Cash in foreign currencies	238709	203175	200885	210660	209062	218697	238041
incl. EUR	-	-	89140	103679	110775	128914	134161
Deposits	1853186	2091538	1883417	2026447	1891458	1691920	2405962
BGN	-	-	0	0	0	0	0
Foreign currencies	1853186	2091538	1883417	2026447	1891458	1691920	2405962
incl. EUR	-	-	635759	732713	666308	606006	1193170
Repo agreements	-	-	0	0	0	0	0
BGN	-	-	0	0	0	0	0
Foreign currencies	-	-	0	0	0	0	0
incl. EUR	-	-	0	0	0	0	0
Credits	101286	99649	101097	116093	114106	103852	119294
BGN	9610	9610	10319	9093	13706	12710	15362
Foreign currencies	91676	90039	90778	107000	100400	91142	103932
incl. EUR	-	-	40248	40751	40375	39873	47728
Securities other than shares	806955	911338	944337	890527	1003603	947204	905159
BGN	-	-	0	0	0	0	0
Foreign currencies	806955	911338	944337	890527	1003603	947204	905159
incl. EUR	-	-	576627	534623	560071	519237	506377
Shares and other equity	2544	2156	2122	2124	11196	11142	5876
BGN	-	-	0	0	0	0	0
Foreign currencies	2544	2156	2122	2124	11196	11142	5876
incl. EUR	-	-	1973	1973	8623	8623	3342
Less: foreign liabilities	1498366	1421404	1611951	1837654	1872146	2098903	2350234
Deposits	1439254	1395209	1575763	1837594	1872058	2066336	2330011
BGN	133240	135838	142110	163447	150679	148510	150776
Foreign currencies	1306014	1259371	1433653	1674147	1721379	1917826	2179235
incl. EUR	-	-	1096713	1138850	1187739	1403426	1514235
Repo agreements	42976	10059	20110	0	0	31712	19368
BGN	0	-	0	0	0	0	0
Foreign currencies	42976	10059	20110	0	0	31712	19368
incl. EUR	0	-	20110	0	0	8145	8145
Debt securities issued	16136	16136	16078	60	88	855	855
BGN	0	-	0	14	14	14	14
Foreign currencies	16136	16136	16078	46	74	841	841
incl. EUR	0	0	16078	46	74	841	841
<b>RESERVES IN THE BNB</b>	1388248	897663	1142952	1225305	1138217	1209167	1295473
Cash in BGN	390114	276877	272776	306456	312397	337487	324090
Deposits	998134	620786	870176	918849	825820	871680	971383
BGN	758914	460395	395838	310144	376328	304715	297313
Foreign currencies	239220	160391	474338	608705	449492	566965	674070
incl. EUR	0	0	283	62186	53383	90388	4352
<b>CLAIMS ON GENERAL GOVERNMENT SECTOR</b>	1272265	1355894	1539305	1405389	1450433	1606704	1509208
Central government (net)	1245228	1328678	1509208	1376061	1421928	1578032	1479138
Claims	2023950	2122158	2249722	2212161	2261652	2258009	2102527
Government securities	2023950	2122082	2249623	2212112	2261562	2257909	2102427
BGN	1150965	1164827	1215135	1237744	1241586	1239003	1226483
Foreign currencies	872985	957255	1034488	974368	1019976	1018906	875944
incl. EUR	0	0	669064	596724	596174	599009	529751
Repo agreements	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Credits	0	76	99	49	90	100	100
BGN	0	76	99	49	90	100	100
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Less: liabilities	778722	793480	740514	836100	839724	679977	623389
Deposits	778722	793480	740514	836100	839724	679977	623389
BGN	511616	517911	481844	508856	514103	393403	354214
Foreign currencies	267106	275569	258670	327244	325621	286574	269175
incl. EUR	0	0	223292	275013	279381	267921	244140

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(BGN '000)

	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
Repo agreements	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Local government and social security funds	27037	27216	30097	29328	28505	28672	30070
Securities other than shares	2402	2401	2401	2404	2144	2144	2144
BGN	1229	1228	1228	1231	971	971	971
Foreign currencies	1173	1173	1173	1173	1173	1173	1173
incl. EUR	0	0	1173	1173	1173	1173	1173
Repo agreements	0	0	0	0	0	0	0
BGN	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Credits	24635	24815	27696	26924	26361	26528	27926
BGN	24635	24815	27696	26924	26361	26528	27406
Foreign currencies	0	0	0	0	0	0	520
incl. EUR	0	0	0	0	0	0	520
CLAIMS ON NON-GOVERNMENT SECTOR	9413215	9660226	9928791	10316767	10744152	11100209	11397475
Non-financial corporations	6659741	6875034	6981771	7213315	7464083	7665690	7735448
Repo agreements	0	0	2543	2640	3134	5086	5241
BGN	0	0	2543	2640	3134	3130	5241
Foreign currencies	0	0	0	0	0	1956	0
incl. EUR	0	0	0	0	0	1956	0
Credits	6575340	6785654	6888281	7117651	7362996	7552619	7620328
BGN	2936106	2963840	2924218	2978880	3016866	3055103	2993474
Foreign currencies	3639234	3821814	3964063	4138771	4346130	4497516	4626854
incl. EUR	0	0	3166013	3333220	3517998	3693058	3846386
Securities other than shares	41296	40405	41664	40706	50064	59925	64222
BGN	34974	33767	34758	34504	43863	48257	52554
Foreign currencies	6322	6638	6906	6202	6201	11668	11668
incl. EUR	0	0	6906	6202	6201	11668	11668
Shares and other equity	43105	48975	49283	52318	47889	48060	45657
BGN	43105	48975	49283	52318	47889	48060	45657
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Financial corporations	251569	254756	291784	301117	329146	326717	359005
Repo agreements	103201	104520	89600	91268	98289	79339	93774
BGN	34012	39396	33607	32643	39670	28346	33761
Foreign currencies	69189	65124	55993	58625	58619	50993	60013
incl. EUR	0	0	51706	54271	53749	46288	45830
Credits	122674	124492	176079	184015	205225	218001	238649
BGN	889	918	47775	51110	54194	59723	66134
Foreign currencies	121785	123574	128304	132905	151031	158278	172515
incl. EUR	0	0	123409	128447	146752	153977	168430
Securities other than shares	11178	11177	10444	10166	9958	12721	12613
BGN	7968	7968	7968	7328	7315	6717	6717
Foreign currencies	3210	3209	2476	2838	2643	6004	5896
incl. EUR	0	0	2476	2838	2643	6004	5896
Shares and other equity	14516	14567	15661	15668	15674	16656	13969
BGN	14516	14567	15661	15668	15674	16656	13969
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Households and non-profit institutions serving households	2501905	2530436	2655236	2802335	2950923	3107802	3303022
Repo agreements	0	0	0	0	485	485	485
BGN	0	0	0	0	485	485	485
Foreign currencies	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Credits	2501905	2530436	2655236	2802335	2950438	3107317	3302537
BGN	2279405	2323601	2434854	2568228	2699991	2845110	3014845
Foreign currencies	222500	206835	220382	234107	250447	262207	287692
incl. EUR	0	0	187503	200081	213642	226530	252168
FIXED ASSETS	1051909	1062624	1077743	1088421	1099562	1104182	1112694
OTHER ITEMS (net)	-924519	-1034193	-1097463	-1023906	-1012008	-1055128	-1114822
Inter-bank accounts (net)	-36203	-30064	-43081	10218	7895	-10490	-36163

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(BGN '000)

	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
Claims on commercial banks	670828	724510	746797	958737	991460	924771	848771
BGN	209079	302594	325193	362194	369305	395710	266432
Foreign currencies	461749	421916	421604	596543	622155	529061	582339
incl. EUR	0	0	214748	310877	344246	262231	322271
Less: liabilities to commercial banks	707031	754574	789878	948519	983565	935261	884934
BGN	226651	308144	341256	345173	337657	390809	256435
Foreign currencies	480380	446430	448622	603346	645908	544452	628499
incl. EUR	0	0	219321	317134	360891	273533	355244
Other (net)	-888316	-1004129	-1054382	-1034124	-1019903	-1044638	-1078659
Other unclassified assets	519942	486741	470381	483271	487587	490696	433565
BGN	233725	231257	231751	249250	239916	232415	242578
Foreign currencies	286217	255484	238630	234021	247671	258281	190987
incl. EUR	0	0	124652	109070	103391	115018	123438
Less: other unclassified liabilities	1408258	1490870	1524763	1517395	1507490	1535334	1512224
BGN	964730	1034366	1040118	1030523	1048562	1088187	1101124
Foreign currencies	443528	456504	484645	486872	458928	447147	411100
incl. EUR	0	0	255457	263358	259273	253120	194675
<b>LIABILITIES</b>	<b>13705432</b>	<b>13828666</b>	<b>14111235</b>	<b>14420173</b>	<b>14777635</b>	<b>14839046</b>	<b>15524126</b>
<b>LIABILITIES TO THE BNB</b>	<b>285</b>	<b>286</b>	<b>285</b>	<b>286</b>	<b>286</b>	<b>285</b>	<b>281</b>
BGN	255	255	255	255	255	255	255
Foreign currencies	30	31	30	31	31	30	26
incl. EUR	0	0	0	0	0	0	0
<b>LIABILITIES INCLUDED IN MONEY SUPPLY</b>	<b>11179117</b>	<b>11251427</b>	<b>11461088</b>	<b>11653126</b>	<b>11985660</b>	<b>12061707</b>	<b>12677844</b>
<b>DEPOSITS</b>	<b>11077323</b>	<b>11171327</b>	<b>11377240</b>	<b>11525336</b>	<b>11877003</b>	<b>11930831</b>	<b>12549937</b>
Overnight deposits	4027297	3971645	4030832	4027857	4131703	4081640	4328994
BGN	2807189	2717034	2737667	2740033	2828694	2687399	2816113
Local government and social security funds	95338	139134	164030	207576	204481	191910	168887
Non-financial corporations	1822468	1700650	1649742	1621425	1666984	1531520	1653645
Financial corporations	62635	68296	62737	56981	75700	50080	53354
Households and non-profit institutions serving households	826748	808954	861158	854051	881529	913889	940227
Foreign currencies	1220108	1254611	1293165	1287824	1303009	1394241	1512881
Local government and social security funds	10364	1547	3502	4879	5237	4205	3135
Non-financial corporations	833166	875334	906902	889273	888470	959230	1071852
Financial corporations	9231	11726	15001	14363	19725	29065	29587
Households and non-profit institutions serving households	367347	366004	367760	379309	389577	401741	408307
incl. EUR	0	0	789205	797749	825851	866323	1013566
Local government and social security funds	0	0	3254	4471	4800	3781	2804
Non-financial corporations	0	0	604327	603516	615802	639835	780496
Financial corporations	0	0	8079	8030	11114	17801	17882
Households and non-profit institutions serving households	0	0	173545	181732	194135	204906	212384
Deposits with agreed maturity of up to two years	5430159	5558950	5674776	5790952	5986219	6067085	6405022
BGN	2056078	2048754	2095983	2156219	2278566	2333284	2282008
Local government and social security funds	42173	42588	44668	46467	53394	52515	55809
Non-financial corporations	670026	600134	594034	587290	663802	685113	596314
Financial corporations	104970	114041	103148	129402	142827	149900	141268
Households and non-profit institutions serving households	1238909	1291991	1354133	1393060	1418543	1445756	1488617
Foreign currencies	3374081	3510196	3578793	3634733	3707653	3733801	4123014
Local government and social security funds	322	8999	9042	9660	9182	9090	14226
Non-financial corporations	537750	567691	591933	555744	551140	602010	929040
Financial corporations	63642	61165	66307	95007	104893	87013	71448
Households and non-profit institutions serving households	2772367	2872341	2911511	2974322	3042438	3035688	3108300
incl. EUR	0	0	1486130	1538064	1590148	1618457	2004849
Local government and social security funds	0	0	5087	5615	5040	5034	10100
Non-financial corporations	0	0	312199	303930	316845	331256	656774
Financial corporations	0	0	47470	73846	80861	61682	52532
Households and non-profit institutions serving households	0	0	1121374	1154673	1187402	1220485	1285443
Deposits redeemable at notice of up to three months	1619867	1640732	1671632	1706527	1759081	1782106	1815921
BGN	789772	801507	817759	829000	848898	862556	888491

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	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	8460	11740	11376	24032	38238
Financial corporations	0	0	601	1	1	1	1
Households and non-profit institutions serving households	789772	801507	808698	817259	837521	838523	850252
Foreign currencies	830095	839225	853873	877527	910183	919550	927430
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	15463	21700	24257	28487	8704
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	830095	839225	838410	855827	885926	891063	918726
incl. EUR	0	0	388192	413186	436938	457774	461598
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	13572	21523	24075	28309	8526
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	374620	391663	412863	429465	453072
REPO AGREEMENTS	99459	77765	81513	125487	106249	128454	125885
BGN	83221	65460	68789	85584	76452	101232	84513
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	12085	7528	11135	9235	10735	30344	10064
Financial corporations	71136	57932	57654	76349	65717	70888	74449
Households and non-profit institutions serving households	0	0	0	0	0	0	0
Foreign currencies	16238	12305	12724	39903	29797	27222	41372
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	7774	2039	4659	17942	6256	9911	4233
Financial corporations	7402	9184	7435	21321	23541	17311	37139
Households and non-profit institutions serving households	1062	1082	630	640	0	0	0
incl. EUR	0	0	7888	34057	26358	24029	39118
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	453	12736	2817	6718	1979
Financial corporations	0	0	7435	21321	23541	17311	37139
Households and non-profit institutions serving households	0	0	0	0	0	0	0
DEBT SECURITIES WITH A TERM OF UP TO TWO YEARS	2335	2335	2335	2303	2408	2422	2022
BGN	2335	2335	2335	2303	2408	2422	2022
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	301	301	301	541	641	641	751
Financial corporations	1920	1920	1920	1710	1710	1710	1200
Households and non-profit institutions serving households	114	114	114	52	57	71	71
Foreign currencies	0	0	0	0	0	0	0
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0	0
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0	0
LONG-TERM LIABILITIES NOT INCLUDED IN MONEY SUPPLY	2526030	2576953	2649862	2766761	2791689	2777054	2846001
DEPOSITS	201740	210336	247979	259700	278511	295934	315000
Deposits with agreed maturity of over two years	201740	210336	247954	259674	278471	295891	314996
BGN	117839	115251	124200	126183	120860	125855	135313
Local government and social security funds	0	0	15	4	12	12	0
Non-financial corporations	8313	8533	8508	7620	7831	8782	13411
Financial corporations	63591	57704	61885	61862	52931	53871	55581

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	XII.2003	I.2004	II.2004	III.2004	IV.2004	V.2004	VI.2004
Households and non-profit institutions serving households	45935	49014	53792	56697	60086	63190	66321
Foreign currencies	83901	95085	123754	133491	157611	170036	179683
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	11841	12353	18769	18813	21427	24814	27015
Financial corporations	7905	7985	8392	10968	11941	12417	12460
Households and non-profit institutions serving households	64155	74747	96593	103710	124243	132805	140208
incl. EUR	0	0	47211	50977	62666	70679	73809
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	7913	8089	10122	10683	10654
Financial corporations	0	0	5541	7232	8714	9256	9289
Households and non-profit institutions serving households	0	0	33757	35656	43830	50740	53866
Deposits redeemable at notice of over three months	0	0	25	26	40	43	4
BGN	0	0	3	1	1	2	2
Local government and social security funds	-	-	-	-	-	-	-
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	3	1	1	2	2
Foreign currencies	0	0	22	25	39	41	2
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	22	25	39	41	2
incl. EUR	0	0	22	25	39	41	2
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	22	25	39	41	2
DEBT SECURITIES WITH A TERM OF OVER TWO YEARS	53981	56561	56856	118187	126841	126540	128659
BGN	5325	5325	5315	29971	26859	27061	26763
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	3877	3861	4061	3761
Financial corporations	5325	5325	5315	25842	22713	22734	22716
Households and non-profit institutions serving households	0	0	0	252	285	266	286
Foreign currencies	48656	51236	51541	88216	99982	99479	101896
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	3389	3438	3878	28617	32223	31728	31790
Financial corporations	41977	42803	42414	48127	50691	50675	53147
Households and non-profit institutions serving households	3290	4995	5249	11472	17068	17076	16959
incl. EUR	0	0	47603	62719	71234	71376	73775
Local government and social security funds	0	0	0	0	0	0	0
Non-financial corporations	0	0	1334	10032	13991	14071	14071
Financial corporations	0	0	42414	47247	49790	49793	52255
Households and non-profit institutions serving households	0	0	3855	5440	7453	7512	7449
CAPITAL AND RESERVES	2270309	2310056	2345027	2388874	2386337	2354580	2402342
Funds contributed by owners	935316	938136	935592	970150	973423	974838	974838
Reserves	864493	885448	895053	940896	953841	1018490	1073524
Financial result	470500	486472	514382	477828	459073	361252	353980

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	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
ASSETS	15597312	15978414	16400293	16638974	16776429	17669434
NET FOREIGN ASSETS	1091760	1039886	887183	511886	203953	-390487
Foreign assets	3589219	3499032	3467487	3465614	3400905	4475632
Cash in foreign currencies	257601	245682	214965	200926	213733	237925
incl. EUR	138261	132279	122315	117009	118385	149802
Deposits	2315980	2256468	2309823	2373009	2276241	2897350
BGN	360	195	300	1000	13950	8530
Foreign currencies	2315620	2256273	2309523	2372009	2262291	2888820
incl. EUR	1009557	1101908	1065699	1101692	1111673	1662517
Repo agreements	8619	10564	13917	5839	9374	10051
BGN	0	0	0	0	0	0
Foreign currencies	8619	10564	13917	5839	9374	10051
incl. EUR	0	0	0	0	3729	0
Credits	123178	137225	146979	151943	157225	156307
BGN	16159	15543	15621	18424	20159	18739
Foreign currencies	107019	121682	131358	133519	137066	137568
incl. EUR	52331	61773	63882	62823	67942	65562
Securities other than shares	877937	845020	778312	730410	740851	1169806
BGN	0	0	0	0	18254	25558
Foreign currencies	877937	845020	778312	730410	722597	1144248
incl. EUR	483848	484552	483900	449990	443803	870627
Shares and other equity	5904	4073	3491	3487	3481	4193
BGN	0	0	0	0	0	0
Foreign currencies	5904	4073	3491	3487	3481	4193
incl. EUR	3342	3342	3342	3342	3342	4057
Less: foreign liabilities	2497459	2459146	2580304	2953728	3196952	4866119
Deposits	2489282	2456456	2577536	2941792	3185778	4806466
BGN	115833	116228	121602	121001	227825	233138
Foreign currencies	2373449	2340228	2455934	2820791	2957953	4573328
incl. EUR	1780449	1772669	1840409	2285144	2448903	3947039
Repo agreements	6842	0	0	7056	0	48353
BGN	0	0	0	0	0	0
Foreign currencies	6842	0	0	7056	0	48353
incl. EUR	0	0	0	0	0	48353
Debt securities issued	1335	2690	2768	4880	11174	11300
BGN	498	498	498	498	498	498
Foreign currencies	837	2192	2270	4382	10676	10802
incl. EUR	837	2192	2270	4382	10225	10362
RESERVES IN THE BNB	1271759	1453914	1673618	1820279	1768770	2428422
Cash in BGN	316265	336966	351651	322673	333630	392367
Deposits	955494	1116948	1321967	1497606	1435140	2036055
BGN	345258	464754	631583	779207	759157	1287580
Foreign currencies	610236	652194	690384	718399	675983	748475
incl. EUR	2180	8635	15597	17846	12526	187573
CLAIMS ON GENERAL GOVERNMENT SECTOR	1303512	1365888	1362171	1355008	1423739	1497312
Central government (net)	1272857	1335244	1331666	1325183	1393674	1469058
Claims	2051104	2092557	2144712	2112780	2149653	2211582
Government securities	2051029	2092501	2144712	2112780	2149653	2211581
BGN	1182448	1177607	1216363	1227913	1243746	1312827
Foreign currencies	868581	914894	928349	884867	905907	898754
incl. EUR	527893	566486	575986	528051	551340	535191
Repo agreements	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Credits	75	56	0	0	0	1
BGN	75	56	0	0	0	1
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Less: liabilities	778247	757313	813046	787597	755979	742524
Deposits	778247	757313	813046	787597	755979	742524
BGN	371775	369732	387977	350399	331236	370526
Foreign currencies	406472	387581	425069	437198	424743	371998
incl. EUR	351161	370737	407642	419734	407986	356043
Repo agreements	0	0	0	0	0	0

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	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Local government and social security funds	30655	30644	30505	29825	30065	28254
Securities other than shares	2144	2144	2144	1560	1560	1495
BGN	971	971	971	971	971	906
Foreign currencies	1173	1173	1173	589	589	589
incl. EUR	1173	1173	1173	589	589	589
Repo agreements	0	0	0	0	0	0
BGN	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Credits	28511	28500	28361	28265	28505	26759
BGN	27991	28500	28361	28265	28505	26759
Foreign currencies	520	0	0	0	0	0
incl. EUR	520	0	0	0	0	0
CLAIMS ON NON-GOVERNMENT SECTOR	11955090	12149107	12585503	13001481	13456737	14035609
Non-financial corporations	8 105 074	8 138 488	8 403 504	8 637 259	8 895 428	9234573
Repo agreements	4890	0	0	0	0	0
BGN	4890	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Credits	7 983 700	8 000 234	8 267 646	8 508 089	8 773 757	9074063
BGN	2 989 731	2 954 569	3 089 020	3 115 927	3 155 210	3146710
Foreign currencies	4 993 969	5 045 665	5 178 626	5 392 162	5 618 547	5927353
incl. EUR	4 121 624	4 186 052	4 363 641	4 668 866	4 903 948	5134736
Securities other than shares	70000	92522	90562	83822	78123	114693
BGN	54569	55774	55727	49177	46255	81574
Foreign currencies	15431	36748	34835	34645	31868	33119
incl. EUR	15431	36748	34835	34645	31868	33119
Shares and other equity	46484	45732	45296	45348	43548	45817
BGN	46484	45732	45296	45348	43548	45817
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Financial corporations	361 554	365 684	375 167	387 925	402 791	427172
Repo agreements	78847	71379	69071	69234	83743	91325
BGN	24666	26141	27910	28966	33932	37178
Foreign currencies	54181	45238	41161	40268	49811	54147
incl. EUR	51688	42760	38741	36702	47336	47971
Credits	248 940	260 567	272 453	285 432	287 715	296282
BGN	69 551	75 770	83 323	86 702	90 083	94854
Foreign currencies	179 389	184 797	189 130	198 730	197 632	201428
incl. EUR	175 397	181 880	186 323	198 161	197 087	200896
Securities other than shares	17161	17161	17073	16617	14591	22805
BGN	6716	6716	6645	6645	6645	16227
Foreign currencies	10445	10445	10428	9972	7946	6578
incl. EUR	10445	10445	10428	9972	7946	6578
Shares and other equity	16606	16577	16570	16642	16742	16760
BGN	16606	16577	16570	16642	16742	16760
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Households and non-profit institutions serving households	3488462	3644935	3806832	3976297	4158518	4373864
Repo agreements	485	485	485	0	0	0
BGN	485	485	485	0	0	0
Foreign currencies	0	0	0	0	0	0
incl. EUR	0	0	0	0	0	0
Credits	3487977	3644450	3806347	3976297	4158518	4373864
BGN	3168050	3305316	3440791	3579692	3724926	3894021
Foreign currencies	319927	339134	365556	396605	433592	479843
incl. EUR	285703	305740	333511	365107	403122	450789
FIXED ASSETS	1125717	1143762	1153799	1166566	1184012	1202937
OTHER ITEMS (net)	-1150526	-1174143	-1261981	-1216246	-1260782	-1104359
Inter-bank accounts (net)	-51202	-51097	-18066	-18520	-40454	-11105
Claims on commercial banks	1010207	999688	925955	1131410	1090718	1036467
BGN	301895	315665	346675	416531	503137	362110

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	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
Foreign currencies	708312	684023	579280	714879	587581	674357
incl. EUR	377443	419541	353317	425200	369473	381896
Less: liabilities to commercial banks	1061409	1050785	944021	1149930	1131172	1047572
BGN	293029	306037	335031	393040	495803	364995
Foreign currencies	768380	744748	608990	756890	635369	682577
incl. EUR	398460	425512	362703	446789	397357	386970
Other (net)	-1099324	-1123046	-1243915	-1197726	-1220328	-1093254
Other unclassified assets	424403	435718	440424	477374	484312	445606
BGN	232421	223183	230739	242371	243424	220148
Foreign currencies	191982	212535	209685	235003	240888	225458
incl. EUR	116487	132692	133400	137530	144485	140864
Less: other unclassified liabilities	1523727	1558764	1684339	1675100	1704640	1538860
BGN	1123029	1141753	1207736	1186946	1209444	1127400
Foreign currencies	400698	417011	476603	488154	495196	411460
incl. EUR	199828	208180	220062	271473	275516	223269
LIABILITIES	15597312	15978414	16400293	16638974	16776429	17669434
LIABILITIES TO THE BNB	281	281	280	279	278	278
BGN	255	255	255	255	255	255
Foreign currencies	26	26	25	24	23	23
incl. EUR	0	0	0	0	0	0
LIABILITIES INCLUDED IN MONEY SUPPLY	12669835	12975379	13326802	13515008	13557386	14389987
DEPOSITS	12596892	12911794	13238144	13445354	13489659	14297993
Overnight deposits	4436356	4619095	4754645	4827190	4824963	5163867
BGN	2947993	3088702	3224233	3249866	3266486	3657194
Local government and social security funds	181884	179717	178495	192934	188060	193511
Non-financial corporations	1717025	1836722	1967190	1948778	1946577	2220437
Financial corporations	61549	59325	49284	58441	72679	70821
Households and non-profit institutions serving households	987535	1012938	1029264	1049713	1059170	1172425
Foreign currencies	1488363	1530393	1530412	1577324	1558477	1506673
Local government and social security funds	2509	2211	2371	3401	2285	10855
Non-financial corporations	1041455	1059274	1070979	1122883	1102950	1034326
Financial corporations	16911	29670	16370	18881	25366	16506
Households and non-profit institutions serving households	427488	439238	440692	432159	427876	444986
incl. EUR	997392	1004411	992749	976433	1009980	1006558
Local government and social security funds	2188	2010	2168	3155	2115	7182
Non-financial corporations	754969	734383	733078	720474	740301	722420
Financial corporations	10859	24166	10390	12598	18679	9846
Households and non-profit institutions serving households	229376	243852	247113	240206	248885	267110
Deposits with agreed maturity of up to two years	6193281	6302161	6454662	6605218	6678530	7057000
BGN	2339105	2402496	2474708	2608014	2700561	2947217
Local government and social security funds	61513	64353	64031	64583	65437	55560
Non-financial corporations	596073	590585	641233	729231	764198	866540
Financial corporations	146464	161335	149605	145104	146947	184035
Households and non-profit institutions serving households	1535055	1586223	1619839	1669096	1723979	1841082
Foreign currencies	3854176	3899665	3979954	3997204	3977969	4109783
Local government and social security funds	14234	14503	13618	13520	13354	4894
Non-financial corporations	549754	540381	625212	622074	614528	692609
Financial corporations	94538	104416	92279	94240	86685	92104
Households and non-profit institutions serving households	3195650	3240365	3248845	3267370	3263402	3320176
incl. EUR	1750492	1819015	1937579	1990244	2041818	2159286
Local government and social security funds	10076	10369	9622	9616	9615	4716
Non-financial corporations	317973	321932	398066	398887	396379	419864
Financial corporations	71307	78157	67338	67134	61966	70536
Households and non-profit institutions serving households	1351136	1408557	1462553	1514607	1573858	1664170
Deposits redeemable at notice of up to three months	1967255	1990538	2028837	2012946	1986166	2077126
BGN	897993	915199	924410	941563	975342	1053277
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	33083	31754	25200	45821	63007	64591
Financial corporations	1	1	6001	1	1	1
Households and non-profit institutions serving households	864909	883444	893209	895741	912334	988685
Foreign currencies	1069262	1075339	1104427	1071383	1010824	1023849
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	116860	115441	139801	102136	52954	38239
Financial corporations	0	0	0	0	0	0

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(BGN '000)

	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
Households and non-profit institutions serving households incl. EUR	952402	959898	964626	969247	957870	985610
Local government and social security funds	599193	614877	644442	614890	578702	597703
Non-financial corporations	0	0	0	0	0	0
Financial corporations	116680	115262	134898	96837	48333	33827
Households and non-profit institutions serving households	0	0	0	0	0	0
REPO AGREEMENTS	482513	499615	509544	518053	530369	563876
BGN	70921	61563	86636	67632	65705	91994
Local government and social security funds	53847	43649	75927	63174	61132	91738
Non-financial corporations	0	0	0	0	0	0
Financial corporations	11814	14250	46750	46750	46750	75400
Households and non-profit institutions serving households	42033	29399	29177	16424	14382	16338
Foreign currencies	0	0	0	0	0	0
Local government and social security funds	17074	17914	10709	4458	4573	256
Non-financial corporations	0	0	0	0	0	0
Financial corporations	2991	7743	8362	4458	4270	0
Households and non-profit institutions serving households incl. EUR	14083	10171	2347	0	303	256
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	0	4350	3786	0	0	0
Financial corporations	14083	10171	2347	0	303	0
Households and non-profit institutions serving households	0	0	0	0	0	0
DEBT SECURITIES WITH A TERM OF UP TO TWO YEARS	0	0	0	0	0	0
BGN	2022	2022	2022	2022	2022	0
Local government and social security funds	2022	2022	2022	2022	2022	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	751	751	751	751	751	0
Households and non-profit institutions serving households	1200	1200	1200	1200	1200	0
Foreign currencies	71	71	71	71	71	0
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households incl. EUR	0	0	0	0	0	0
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	0	0	0	0	0	0
LONG-TERM LIABILITIES NOT INCLUDED IN MONEY SUPPLY	0	0	0	0	0	0
DEPOSITS	2927196	3002754	3073211	3123687	3218765	3279169
Deposits with agreed maturity of over two years	330853	347620	360012	373640	377766	394080
BGN	330848	347613	360012	373640	377766	394080
Local government and social security funds	141616	149586	156291	161257	163962	181237
Non-financial corporations	0	0	0	18	0	0
Financial corporations	12815	16267	15401	15827	17625	20138
Households and non-profit institutions serving households	60698	61199	66027	67788	65900	76115
Foreign currencies	68103	72120	74863	77624	80437	84984
Local government and social security funds	189232	198027	203721	212383	213804	212843
Non-financial corporations	0	0	0	0	0	0
Financial corporations	28251	30154	32931	33808	34349	30277
Households and non-profit institutions serving households incl. EUR	12525	12532	12226	12575	12503	10396
Local government and social security funds	148456	155341	158564	166000	166952	172170
Non-financial corporations	78384	82973	86026	91671	95668	96527
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	11711	11751	12228	14165	15005	14244
Foreign currencies	9322	9347	9373	9796	9840	7797
Local government and social security funds	57351	61875	64425	67710	70823	74486
Deposits redeemable at notice of over three months	5	7	0	0	0	0
BGN	1	1	0	0	0	0
Local government and social security funds	-	-	-	-	-	-
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	1	1	0	0	0	0
Foreign currencies	4	6	0	0	0	0
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0

(continued)

(continued)

(BGN '000)

	VII.2004	VIII.2004	IX.2004	X.2004	XI.2004	XII.2004
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	4	6	0	0	0	0
incl. EUR	4	6	0	0	0	0
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Financial corporations	0	0	0	0	0	0
Households and non-profit institutions serving households	4	6	0	0	0	0
DEBT SECURITIES WITH A TERM OF OVER TWO YEARS	137697	141099	155069	163001	168357	176871
BGN	35075	39617	41057	42237	42225	44028
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	5893	8448	9007	9821	9685	9735
Financial corporations	28898	30901	31555	31804	31903	33716
Households and non-profit institutions serving households	284	268	495	612	637	577
Foreign currencies	102622	101482	114012	120764	126132	132843
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	32179	32405	34375	35225	36683	40553
Financial corporations	53098	51456	61698	67192	71566	74215
Households and non-profit institutions serving households	17345	17621	17939	18347	17883	18075
incl. EUR	74011	72887	85787	93332	99399	106756
Local government and social security funds	0	0	0	0	0	0
Non-financial corporations	14289	14468	16869	18344	20172	24437
Financial corporations	52197	50562	60825	66342	70752	73420
Households and non-profit institutions serving households	7525	7857	8093	8646	8475	8899
CAPITAL AND RESERVES	2458646	2514035	2558130	2587046	2672642	2708218
Funds contributed by owners	974838	985938	992438	994035	1013865	1030033
Reserves	1101674	1103239	1213432	1217701	1218593	1227443
Financial result	382134	424858	352260	375310	440184	450742

Source: commercial banks.

## Nominal Interest Rates on Short-term Lev Loans in 2004

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
January	0.71											
February	1.43	0.71										
March	2.17	1.44	0.73									
April	2.87	2.14	1.42	0.69								
May	3.61	2.88	2.15	1.42	0.72							
June	4.51	3.77	3.04	2.30	1.60	0.87						
July	5.23	4.48	3.74	3.00	2.30	1.56	0.68					
August	5.99	5.24	4.50	3.74	3.04	2.29	1.41	0.72				
September	6.76	6.01	5.26	4.50	3.79	3.04	2.15	1.46	0.73			
October	7.55	6.79	6.04	5.27	4.56	3.80	2.91	2.21	1.48	0.74		
November	8.37	7.61	6.85	6.08	5.35	4.60	3.69	2.99	2.25	1.51	0.76	
December	9.13	8.36	7.59	6.82	6.09	5.33	4.42	3.71	2.96	2.22	1.47	0.70

Source: BNB.

## Real Interest Rates on Short-term Lev Loans in 2004

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
January	-0.65											
February	-0.29	0.36										
March	0.50	1.16	0.80									
April	0.91	1.57	1.21	0.41								
May	1.61	2.27	1.91	1.10	0.69							
June	4.34	5.02	4.65	3.82	3.40	2.69						
July	3.79	4.47	4.09	3.27	2.85	2.15	-0.53					
August	5.01	5.70	5.32	4.49	4.06	3.35	0.65	1.18				
September	4.79	5.48	5.10	4.27	3.84	3.13	0.43	0.97	-0.93			
October	5.39	6.08	5.70	4.87	4.44	3.72	1.01	1.55	0.36	0.58		
November	5.54	6.23	5.85	5.01	4.59	3.87	1.15	1.69	0.50	0.72	0.14	
December	4.96	5.64	5.26	4.43	4.01	3.29	0.59	1.12	-0.06	0.16	-0.42	-0.56

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

Source: BNB.

## Nominal Interest Rates on Lev Deposits (of over one day up to one month) in 2004

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
January	0.24											
February	0.47	0.23										
March	0.71	0.47	0.24									
April	0.95	0.71	0.48	0.24								
May	1.19	0.94	0.71	0.47	0.23							
June	1.42	1.18	0.94	0.70	0.46	0.23						
July	1.66	1.42	1.19	0.94	0.70	0.47	0.24					
August	1.91	1.66	1.43	1.19	0.94	0.71	0.48	0.24				
September	2.16	1.92	1.68	1.44	1.20	0.96	0.73	0.49	0.25			
October	2.42	2.17	1.94	1.69	1.45	1.22	0.98	0.74	0.50	0.25		
November	2.67	2.42	2.18	1.94	1.70	1.46	1.23	0.99	0.75	0.49	0.24	
December	2.89	2.64	2.41	2.16	1.92	1.68	1.45	1.21	0.96	0.71	0.46	0.22

Source: BNB.

## Real Interest Rates on Lev Deposits (of over one day up to one month) in 2004\*

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
January	-1.11											
February	-1.23	-0.12										
March	-0.93	0.19	0.31									
April	-0.96	0.15	0.27	-0.04								
May	-0.77	0.35	0.47	0.16	0.20							
June	1.25	2.39	2.51	2.20	2.24	2.04						
July	0.27	1.40	1.53	1.21	1.25	1.05	-0.96					
August	0.97	2.11	2.23	1.91	1.95	1.75	-0.28	0.69				
September	0.28	1.41	1.53	1.21	1.25	1.05	-0.96	0.00	-0.69			
October	0.36	1.49	1.61	1.30	1.34	1.14	-0.88	0.09	-0.60	0.09		
November	-0.02	1.11	1.23	0.92	0.96	0.76	-1.25	-0.29	-0.98	-0.29	-0.38	
December	-1.05	0.07	0.19	-0.12	-0.08	-0.28	-2.27	-1.32	-2.00	-1.32	-1.40	-1.03

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

Source: BNB.



## Commercial Bank Claims by Industry

(BGN '000)

Industry	31.XII.2003		30.VI.2004		31.XII.2004	
	Balance-sheet exposure	Off-balance-sheet exposure	Balance-sheet exposure	Off-balance-sheet exposure	Balance-sheet exposure	Off-balance-sheet exposure
Individuals	832 460	13 132	1 989 555	69 277	3 862 011	120 250
Agriculture, hunting and forestry	258 132	53 544	310 170	84 373	386 061	93 079
Mining and quarrying industry	171 009	73 992	133 136	40 110	93 735	22 726
Manufacturing industry	1 803 025	436 586	2 403 592	839 745	2 503 483	600 609
Electrical power, heating, gas and water supply	343 921	79 105	329 304	102 388	402 013	115 969
Construction	278 208	143 048	285 485	149 919	374 873	175 263
Trade, repair of motor vehicles and personal and household goods	2 817 862	547 266	3 108 627	934 231	3 417 806	796 027
Hotels and restaurants	319 916	114 385	580 308	27 603	631 851	30 634
Transport, storage and communications	247 721	108 584	304 247	108 874	300 794	123 241
Financial intermediation	482 617	62 137	115 107	58 451	214 427	90 407
Real estate, renting and business activities	163 681	30 423	411 163	81 118	467 906	74 852
Public administration and defence; compulsory social security	37 586	9 623	25 604	23 461	22 070	25 449
Education	1 777	192	3 659	1 205	4 397	175
Healthcare and social work	51 111	9 404	106 067	8 661	118 986	13 405
Other community, social and personal service activities	1 778 562	228 274	1 398 675	167 698	744 841	220 398
Exterritorial organizations and services	68 302	6 868	1 456	48 914	9 080	37 832
Household activities			103 443	5 503	31 681	7 590
<b>TOTAL</b>	<b>9 655 890</b>	<b>1 916 563</b>	<b>11 609 598</b>	<b>2 751 531</b>	<b>13 586 015</b>	<b>2 547 906</b>

Source: BNB.

## Commercial Bank Claims by Currency

(BGN '000)

Currency	31.XII.2003		30.VI.2004		31.XII.2004	
	Balance-sheet exposure	Off-balance-sheet exposure	Balance-sheet exposure	Off-balance-sheet exposure	Balance-sheet exposure	Off-balance-sheet exposure
Bulgarian lev	5 186 780	825 100	6 163 435	1 286 286	6 945 158	1 224 693
Euro	3 378 800	677 797	4 530 379	918 115	5 739 660	1 033 938
US dollar	1 061 636	399 738	913 730	535 049	899 517	286 594
Swiss franc	2 024	10 976	1 999	6 938	1 024	1 881
British pound	26 641	2 936	55	3 329	656	800
Japanese yen				1 761	0	0
Other	9	16	0	53	0	0
<b>TOTAL</b>	<b>9 655 890</b>	<b>1 916 563</b>	<b>11 609 598</b>	<b>2 751 531</b>	<b>13 586 015</b>	<b>2 547 906</b>

Source: BNB.

## Claims over BGN 10,000 by Loan Agreement Term

(BGN '000)

Term	31.XII.2003		31.XII.2004	
	Balance-sheet exposure	Off-balance-sheet exposure	Balance-sheet exposure	Off-balance-sheet exposure
Up to one year	1 494 180	967 977	1 919 738	909 075
From one to three years	3 479 498	1 137 086	3 572 267	1 017 099
Over three years	6 635 920	646 461	8 094 010	621 732
<b>Total</b>	<b>11 609 598</b>	<b>2 751 524</b>	<b>13 586 015</b>	<b>2 547 906</b>

Source: BNB.

## Inter-bank Money Market

(BGN '000)

2004	Deposits	Repo agreements	Outright transactions in government securities
January	2 152 050	75 309	153 952
February	2 254 835	50 380	177 706
March	3 159 162	129 368	195 526
April	2 830 428	155 374	223 569
May	2 325 581	212 202	179 143
June	1 700 538	201 255	165 373
July	1 372 448	124 246	220 586
August	1 821 426	113 870	138 063
September	1 771 090	80 107	116 221
October	2 367 823	115 862	118 117
November	3 022 994	86 239	118 186
December	3 419 407	82 687	199 259
<b>TOTAL</b>	<b>13 775 188</b>	<b>603 011</b>	<b>910 432</b>

Source: BNB.

## The Equity and Corporate Bond Market

### Bulgarian Stock Exchange – Sofia: Primary Market

(million BGN)

Segments	Equity primary market		Bond primary market		GS primary market	Other securities primary market	
	official market	unofficial market	official market	unofficial market	official market	official market	unofficial market
Transactions	-	1.9	-	-	-	-	0.1

Source: Daily BSE – Sofia reports.

### Volume of Bulgarian Stock Exchange Securities Transactions – Sofia

(million BGN)

Markets	Equity market		Bond market				Other			OTC	
	official market	unofficial market	official bond market			unofficial market	unofficial market			public	non-public
Segments at which the instruments are registered	Segments A, B, C	unofficial share market	government securities	municipal bonds	corporate bonds	unofficial bond market	compensative instruments market	unofficial market of other book-entry securities			
								(rights/shares)	(rights/bonds)		
INSTRUMENTS AND DEALS											
Trade in primary instruments, incl.:	503.7	381.2	-	0.1	43.2	86.3	466.0	2.5	0.1	0.8	47.8
regular deals	475.9	184.9	-	0.1	42.3	84.4	233.4	0.7	0.0	-	-
block deals; transfers	21.7	182.5	-	-	-	-	232.5	-	-	-	-
repo agreements	0.0	0.4	-	-	0.9	1.9	0.1	-	-	-	-
tender purchase	1.1	3.1	-	-	-	-	-	-	-	-	-
tender sale	-	0.3	-	-	-	-	-	-	-	-	-
auctions	-	-	-	-	-	-	-	1.7	0.1	-	-
primary sales for listing	-	-	-	-	-	-	-	-	-	-	-
redemption	-	0.1	-	-	-	-	-	-	-	-	-
Privatization market transactions (number)	5.0	10.0	-	-	-	-	-	-	-	0.8	47.8
Privatization market (against compensative instruments)	0.0	5.5	-	-	-	-	-	-	-	0.1	9.0

Source: Daily BSE – Sofia reports.

## Forex Market. Transactions with Final Customers in 2004

(million EUR)

	Bought	Sold	Balance
<b>2004</b>	<b>8569.7</b>	<b>8384.8</b>	<b>184.9</b>
incl.: commercial banks	8425.2	7407.8	1017.4
BNB	144.5	977.0	-832.5
<b>January – June</b>	<b>3712.0</b>	<b>3327.9</b>	<b>384.1</b>
incl.: commercial banks	3628.3	3246.4	381.9
BNB	83.7	81.5	2.2
<b>July – December</b>	<b>4857.7</b>	<b>5056.9</b>	<b>-199.2</b>
incl.: commercial banks	4796.9	4161.4	635.5
BNB	60.8	895.5	-834.7

Source: BNB.

## Forex Market. Inter-bank Spot Market in 2004

(million EUR)

	Bought	Sold	Balance
<b>2004</b>	<b>6149.8</b>	<b>4805.9</b>	<b>1343.9</b>
incl.: commercial banks	2274.9	2274.9	0.0
BNB	3874.9	2531.0	1343.9
<b>January – June</b>	<b>2589.2</b>	<b>2082.9</b>	<b>506.3</b>
incl.: commercial banks	1712.2	1712.2	0.0
BNB	877.0	370.7	506.3
<b>July – December</b>	<b>3560.6</b>	<b>2723.0</b>	<b>837.6</b>
incl.: commercial banks	562.7	562.7	0.0
BNB	2997.9	2160.3	837.6

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

Source: BNB.

## Forex Market. BNB Spot Transactions in 2004

(million EUR)

	Bought	Sold	Balance
<b>2004</b>	<b>4019.4</b>	<b>3508.0</b>	<b>511.4</b>
BNB with commercial banks	3874.9	2531.0	1343.9
BNB with final customers, incl.:	144.5	977.0	-832.5
with companies and budget organizations	124.5	961.0	-836.5
cash operations at tills	20.0	16.0	4.0
<b>January – June</b>	<b>960.7</b>	<b>452.2</b>	<b>508.5</b>
BNB with commercial banks	877.0	370.7	506.3
BNB with final customers, incl.:	83.7	81.5	2.2
with companies and budget organizations	67.4	74.3	-6.9
cash operations at tills	16.3	7.2	9.1
<b>July – December</b>	<b>3058.7</b>	<b>3055.8</b>	<b>2.9</b>
BNB with commercial banks	2997.9	2160.3	837.6
BNB with final customers, incl.:	60.8	895.5	-834.7
with companies and budget organizations	57.1	886.7	-829.6
cash operations at tills	3.7	8.8	-5.1

Source: BNB.

## Balance Sheet of the BNB

(BGN '000)

ISSUE DEPARTMENT	31.XII.2003	30.I.2004	27.II.2004	31.III.2004	30.IV.2004	31.V.2004	30.VI.2004
<b>ASSETS</b>	<b>10382751</b>	<b>9841357</b>	<b>10112347</b>	<b>10494276</b>	<b>10605051</b>	<b>11167393</b>	<b>11952682</b>
1. Cash in foreign currency	1434454	1639643	1943038	2285666	2328715	2475010	3036875
2. Monetary gold	640738	640674	640639	640628	640514	640495	640495
3. Foreign securities	8116768	7462705	7414905	7464792	7522902	7921207	8151557
4. Accrued interest receivable	190791	98335	113765	103190	112920	130681	123755
<b>LIABILITIES</b>	<b>10382751</b>	<b>9841357</b>	<b>10112347</b>	<b>10494276</b>	<b>10605051</b>	<b>11167393</b>	<b>11952682</b>
1. Currency in circulation	4264222	3995222	3990354	4029049	4097372	4167582	4284915
2. Bank deposits and current accounts	1002134	626283	877411	948849	830831	891640	951542
3. Government deposits and accounts	3207401	3220441	3225915	3591381	3920990	4293729	4901609
4. Other depositors' accounts	653135	681440	686942	571669	565234	623772	619760
5. Accrued interest payable	819	825	987	489	477	963	825
6. Banking Department deposit	1255040	1317146	1330738	1352839	1190147	1189707	1194031

(BGN '000)

ISSUE DEPARTMENT	30.VII.2004	31.VIII.2004	30.IX.2004	29.X.2004	30.XI.2004	31.XII.2004
<b>ASSETS</b>	<b>11033431</b>	<b>11607004</b>	<b>12162972</b>	<b>12576371</b>	<b>12995875</b>	<b>13241686</b>
1. Cash in foreign currency	2044968	2436589	2762351	2544603	2773578	2860133
2. Monetary gold	640492	640492	640403	640401	640393	640265
3. Foreign securities	8207334	8375513	8623359	9238177	9414292	9555510
4. Accrued interest receivable	140637	154410	136859	153190	167612	185778
<b>LIABILITIES</b>	<b>11033431</b>	<b>11607004</b>	<b>12162972</b>	<b>12576371</b>	<b>12995875</b>	<b>13241686</b>
1. Currency in circulation	4446778	4612096	4693967	4606942	4581065	5020242
2. Bank deposits and current accounts	965392	1135974	1317641	1505579	1446541	2038219
3. Government deposits and accounts	3767604	4440552	4732467	5040030	5508819	4393910
4. Other depositors' accounts	644277	194355	185381	179147	194496	512579
5. Accrued interest payable	575	833	819	1197	1347	918
6. Banking Department deposit	1208805	1223194	1232697	1243476	1263607	1275818

(continued)

(continued)		(BGN '000)						
BANKING DEPARTMENT		31.XII.2003	30.I.2004	27.II.2004	31.III.2004	30.IV.2004	31.V.2004	30.VI.2004
<b>ASSETS</b>		<b>4698486</b>	<b>4813295</b>	<b>4864265</b>	<b>5003358</b>	<b>4829118</b>	<b>4777026</b>	<b>4765667</b>
1. Non-monetary gold and other precious metals		3348	3274	3209	3509	3285	3258	3287
2. Investments in securities		0	0	0	0	0	0	0
3. Loans and advances to banks, net of provisions		30	31	31	31	32	31	30
4. Receivables from government		1838945	1869592	1913368	1985245	1968913	1931277	1914107
5. Bulgaria's IMF quota and holdings in other international financial institutions		1398754	1422004	1416942	1461981	1466819	1453681	1456191
6. Accrued interest receivable		182	89	135	196	115	155	203
7. Equity investments in domestic entities		74234	74234	74234	74234	74234	74234	74234
8. Fixed assets		109246	108364	108096	107721	107455	107093	107122
9. Other assets		18707	18561	17512	17602	18118	17590	16462
10. Banking Department deposit		1255040	1317146	1330738	1352839	1190147	1189707	1194031
<b>LIABILITIES</b>		<b>4698486</b>	<b>4813295</b>	<b>4864265</b>	<b>5003358</b>	<b>4829118</b>	<b>4777026</b>	<b>4765667</b>
Liabilities, total		3242782	3297572	3336098	3430187	3418982	3368571	3354164
1. Borrowings from IMF		1838945	1869592	1913368	1985245	1968913	1931277	1914107
2. Liabilities to international financial institutions		1399804	1423348	1418289	1440412	1445246	1432904	1433109
3. Accrued interest payable		0	0	0	0	0	0	0
4. Other liabilities		4033	4632	4441	4530	4823	4390	6948
Equity, total		1455704	1515723	1528167	1573171	1410136	1408455	1411503
5. Capital		20000	20000	20000	20000	20000	20000	20000
6. Reserves		1180449	1216503	1214103	1240944	1317497	1297935	1284797
7. Retained profit		255255	279220	294064	312227	72639	90520	106706

(BGN '000)						
BANKING DEPARTMENT	30.VII.2004	31.VIII.2004	30.IX.2004	29.X.2004	30.XI.2004	31.XII.2004
ASSETS	4792096	4773556	4702758	4676770	4609278	4541524
1. Non-monetary gold and other precious metals	3278	3424	3390	3390	3454	3252
2. Investments in securities	0	0	0	0	0	0
3. Loans and advances to banks, net of provisions	30	26	25	24	23	23
4. Receivables from government	1921409	1894106	1838939	1810405	1751146	1693464
5. Bulgaria's IMF quota and holdings in other international financial institutions	1461597	1455879	1429466	1421052	1395597	1373135
6. Accrued interest receivable	128	169	221	138	184	252
7. Equity investments in domestic entities	74234	74234	74234	74234	74234	74234
8. Fixed assets	107075	107028	107010	107920	105647	105355
9. Other assets	15540	15496	16776	16131	15386	15991
10. Banking Department deposit	1208805	1223194	1232697	1243476	1263607	1275818
LIABILITIES	4792096	4773556	4702758	4676770	4609278	4541524
Obligations	3366852	3333267	3251189	3213987	3130535	3053606
1. Borrowings from IMF	1921409	1894106	1838939	1810405	1751146	1693464
2. Liabilities to international financial institutions	1438535	1432845	1406425	1397990	1372496	1350132
3. Accrued interest payable	0	0	0	0	0	0
4. Other liabilities	6908	6316	5825	5592	6893	10010
Equity, total	1425244	1440289	1451569	1462783	1478743	1487918
5. Capital	20000	20000	20000	20000	20000	20000
6. Reserves	1274860	1270049	1263868	1254328	1246483	1231829
7. Retained profit	130384	150240	167701	188455	212260	236089

\* Monetary gold and other instruments in gold are valued pursuant to Article 28, para. 2, item 6 of the Law on the Bulgarian National Bank.

Source: BNB.

## Denomination Composition in Banknotes and Coins

(BGN '000)

Denominations	31 December 2003	31 December 2004
<b>Banknotes, total</b>	<b>5 236 304</b>	<b>5 927 660</b>
Banknotes – new denominations, total	5 211 118	5 903 420
100 levs	201 000	733 000
50 levs	2 560 273	2 393 724
20 levs	1 400 196	1 686 797
10 levs	772 356	816 994
5 levs	180 053	169 298
2 levs	78 621	92 712
1 lev	18 619	10 895
Banknotes – old denominations, total	25 186	24 240
50 000 levs = 50 new levs	10 362	10 012
10 000 levs = 10 new levs	5 063	4 782
5 000 levs = 5 new levs	2 448	2 298
2 000 levs = 2 new levs	1 918	1 844
1 000 levs = 1 new lev	1 868	1 822
500 levs = 0.50 new levs	1 392	1 363
200 levs = 0.20 new levs	1 182	1 171
100 levs = 0.10 new levs	953	948
<b>Coins, total</b>	<b>76 186</b>	<b>91 941</b>
Coins – new denominations, total	70 012	84 994
1 lev	25 962	36 478
50 stotinkas	15 827	17 750
20 stotinkas	12 319	13 511
10 stotinkas	8 936	9 430
5 stotinkas	3 543	3 851
2 stotinkas	2 114	2 430
1 stotinka	1 311	1 544
Coins – old denominations, total	3 715	3 715
50 levs = 0.05 new levs	1 436	1 436
20 levs = 0.02 new levs	937	937
10 levs = 0.01 new levs	844	844
5 levs = 0.005 new levs	254	254
2 levs = 0.002 new levs	126	126
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 coins	2 458	3 232
<b>Banknotes and coins, total</b>	<b>5 312 490</b>	<b>6 019 601</b>

Source: BNB.

## Interest Rates and Government Securities Yield in 2004 (annual effective)

Indicators	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
<b>BASE INTEREST RATE</b> (capitalised on an annual basis)	2.53	2.44	2.57	2.61	3.89	2.46	2.46	2.42	2.41	2.46	2.38	2.40
<b>SHORT-TERM INTEREST RATES</b> (on new business*, average-weighted)												
Interest rates on newly accepted BGN deposits in the inter-bank market	0.71	1.58	2.05	1.86	3.09	2.05	2.17	2.02	1.99	2.08	2.01	1.99
overnight	0.65	1.60	2.07	1.83	3.03	1.98	2.15	2.00	1.96	2.07	1.98	1.97
of over one up to three days	0.86	1.36	1.78	1.76	3.54	2.04	2.09	1.97	1.97	2.04	1.97	1.90
of over three days up to one week	0.93	2.24	3.18	1.86	2.77	2.62	2.27	2.52	1.86	2.13	2.10	2.06
of over one week up to one month	1.26	2.70	3.36	3.51	4.18	3.63	2.68	3.15	3.38	3.27	2.66	4.49
over one month	2.88	3.19	4.38	3.86	4.94	3.75	3.20	3.98	3.16	2.90	3.92	3.05
Interest rates on overnight deposits												
BGN	0.61	0.64	0.60	0.57	0.58	0.62	0.61	0.59	0.56	0.56	0.55	0.55
EUR	0.66	0.65	0.65	0.51	0.62	0.55	0.53	0.60	0.48	0.45	0.47	0.45
USD	0.30	0.38	0.31	0.29	0.31	0.29	0.31	0.32	0.28	0.32	0.33	0.30
Interest rates on time deposits												
BGN	3.20	3.16	3.11	3.16	3.17	3.11	3.14	3.26	3.29	3.31	3.16	2.96
EUR	2.07	2.29	2.03	2.07	2.04	2.15	2.05	2.04	2.09	2.08	2.19	2.24
USD	1.78	1.84	1.73	1.74	1.70	1.76	1.65	1.70	1.78	1.77	1.89	1.63
Interest rates on short-term loans**												
BGN	8.90	8.91	9.07	8.55	9.05	10.97	8.50	9.05	9.11	9.26	9.55	8.72
EUR	7.09	7.23	8.28	7.32	5.83	6.77	7.97	6.99	6.26	7.58	6.63	7.17
USD	9.36	6.04	6.88	9.07	6.57	4.71	6.28	7.95	9.13	10.06	8.22	5.56
Interest rates on repo agreements												
BGN	3.12	2.09	2.87	3.72	4.34	3.72	2.65	2.53	2.03	2.22	2.08	2.53
EUR	2.02	2.11	2.02	1.99	1.96	1.71	-	2.32	2.32	2.32	-	-
USD	0.81	0.80	0.85	0.85	0.86	0.86	1.00	1.21	1.20	1.21	1.21	-
Yield on short-term government securities issues	3.17	2.44	2.57	2.61	3.89	2.46	2.46	2.42	2.41	2.46	2.38	2.69
<b>LONG-TERM INTEREST RATES</b> (on new business*, average-weighted)												
Interest rates on long-term loans												
BGN	12.99	12.60	12.76	13.01	13.09	13.23	12.77	13.03	12.67	12.43	12.48	12.16
EUR	8.32	9.69	9.74	10.10	9.29	9.37	7.67	9.75	8.94	7.93	8.72	8.24
USD	9.68	7.20	10.07	9.59	10.44	10.81	9.20	10.04	10.36	8.66	10.26	10.75
Savings deposits of households and NPISHs												
BGN	1.92	1.74	1.75	1.73	1.75	1.74	1.77	1.73	1.74	1.73	1.78	1.83
EUR	0.87	0.84	0.85	0.87	0.89	0.89	0.90	0.92	0.93	0.94	0.95	0.96
USD	0.51	0.46	0.45	0.45	0.46	0.51	0.52	0.47	0.47	0.48	0.48	0.50
Yield on long-term government securities issued												
BGN	4.75	4.63	4.54	4.28	5.31	5.42	-	4.55	4.11	4.36	4.92	4.08
EUR	6.06	-	-	-	-	-	-	5.94	-	-	-	-

\* The category *new business* on time deposits, repos and loans includes the new agreements during the reporting period (all contracts and conditions which define for the first time the interest rate on a deposit, repo or a loan as well as all renegotiations of the conditions on an already existing instrument, including those that are terminated/matured during the reporting period) as well as renegotiated under the same conditions deposits/repos during the period. Interest rates and amounts on new business on overnight and savings deposits coincide with those on outstanding amounts at the end of the reporting period.

\*\*Interest rates on short-term loans include overdraft also.

Source: BNB.

## Banking System Balance Sheet as of December 2004

(BGN '000)

	Total	Related parties	BGN	EUR	Other currencies
<b>ASSETS</b>					
Vault cash and current accounts with the BNB	2 666 013		1 677 762	338 678	649 573
Claims on financial institutions					
Demand deposits with banks	736 198	359 671	16 083	138 929	221 515
Time deposits with banks	2 957 427	102 405	284 268	1 377 274	1 193 480
Loans to banks	35 104	0	31	17 819	17 254
Other claims on banks	6 972	0	1 082	1 301	4 589
Loans to other financial institutions	187 331	143 964	8 769	28 465	6 133
Claims on financial institutions, total	3 923 032	606 040	310 233	1 563 788	1 442 971
Less: specific provisions	4 060		1 095	2 729	236
Claims on financial institutions, net	3 918 972	606 040	309 138	1 561 059	1 442 735
Claims under repurchase agreements	161 021	0	64 403	73 345	23 273
Trading portfolio	2 013 924	242	781 503	994 728	237 451
Investment portfolio					
Investments held to maturity	1 076 463	0	416 879	389 994	269 590
Investments available for sale	728 081	0	351 580	201 950	174 551
Loans to non-financial institutions and other customers					
Loans to budget	26 334		26 334	0	0
Commercial loans					
Commercial real estate and construction loans	2 599 234		588 039	1 822 286	188 909
Other commercial loans	6 831 057		2 723 011	3 448 107	659 939
Agricultural loans	313 006		230 357	69 581	13 068
Consumer loans	2 785 910		2 730 780	51 187	3 943
Housing mortgage loans to individuals	1 007 920		766 449	226 672	14 799
Other loans	239 276	0	116 820	92 351	30 105
Loans to non-financial institutions and other customers, total	13 802 737	0	7 181 790	5 710 184	910 763
Less: specific provisions	468 167		275 631	137 723	54 813
Loans to non-financial institutions and other customers, net	13 334 570	0	6 906 159	5 572 461	855 950
Assets for resale	10 212		10 212	0	0
Investments in unconsolidated subsidiaries and associated companies	29 716		29 716	0	0
Other assets					
Hedging derivatives	275	0	275	0	0
Interest receivable	140 423	0	74 735	39 357	8 696
Other assets	123 592	454	80 858	25 239	17 041
Other assets, total	123 867	454	81 133	25 239	17 041
Less: specific provisions	0		0	0	0
Other assets, net	123 867	454	81 133	25 239	17 041
Intangible assets	125 228		125 049	0	179
Premises and other fixed assets	681 756		681 140	0	616
Assets, total	24 869 823	606 736	11 434 674	9 157 454	3 670 959
<b>LIABILITIES, MINORITY INTEREST, AND CAPITAL</b>					
Deposits of financial institutions					
Demand deposits of banks	99 438	2 031	50 023	36 208	11 176
Time deposits of banks	1 955 204	505 214	381 719	672 580	395 691
Deposits of other financial institutions	740 779	1 278	328 442	365 966	45 093
Deposits of non-financial institutions and other customers					
Demand deposits	7 334 297	0	4 147 334	2 562 006	624 957
Time deposits	7 352 592	0	2 689 449	2 563 086	2 100 057
Savings deposits	2 047 728	0	1 050 872	571 321	425 535
Deposits, total	19 530 038	508 523	8 647 839	6 771 167	3 602 509
Borrowings under repurchase agreements	200 338	0	125 975	67 068	7 295

(continued)



(continued)

(BGN '000)

	Total	Related parties	BGN	EUR	Other currencies
Short-term borrowings					
From the BNB	0		0	0	0
From banks	320 223	0	0	145 175	175 048
Other	23 697	0	9 225	12 535	1 937
Long-term borrowings	1 516 046	41	182 904	1 231 180	101 921
Memo: borrowings from banks	1 130 888	41	74 861	1 029 894	26 092
Subordinated term debt and debt/equity (hybrid) instruments					
Subordinated term debt	73 112		4 000	68 584	528
Debt/equity (hybrid) instruments	55 431		0	41 072	14 359
Other liabilities					
Trading portfolio liabilities	19 589	2 940	5 980	8 113	2 556
Hedging derivatives	9 223	0	9 223	0	0
Interest payable	73 917	764	21 195	20 047	9 840
Specific provisions on off-balance sheet commitments	50 752	0	5 712	3 653	41 387
Other liabilities	339 196	12 397	216 773	75 157	34 869
Liabilities, total	22 137 645	523 901	9 207 631	8 423 704	3 982 409
Minority interest in consolidated subsidiaries	0		0	0	0
Equity					
Common stock	1 028 414		1 028 414		
Share premium on common stock	1 619		1 619		
Preferred stock and related premium	0		0		
Reserves					
Retained profit/loss, previous years	15 477	23 777	-8 300		
Statutory reserves	451 334		451 334		
Other reserves	606 864	25 437	581 427		
Cumulative forex translation adjustment	0		0		
Other equity components					
Revaluation – fixed assets	197 181	219	196 962		
Revaluation – investments available for sale	11 764	487	11 277		
Revaluation – cash flow hedges	0	0	0		
Profit/loss, current year	421 164		421 164		
One-off effect of the change in accounting regime	-1 639	0	-1 639		
Equity, total	2 732 178	49 920	2 682 258		
LIABILITIES, MINORITY INTEREST, AND CAPITAL, TOTAL	24 869 823	573 821	11 889 889	8 423 704	3 982 409
Memo: credit substitutes and other off-balance sheet commitments	3 669 627	15 191	1 532 218	1 631 784	490 434

Source: BNB.

## Banking System Income Statement

(BGN '000)

	Total	Related parties	BGN	EUR	Other currencies
<b>INTEREST AND DIVIDEND INCOME</b>					
Interest income from demand deposits with banks	2 318	197	697	609	815
Interest income from time deposits with banks	52 191	2 862	6 225	21 047	22 057
Interest income from loans to banks	683	0	10	364	309
Interest income from other claims on banks	702	31	227	19	425
Interest income from loans to other financial institutions	7 106	5 310	586	726	484
Interest income from claims under repurchase agreements	5 617	0	1 991	3 475	151
Interest income from trading portfolio	75 735	0	45 071	21 504	9 160
Interest income from investment portfolio	89 160	0	36 899	35 884	16 377
Bulgarian government securities	55 559		33 436	17 890	4 233
Other domestic debt securities	7 040	0	3 457	2 729	854
Debt securities issued by foreign governments and international financial institutions	11 015		6	7 932	3 077
Other foreign debt securities	15 546	0	0	7 333	8 213
Interest income from loans	1 173 288	0	728 393	364 980	79 915
Loans to budget	2 376		2 358	18	0
Commercial real estate and construction loans	199 338		53 416	122 155	23 767
Other commercial loans	541 551		274 766	215 885	50 900
Agricultural loans	22 820		18 357	3 862	601
Consumer loans	314 611		310 279	3 874	458
Housing mortgage loans to individuals	73 974		59 925	11 946	2 103
Other loans	18 618	0	9 292	7 240	2 086
Dividend income	933	0	929	4	0
Interest and dividend income, total	1 407 733	8 400	821 028	448 612	129 693
<b>INTEREST EXPENDITURE</b>					
Interest expenditure on deposits of banks	30 796	5 573	9 769	11 419	4 035
Interest expenditure on deposits of other financial institutions	26 768	41	10 766	11 874	4 087
Interest expenditure on demand deposits of non-financial institutions and other customers	30 437	0	20 515	6 815	3 107
Interest expenditure on time deposits of non-financial institutions and other customers	183 425	0	78 534	54 957	49 934
Interest expenditure on savings deposits of non-financial institutions and other customers	21 054	0	14 712	4 125	2 217
Interest expenditure on borrowings under repurchase agreements	4 559	0	3 728	712	119
Interest expenditure on short-term borrowings	12 884	0	488	4 140	8 256
Interest expenditure on long-term borrowings	44 439	0	6 535	32 656	5 248
Interest expenditure on subordinated term debt	3 636	0	50	3 556	30
Interest expenditure on debt/equity (hybrid) instruments	3 314		62	1 834	1 418
Interest expenditure on other liabilities	3 675		99	2 433	1 137
Interest expenditure, total	364 987	5 620	145 258	134 521	79 588
INTEREST AND DIVIDEND INCOME, NET	1 042 746	2 780	675 770	314 091	50 105
<b>CREDIT PROVISIONS</b>					
Accrued provisions	418 168	0			
Reintegrated provisions	275 030	0			
Credit provisions, net	143 138	0			
<b>TRADING PORTFOLIO GAIN/LOSS</b>					
Gain/loss on securities trading portfolio	39 450	0			
Gain/loss on derivatives held for trading	-13 591	-118			
Gain/loss on other instruments in trading portfolio	-2	0			
Trading portfolio gain/loss, total	25 857	-118			
<b>GAIN/LOSS ON INVESTMENTS AVAILABLE FOR SALE</b>					
Gain/loss on investments available for sale	56 329	0			
Gain/loss on instruments effectively hedging investments available for sale	576	0			
GAIN/LOSS ON INVESTMENTS HELD TO MATURITY	6 543	0			
<b>OTHER NON-INTEREST INCOME</b>					
Loan servicing income	68 856	118			
Fee income on off-balance sheet accounts	25 893	2			
Service charges on deposits	125 941	1			
Other fees and commissions	111 387	62			
Gain/loss on assets held for resale	-4 093	0			
Gain/loss on sale of other assets	154	0			

(continued)

(continued)

(BGN '000)

	Total	Related parties	BGN	EUR	Other currencies
Gain/loss on foreign currency transactions	39 854	224			
Other non-interest income	30 753	0			
NON-INTEREST EXPENDITURE					
Salary, social security, and pension expenditure	327 490				
Occupancy expenditure, net	164 943				
External service expenditure paid to shareholders and affiliates	13 089				
Other external service expenditure	221 252	4 002			
Other non-interest expenditure	165 229	1			
GAIN/LOSS BEFORE FOREX REVALUATION, EXTRA INCOME/EXPENDITURE, AND TAX ITEMS	495 655	-934			
FOREX REVALUATION GAIN/LOSS	17 515	42			
EXTRAORDINARY GAIN/LOSS	9 731	0			
TAX	101 737				
MINORITY INTEREST	0				
PROFIT/LOSS, NET	421 164	-892			

Source: BNB.

## Balance Sheet of Group I Banks as of December 2004

(BGN '000)

	Total	BGN	EUR	Other currencies
<b>ASSETS</b>				
Vault cash and current accounts with the BNB	1 978 749	1 254 158	273 104	451 487
Claims on financial institutions				
Demand deposits with banks	293 914	12 679	110 429	170 806
Time deposits with banks	1 994 267	136 317	977 124	880 826
Loans to banks	28 119	31	10 834	17 254
Other claims on banks	5 723	793	637	4 293
Loans to other financial institutions	18 730	3 337	15 393	0
Claims on financial institutions, total	2 340 753	153 157	1 114 417	1 073 179
Less: specific provisions	619	394	35	190
Claims on financial institutions, net	2 340 134	152 763	1 114 382	1 072 989
Claims under repurchase agreements	92 538	43 826	38 097	10 615
Trading portfolio	1 531 243	462 006	891 300	177 937
Investment portfolio	1 562 644	652 672	508 249	401 723
Investments held to maturity	1 036 114	403 680	372 710	259 724
Investments available for sale	526 530	248 992	135 539	141 999
Loans to non-financial institutions and other customers				
Loans to budget	21 518	21 518	0	0
Commercial loans	6 392 450	2 189 728	3 598 785	603 937
Commercial real estate and construction loans	1 542 156	374 086	1 053 237	114 833
Other commercial loans	4 850 294	1 815 642	2 545 548	489 104
Agricultural loans	179 016	117 368	58 395	3 253
Consumer loans	2 549 571	2 513 197	33 581	2 793
Housing mortgage loans to individuals	921 627	741 057	170 571	9 999
Other loans	146 678	69 630	55 617	21 431
Loans to non-financial institutions and other customers, total	10 210 860	5 652 498	3 916 949	641 413
Less: specific provisions	346 092	213 986	88 144	43 962
Loans to non-financial institutions and other customers, net	9 864 768	5 438 512	3 828 805	597 451
Assets for resale	5 326	5 326	0	0
Investments in unconsolidated subsidiaries and associated companies	25 877	25 877	0	0
Other assets				
Hedging derivatives	275	275	0	0
Other assets	69 826	46 706	14 563	8 557
Other assets, total	70 101	46 981	14 563	8 557
Intangible assets	99 479	99 300	0	179
Assets, total	18 090 258	8 700 204	6 668 500	2 721 554
<b>LIABILITIES, MINORITY INTEREST, AND CAPITAL</b>				
Deposits of financial institutions	1 683 030	466 021	921 371	295 638
Demand deposits of banks	89 200	48 145	31 854	9 201
Time deposits of banks	1 084 018	272 628	554 637	256 753
Deposits of other financial institutions	509 812	145 248	334 880	29 684
Deposits of non-financial institutions and other customers	12 696 137	5 871 618	4 380 181	2 444 338
Demand deposits	5 291 506	2 891 916	1 931 564	468 026
Time deposits	5 603 628	2 022 469	1 973 887	1 607 272
Savings deposits	1 801 003	957 233	474 730	369 040
Deposits, total	14 379 167	6 337 639	5 301 552	2 739 976
Borrowings under repurchase agreements	142 472	87 336	47 841	7 295
Short-term borrowings	312 490	7 408	130 393	174 689
From the BNB	0	0	0	0
From banks	305 082	0	130 393	174 689
Other	7 408	7 408	0	0
Long-term borrowings	856 212	66 580	721 781	67 851
incl. borrowings from banks	791 822	59 723	710 346	21 753
Subordinated term debt and debt/equity (hybrid) instruments	92 374	3 000	89 374	0
Subordinated term debt	51 302	3 000	48 302	0
Debt/equity (hybrid) instruments	41 072	0	41 072	0
Other liabilities	293 600	179 980	52 854	60 766
Trading portfolio liabilities	14 258	5 971	6 503	1 784
Hedging derivatives	9 223	9 223	0	0
Specific provisions on off-balance sheet commitments	46 032	992	3 653	41 387
Other liabilities	224 087	163 794	42 698	17 595
LIABILITIES, TOTAL	16 076 315	6 681 943	6 343 795	3 050 577

(continued)

(continued)

(BGN '000)

	Total	BGN	EUR	Other currencies
Minority interest in consolidated subsidiaries	0	0	0	0
Equity				
Common stock	603 535	603 535		
Share premium on common stock	0	0		
Preferred stock and related premium	0	0		
Reserves	868 454	868 454		
Retained profit/loss, previous years	1 157	1 157		
Statutory reserves	346 341	346 341		
Other reserves	520 956	520 956		
Cumulative forex transaction adjustment	0	0		
Other equity components	195 451	195 451		
Revaluation – fixed assets	188 699	188 699		
Revaluation – investments available for sale	6 752	6 752		
Revaluation – cash flow hedges	0	0		
Profit/loss, current year	349 495	349 495		
One-off effect of the change in accounting regime	-2 992	-2 992		
Equity, total	2 013 943	2 013 943		
LIABILITIES, MINORITY INTEREST, AND CAPITAL, TOTAL	18 090 258	8 695 886	6 343 795	3 050 577
Memo: credit substitutes and other off-balance sheet commitments	2 311 774	899 921	1 016 150	395 703

Source: BNB.

## Balance Sheet of Group II Banks as of December 2004

(BGN '000)

	Total	BGN	EUR	Other currencies
<b>ASSETS</b>				
Vault cash and current accounts with the BNB	510 310	336 448	59 649	114 213
Claims on financial institutions				
Demand deposits with banks	62 737	3 386	23 342	36 009
Time deposits with banks	751 599	62 412	387 240	301 947
Loans to banks	6 985	0	6 985	0
Other claims on banks	986	289	401	296
Loans to other financial institutions	18 792	3 057	9 602	6 133
Claims on financial institutions, total	841 099	69 144	427 570	344 385
Less: specific provisions	3 441	701	2 694	46
Claims on financial institutions, net	837 658	68 443	424 876	344 339
Claims under repurchase agreements	68 483	20 577	35 248	12 658
Trading portfolio	442 320	295 295	96 178	50 847
Investment portfolio	162 185	73 176	50 258	38 751
Investments held to maturity	40 349	13 199	17 284	9 866
Investments available for sale	121 836	59 977	32 974	28 885
Loans to non-financial institutions and other customers				
Loans to budget	4 816	4 816	0	0
Commercial loans	2 303 111	907 864	1 177 195	218 052
Commercial real estate and construction loans	762 907	180 163	528 734	54 010
Other commercial loans	1 540 204	727 701	648 461	164 042
Agricultural loans	123 494	110 917	11 086	1 491
Consumer loans	230 447	212 742	16 590	1 115
Housing mortgage loans to individuals	63 306	14 500	44 239	4 567
Other loans	81 062	46 998	25 431	8 633
Loans to non-financial institutions and other customers, total	2 806 236	1 297 837	1 274 541	233 858
Less: specific provisions	110 653	59 061	40 923	10 669
Loans to non-financial institutions and other customers, net	2 695 583	1 238 776	1 233 618	223 189
Assets for resale	4 886	4 886	0	0
Investments in unconsolidated subsidiaries and associated companies	3 839	3 839	0	0
Other assets				
Hedging derivatives	0	0	0	0
Other assets	48 523	32 605	7 893	8 025
Other assets, total	48 523	32 605	7 893	8 025
Intangible assets	23 641	23 641	0	0
Assets, total	152 748	152 748	0	0
<b>LIABILITIES, MINORITY INTEREST, AND CAPITAL</b>	4 950 176	2 250 434	1 907 720	792 022
Deposits of financial institutions	472 618	245 692	107 218	119 708
Demand deposits of banks	6 968	668	4 353	1 947
Time deposits of banks	265 091	82 802	78 822	103 467
Deposits of other financial institutions	200 559	162 222	24 043	14 294
Deposits of non-financial institutions and other customers	2 961 577	1 574 117	779 562	607 898
Demand deposits	1 300 501	991 586	188 679	120 236
Time deposits	1 445 488	493 007	514 297	438 184
Savings deposits	215 588	89 524	76 586	49 478
Deposits, total	3 434 195	1 819 809	886 780	727 606
Borrowings under repurchase agreements	53 826	34 599	19 227	0
Short-term borrowings	31 430	1 817	27 317	2 296
From the BNB	0	0	0	0
From banks	15 141	0	14 782	359
Other	16 289	1 817	12 535	1 937
Long-term borrowings	659 793	116 324	509 399	34 070
incl. borrowings from banks	339 025	15 138	319 548	4 339
Subordinated term debt and debt/equity (hybrid) instruments	36 169	1 000	20 282	14 887
Subordinated term debt	21 810	1 000	20 282	528
Debt/equity (hybrid) instruments	14 359	0	0	14 359
Other liabilities	84 810	40 882	28 938	14 990
Trading portfolio liabilities	1 760	9	1 610	141
Hedging derivatives	0	0	0	0
Specific provisions on off-balance sheet commitments	4 720	4 720	0	0
Other liabilities	78 330	36 153	27 328	14 849

(continued)

(continued)

(BGN '000)

	Total	BGN	EUR	Other currencies
LIABILITIES, TOTAL	4 300 223	2 014 431	1 491 943	793 849
Minority interest in consolidated subsidiaries	0	0	0	0
Equity				
Common stock	424 879	424 879		
Share premium on common stock	1 619	1 619		
Preferred stock and related premium	0	0		
Reserves	156 007	156 007		
Retained profit/loss, previous years	-9 457	-9 457		
Statutory reserves	104 993	104 993		
Other reserves	60 471	60 471		
Cumulative forex transaction adjustment	0	0		
Other equity components	12 788	12 788		
Revaluation – fixed assets	8 263	8 263		
Revaluation – investments available for sale	4 525	4 525		
Revaluation – cash flow hedges	0	0		
Profit/loss, current year	53 307	53 307		
One-off effect of the change in accounting regime	1 353	1 353		
Equity, total	649 953	649 953		
LIABILITIES, MINORITY INTEREST, AND CAPITAL, TOTAL	4 950 176	2 664 384	1 491 943	793 849
Memo: credit substitutes and other off-balance sheet commitments	870 028	478 567	321 812	69 649

Source: BNB.

## Balance Sheet of Group III Banks as of December 2004

(BGN '000)

	Total	Related parties	Unrelated parties			
			total	BGN	EUR	other currencies
ASSETS						
Vault cash and current accounts with the BNB	176 954		176 954	87 156	5 925	83 873
Claims on financial institutions						
Demand deposits with banks	379 547	359 671	19 876	18	5 158	14 700
Time deposits with banks	211 561	102 405	109 156	85 539	12 910	10 707
Loans to banks	0	0	0	0	0	0
Other claims on banks	263	0	263	0	263	0
Loans to other financial institutions	149 809	143 964	5 845	2 375	3 470	0
Claims on financial institutions, total	741 180	606 040	135 140	87 932	21 801	25 407
Less: specific provisions	0	0	0	0	0	0
Claims on financial institutions, net	741 180	606 040	135 140	87 932	21 801	25 407
Claims under repurchase agreements	0	0	0	0	0	0
Trading portfolio	40 361	242	40 119	24 202	7 250	8 667
Investment portfolio	79 715	0	79 715	42 611	33 437	3 667
Investments held to maturity	0	0	0	0	0	0
Investments available for sale	79 715	0	79 715	42 611	33 437	3 667
Loans to non-financial institutions and other customers	785 641	0	785 641	231 455	518 694	35 492
Loans to budget	0		0	0	0	0
Commercial loans	734 730	0	734 730	213 458	494 413	26 859
Commercial real estate and construction loans	294 171		294 171	33 790	240 315	20 066
Other commercial loans	440 559		440 559	179 668	254 098	6 793
Agricultural loans	10 496		10 496	2 072	100	8 324
Consumer loans	5 892		5 892	4 841	1 016	35
Housing mortgage loans to individuals	22 987		22 987	10 892	11 862	233
Other loans	11 536	0	11 536	192	11 303	41
Loans to non-financial institutions and other customers, total	785 641	0	785 641	231 455	518 694	35 492
Less: specific provisions	11 422	0	11 422	2 584	8 656	182
Loans to non-financial institutions and other customers, net	774 219	0	774 219	228 871	510 038	35 310
Assets for resale	0		0	0	0	0
Other assets						
Hedging derivatives	0	0	0	0	0	0
Interest receivable	4 449	0	1 994	944	995	55
Other assets	5 243	454	4 789	1 547	2 783	459
Other assets, total	5 243	454	4 789	1 547	2 783	459
Less: specific provisions	0		0	0	0	0
Other assets, net	5 243	454	4 789	1 547	2 783	459
Intangible assets	2 108		2 108	2 108	0	0
Premises and other fixed assets	9 609		9 609	9 609	0	0
ASSETS, TOTAL	1 829 389	606 736	1 222 653	484 036	581 234	157 383
LIABILITIES, RESERVES AND FINANCIAL RESULT						
Deposits of financial institutions	639 773	508 523	131 250	48 471	46 165	36 614
Demand deposits of banks	3 270	2 031	1 239	1 210	1	28
Time deposits of banks	606 095	505 214	100 881	26 289	39 121	35 471
Deposits of other financial institutions	30 408	1 278	29 130	20 972	7 043	1 115
Deposits of non-financial institutions and other customers	1 076 903	0	1 076 903	441 920	536 670	98 313
Demand deposits	742 290	0	742 290	263 832	441 763	36 695
Time deposits	303 476	0	303 476	173 973	74 902	54 601
Savings deposits	31 137	0	31 137	4 115	20 005	7 017
Deposits, total	1 716 676	508 523	1 208 153	490 391	582 835	134 927
Borrowings under repurchase agreements	4 040	0	4 040	4 040	0	0
Short-term borrowings	0	0	0	0	0	0
From the BNB	0		0	0	0	0
From banks	0	0	0	0	0	0
Other	0	0	0	0	0	0
Long-term borrowings	41	41	0	0	0	0
Memo: borrowings from banks	41	41	0	0	0	0
Other liabilities	40 350	15 337	25 013	16 826	5 131	3 056
Trading portfolio liabilities	3 571	2 940	631	0	0	631
Hedging derivatives	0	0	0	0	0	0
Interest payable	2 118	764	952	242	630	80
Specific provisions on off-balance sheet commitments	0	0	0	0	0	0

(continued)



(continued)

(BGN '000)

	Total	Related parties	Unrelated parties			
			total	BGN	EUR	other currencies
Other liabilities	36 779	12 397	24 382	16 826	5 131	2 425
Liabilities, total	1 761 107	523 901	1 237 206	511 257	587 966	137 983
Reserves and financial result						
Reserves	49 214	49 214				
Retained profit/loss, previous years	23 777	23 777				
Other reserves	25 437	25 437				
Revaluation reserves	706	706				
Revaluation – fixed assets	219	219				
Revaluation – investments available for sale	487	487				
Revaluation – cash flow hedges	0	0				
Profit/loss, current year	18 362		18 362	18 362		
One-off effect of the change in accounting regime	0	0				
Reserves and financial result, total	68 282	49 920	18 362	18 362		
LIABILITIES, RESERVES, AND FINANCIAL RESULT, TOTAL	1 829 389	573 821	1 255 568	529 619	587 966	137 983
Memo: credit substitutes and other off-balance sheet commitments	487 825	15 191	472 634	153 730	293 822	25 082

Source: BNB.

## Income Statement of Group I Banks as of December 2004

(BGN '000)

	Total	BGN	EUR	Other currencies
<b>INTEREST AND DIVIDEND INCOME</b>				
Interest income from demand deposits with banks	1 277	277	266	734
Interest income from time deposits with banks	35 533	3 211	14 276	18 046
Interest income from loans to banks	648	9	349	290
Interest income from other claims on banks	404	0	18	386
Interest income from loans to other financial institutions	593	348	53	192
Interest income from claims under repurchase agreements	4 920	1 472	3 310	138
Interest income from trading portfolio	47 925	26 651	14 919	6 355
Interest income from investment portfolio	80 285	33 785	31 794	14 706
Bulgarian government securities	48 746	30 477	15 364	2 905
Other domestic debt securities	6 528	3 308	2 431	789
Debt securities issued by foreign governments and international financial institutions	9 485	0	6 683	2 802
Other foreign debt securities	15 526	0	7 316	8 210
Interest income from loans	850 443	577 274	226 548	46 621
Loans to budget	1 781	1 776	5	0
Commercial real estate and construction loans	104 267	31 125	60 524	12 618
Other commercial loans	365 730	185 420	148 400	31 910
Agricultural loans	11 344	8 789	2 216	339
Consumer loans	291 529	288 627	2 576	326
Housing mortgage loans to individuals	67 169	58 168	7 979	1 022
Other loans	8 623	3 369	4 848	406
Dividend income	144	144	0	0
Interest and dividend income, total	1 022 172	643 171	291 533	87 468
<b>INTEREST EXPENDITURE</b>				
Interest expenditure on deposits of banks	16 390	6 427	7 685	2 278
Interest expenditure on deposits of other financial institutions	17 671	3 319	10 759	3 593
Interest expenditure on demand deposits of non-financial institutions and other customers	21 192	14 384	4 406	2 402
Interest expenditure on time deposits of non-financial institutions and other customers	130 327	60 122	37 041	33 164
Interest expenditure on savings deposits of non-financial institutions and other customers	17 704	13 230	3 013	1 461
Interest expenditure on borrowings under repurchase agreements	2 487	1 722	646	119
Interest expenditure on short-term borrowings	10 875	90	2 652	8 133
Interest expenditure on long-term borrowings	20 533	3 156	14 583	2 794
Interest expenditure on subordinated term debt	3 500	0	3 500	0
Interest expenditure on debt/equity (hybrid) instruments	1 834	0	1 834	0
Interest expenditure on other liabilities	2 566	27	2 248	291
Interest expenditure, total	245 079	102 477	88 367	54 235
<b>INTEREST AND DIVIDEND INCOME, NET</b>	777 093	540 694	203 166	33 233
<b>CREDIT PROVISIONS</b>				
Accrued provisions	227 798			
Reintegrated provisions	132 396			
Credit provisions, net	95 402			
<b>TRADING PORTFOLIO GAIN/LOSS</b>				
Gain/loss on securities trading portfolio	27 069			
Gain/loss on derivatives held for trading	-14 300			
Gain/loss on other instruments in trading portfolio	22			
Trading portfolio gain/loss, total	12 791			
<b>GAIN/LOSS ON INVESTMENTS AVAILABLE FOR SALE</b>	50 312			
Gain/loss on investments available for sale	49 736			
Gain/loss on instruments effectively hedging investments available for sale	576			
<b>GAIN/LOSS ON INVESTMENTS HELD TO MATURITY</b>	6 703			
<b>OTHER NON-INTEREST INCOME</b>	277 465			
Loan servicing income	48 696			
Fee income on off-balance sheet accounts	15 019			
Service charges on deposits	95 831			
Other fees and commissions	80 068			
Gain/loss on assets held for resale	-3 101			
Gain/loss on sale of other assets	286			

(continued)

(continued)

(BGN '000)

	Total	BGN	EUR	Other currencies
Gain/loss on foreign currency transactions	24 006			
Other non-interest income	16 660			
NON-INTEREST EXPENDITURE	618 020			
Salary, social security, and pension expenditure	224 950			
Occupancy expenditure, net	114 247			
External service expenditure paid to shareholders and affiliates	7 526			
Other external service expenditure	162 007			
Other non-interest expenditure	109 290			
GAIN/LOSS BEFORE FOREX REVALUATION, EXTRA INCOME/EXPENDITURE, AND TAX ITEMS	410 942			
FOREX REVALUATION GAIN/LOSS	12 808			
EXTRAORDINARY GAIN/LOSS	9 185			
TAX	83 440			
MINORITY INTEREST	0			
PROFIT/LOSS, NET	349 495			

Source: BNB.

## Income Statement of Group II Banks as of December 2004

(BGN '000)

	Total	BGN	EUR	Other currencies
<b>INTEREST AND DIVIDEND INCOME</b>				
Interest income from demand deposits with banks	454	35	338	81
Interest income from time deposits with banks	11 881	2 024	5 934	3 923
Interest income from loans to banks	35	1	15	19
Interest income from other claims on banks	266	226	1	39
Interest income from loans to other financial institutions	1 170	222	656	292
Interest income from claims under repurchase agreements	697	519	165	13
Interest income from trading portfolio	25 600	16 350	6 475	2 775
Interest income from investment portfolio	6 472	2 556	2 520	1 396
Bulgarian government securities	5 841	2 401	2 112	1 328
Other domestic debt securities	512	149	298	65
Debt securities issued by foreign governments and international financial institutions	99	6	93	0
Other foreign debt securities	20	0	17	3
Interest income from loans	281 785	136 982	114 408	30 395
Loans to budget	595	582	13	0
Commercial real estate and construction loans	84 219	21 213	52 676	10 330
Other commercial loans	148 834	78 108	53 571	17 155
Agricultural loans	10 844	9 150	1 548	146
Consumer loans	22 292	21 052	1 140	100
Housing mortgage loans to individuals	5 513	963	3 566	984
Other loans	9 488	5 914	1 894	1 680
Dividend income	789	785	4	0
Interest and dividend income, total	329 149	159 700	130 516	38 933
<b>INTEREST EXPENDITURE</b>				
Interest expenditure on deposits of banks	4 844	2 234	1 874	736
Interest expenditure on deposits of other financial institutions	8 703	7 280	986	437
Interest expenditure on demand deposits of non-financial institutions and other customers	6 636	5 233	875	528
Interest expenditure on time deposits of non-financial institutions and other customers	49 607	17 221	16 204	16 182
Interest expenditure on savings deposits of non-financial institutions and other customers	3 104	1 454	962	688
Interest expenditure on borrowings under repurchase agreements	2 035	1 969	66	0
Interest expenditure on short-term borrowings	2 009	398	1 488	123
Interest expenditure on long-term borrowings	23 906	3 379	18 073	2 454
Interest expenditure on subordinated term debt	136	50	56	30
Interest expenditure on debt/equity (hybrid) instruments	1 480	62	0	1 418
Interest expenditure on other liabilities	1 102	71	185	846
Interest expenditure, total	103 562	39 351	40 769	23 442
<b>INTEREST AND DIVIDEND INCOME, NET</b>	225 587	120 349	89 747	15 491
<b>CREDIT PROVISIONS</b>				
Accrued provisions	181 556			
Reintegrated provisions	134 594			
Credit provisions, net	46 962			
<b>TRADING PORTFOLIO GAIN/LOSS</b>				
Gain/loss on securities trading portfolio	11 651			
Gain/loss on derivatives held for trading	972			
Gain/loss on other instruments in trading portfolio	-24			
Trading portfolio gain/loss, total	12 599			
<b>GAIN/LOSS ON INVESTMENTS AVAILABLE FOR SALE</b>	6 681			
Gain/loss on investments available for sale	6 681			
Gain/loss on instruments effectively hedging investments available for sale	0			
<b>GAIN/LOSS ON INVESTMENTS HELD TO MATURITY</b>	-160			
<b>OTHER NON-INTEREST INCOME</b>	104 704			
Loan servicing income	19 707			
Fee income on off-balance sheet accounts	9 508			
Service charges on deposits	26 229			
Other fees and commissions	26 263			
Gain/loss on assets held for resale	-992			
Gain/loss on sale of other assets	-132			

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(continued)

(BGN '000)

	Total	BGN	EUR	Other currencies
Gain/loss on foreign currency transactions	11 197			
Other non-interest income	12 924			
NON-INTEREST EXPENDITURE	239 905			
Salary, social security, and pension expenditure	92 559			
Occupancy expenditure, net	46 291			
External service expenditure paid to shareholders and affiliates	5 563			
Other external service expenditure	45 018			
Other non-interest expenditure	50 474			
GAIN/LOSS BEFORE FOREX REVALUATION, EXTRA INCOME/EXPENDITURE, AND TAX ITEMS	62 544			
FOREX REVALUATION GAIN/LOSS	4 244			
EXTRAORDINARY GAIN/LOSS	609			
TAX	14 090			
MINORITY INTEREST	0			
PROFIT/LOSS, NET	53 307			

Source: BNB.

## Income Statement of Group III Banks as of December 2004

(BGN '000)

	Total	Related parties	Unrelated parties	
			Euro	Other currencies
INTEREST AND DIVIDEND INCOME				
Interest income from demand deposits with banks	587	197	5	0
Interest income from time deposits with banks	4 777	2 862	837	88
Interest income from loans to banks	0	0	0	0
Interest income from other claims on banks	32	31	0	0
Interest income from loans to other financial institutions	5 343	5 310	17	0
Interest income from claims under repurchase agreements	0	0	0	0
Interest income from trading portfolio	2 210	0	110	30
Interest income from investment portfolio	2 403	0	1 570	275
Bulgarian government securities	972		414	0
Other domestic debt securities	0	0	0	0
Debt securities issued by foreign governments and international financial institutions	1 431		1 156	275
Other foreign debt securities	0	0	0	0
Interest income from loans	41 060	0	24 024	2 899
Loans to budget	0		0	0
Commercial real estate and construction loans	10 852		8 955	819
Other commercial loans	26 987		13 914	1 835
Agricultural loans	632		98	116
Consumer loans	790		158	32
Housing mortgage loans to individuals	1 292		401	97
Other loans	507	0	498	0
Dividend income	0	0	0	0
Interest and dividend income, total	56 412	8 400	26 563	3 292
INTEREST EXPENDITURE				
Interest expenditure on deposits of banks	9 562	5 573	1 860	1 021
Interest expenditure on deposits of other financial institutions	394	41	129	57
Interest expenditure on demand deposits of non-financial institutions and other customers	2 609	0	1 534	177
Interest expenditure on time deposits of non-financial institutions and other customers	3 491	0	1 712	588
Interest expenditure on savings deposits of non-financial institutions and other customers	246	0	150	68
Interest expenditure on borrowings under repurchase agreements	37	0	0	0
Interest expenditure on short-term borrowings	0	0	0	0
Interest expenditure on long-term borrowings	0	0	0	0
Interest expenditure on other liabilities	7	6	0	0
Interest expenditure, total	16 346	5 620	5 385	1 911
INTEREST AND DIVIDEND INCOME, NET	40 066	2 780	21 178	1 381
CREDIT PROVISIONS				
Accrued provisions	8 814	0		
Reintegrated provisions	8 040	0		
Credit provisions, net	774	0		
TRADING PORTFOLIO GAIN/LOSS				
Gain/loss on securities trading portfolio	730	0		
Gain/loss on derivatives held for trading	-263	-118		
Gain/loss on other instruments in trading portfolio	0	0		
Trading portfolio gain/loss, total	467	-118		
GAIN/LOSS ON INVESTMENTS AVAILABLE FOR SALE				
Gain/loss on investments available for sale	-88	0		
Gain/loss on instruments effectively hedging investments available for sale	0	0		
GAIN/LOSS ON INVESTMENTS HELD TO MATURITY				
	0	0		
OTHER NON-INTEREST INCOME				
Loan servicing income	453	118		
Fee income on off-balance sheet accounts	1 366	2		
Service charges on deposits	3 881	1		
Other fees and commissions	5 056	62		
Gain/loss on assets held for resale	0	0		
Gain/loss on sale of other assets	0	0		
Gain/loss on foreign currency transactions	4 651	224		
Other non-interest income	1 169	0		

(continued)

(continued)

(BGN '000)

	Total	Related parties	Unrelated parties	
			Euro	Other currencies
NON-INTEREST EXPENDITURE	34 078	4 003		
Salary, social security, and pension expenditure	9 981			
External service expenditure paid to shareholders and affiliates	4 405			
Other external service expenditure	14 227	4 002		
Other non-interest expenditure	5 465	1		
GAIN/LOSS BEFORE FOREX REVALUATION, EXTRA INCOME/EXPENDITURE, AND TAX ITEMS	22 169	-934		
FOREX REVALUATION GAIN/LOSS	463	42		
EXTRAORDINARY GAIN/LOSS	-63	0		
TAX	4 207			
PROFIT/LOSS, NET	18 362	-892		

Source: BNB.

## Bank Groups as of 31 December 2004

### Group I

Bulbank  
DSK Bank  
United Bulgarian Bank  
HVB Bank Biochim  
First Investment Bank  
Raiffeisenbank, Bulgaria  
Bulgarian Post Bank  
SG Expressbank  
Economic and Investment Bank  
DZI Bank

### Group II

Hebros Commercial Bank  
Municipal Bank  
Central Cooperative Bank  
Corporate Commercial Bank  
Allianz Bulgaria Commercial Bank  
Evrobank  
Unionbank  
Bulgarian-American Credit Bank  
ProCredit Bank  
BNP Paribas, Bulgaria  
UNIBANK  
Investbank  
Emporiki Bank – Bulgaria  
Encouragement Bank  
International Bank for Trade and Development  
Demirbank, Bulgaria  
Tokuda Bank  
WestEast Bank  
Texim Private Entrepreneurial Bank

### Group III

Piraeus Bank, Sofia Branch  
ING Bank N. V., Sofia Branch  
National Bank of Greece, Sofia Branch  
Citibank N. A., Sofia Branch  
Alpha Bank, Sofia Branch  
Ziraat Bank, Sofia Branch

**Note:** Group I: the ten biggest banks.  
Group II: the rest of the banks.  
Group III: foreign banks' branches.

Banks are classified only for statistical purposes. The group classification does not imply banks' financial performance evaluation.

Source: BNB.



### Open Foreign Currency Positions of Commercial Banks as of 31 December 2004 (under Ordinance No. 4 of the BNB, annual closing)

	Open positions to capital base , %
Group I	-4.38
Group II	-1.99
<b>Banking system, total</b>	<b>-3.75</b>

Source: BNB.

### Capital Adequacy of Commercial Banks as of 31 December 2004 (under Ordinance No. 8 of the BNB, annual closing)

	Capital base (BGN '000)	Primary capital (BGN '000)	Total risk component (BGN '000)	Total capital adequacy (%)	Primary capital adequacy (%)	Degree of asset coverage (%)
Group I	1 703 942	1 456 956	10 868 374	15.68	13.41	9.49
Group II	616 592	565 062	3 130 460	19.70	18.05	12.53
<b>Banking system, total</b>	<b>2 320 534</b>	<b>2 022 018</b>	<b>13 998 834</b>	<b>16.58</b>	<b>14.44</b>	<b>10.15</b>

Source: BNB.

### Liquidity of Commercial Banks as of 31 December 2004 (under Ordinance No. 11 of the BNB, annual closing)

(BGN '000)

	Total	Overdue assets 15 or more days/assets in pawn	At sight up to 7 days	From 8 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year
<b>Group I</b>								
Liquid assets, total	5 782 324	803 939						
ASSETS, TOTAL – inflow	17 369 726	971 095	5 578 849	1 302 869	856 740	1 140 957	1 987 678	6 502 633
ATTRACTED FUNDS, TOTAL (DEPOSITS)	16 062 157		4 358 092	2 914 849	1 329 123	997 141	1 511 485	4 951 467
Coefficient of liquidity assets	30.99							
Adjusted coefficient of liquidity assets to deposits			128.01	85.39	64.46	114.42	131.50	131.33
<b>Group II</b>								
Liquid assets, total	1 561 384	301 370						
ASSETS, TOTAL – inflow	4 716 270	414 158	1 703 958	205 002	270 878	391 497	655 409	1 489 526
ATTRACTED FUNDS, TOTAL (DEPOSITS)	4 295 070		1 058 006	686 843	455 374	545 167	552 004	997 676
Coefficient of liquidity assets	29.34							
Adjusted coefficient of liquidity assets to deposits			161.05	101.59	59.48	71.81	118.73	149.30
<b>Group III</b>								
Liquid assets, total	766 162	2 519						
ASSETS, TOTAL – inflow	1 812 414	4 257	891 679	88 285	138 534	130 345	206 860	356 711
ATTRACTED FUNDS, TOTAL (DEPOSITS)	1 752 750		946 793	178 918	174 889	140 530	78 197	233 423
Coefficient of liquidity assets	43.57							
Adjusted coefficient of liquidity assets to deposits			94.18	49.34	79.21	92.75	264.54	152.82
<b>BANKING SYSTEM, TOTAL</b>								
Liquid assets, total	8 109 870	1 107 828						
ASSETS, TOTAL – inflow	23 898 410	1 389 510	8 174 486	1 596 156	1 266 152	1 662 799	2 849 947	8 348 870
ATTRACTED FUNDS, TOTAL (DEPOSITS)	22 109 977		6 362 891	3 780 610	1 959 386	1 682 838	2 141 686	6 182 566
Coefficient of liquidity assets	31.67							
Adjusted coefficient of liquidity assets to deposits			128.47	83.62	64.62	98.81	133.07	135.04

Source: BNB.

## Credit Portfolio of Commercial Banks

Bank groups	Loans	Annual closing, 2004
<b>Group I</b>	<b>TOTAL (BGN'000)</b>	<b>10 210 860</b>
	Standard (%)	93.19
	Watch (%)	3.11
	Substandard (%)	1.61
	Non-performing (%)	2.09
	Provisions (%)	3.39
<b>Group II</b>	<b>TOTAL (BGN'000)</b>	<b>2 806 236</b>
	Standard (%)	91.39
	Watch (%)	4.69
	Substandard (%)	1.67
	Non-performing (%)	2.25
	Provisions (%)	3.94
<b>Group III</b>	<b>TOTAL (BGN'000)</b>	<b>785 641</b>
	Standard (%)	95.33
	Watch (%)	4.42
	Substandard (%)	0.01
	Non-performing (%)	0.23
	Provisions (%)	1.45
<b>Banking system</b>	<b>TOTAL (BGN'000)</b>	<b>13 802 737</b>
	Standard (%)	92.94
	Watch (%)	3.51
	Substandard (%)	1.53
	Non-performing (%)	2.02
	Provisions (%)	3.39

Source: BNB.

High-liquidity Asset Ratios  
(percentage share of deposits)

Bank groups		Annual closing, 2004
<b>Group I</b>	Primary liquidity	13.76
	Secondary liquidity	30.99
<b>Group II</b>	Primary liquidity	14.86
	Secondary liquidity	29.34
<b>Group III</b>	Primary liquidity	10.31
	Secondary liquidity	43.57
<b>Banking system, total</b>	<b>Primary liquidity</b>	<b>13.65</b>
	<b>Secondary liquidity</b>	<b>31.67</b>

Source: BNB.

## Funds of the Central Republican Budget and Budget-supported Entities with the BNB and Commercial Banks as at End of Period

(million BGN)

	Budget funds with the BNB		Budget funds with the commercial banks	
	2003	2004	2003	2004
31.I.	2 872.3	3 225.4	567.0	890.4
29.II.	2 896.4	3 231.0	569.1	864.8
31.III.	3 197.4	3 602.2	604.9	982.1
30.IV.	3 689.1	3 929.3	709.8	1 046.2
31.V.	3 940.9	4 299.9	680.4	861.4
30.VI.	3 783.5	4 903.9	831.4	780.6
31.VII.	3 736.0	3 763.0	833.9	945.2
31.VIII.	3 857.1	4 441.4	866.4	921.9
30.IX.	3 903.9	4 748.6	901.0	971.1
31.X.	4 012.1	5 044.9	867.7	956.1
30.XI.	4 156.6	5 512.3	871.7	914.3
31.XII.	3 203.0	4 381.2	845.4	880.7
<b>Average monthly amount of budget funds</b>	<b>3 573.1</b>	<b>4 258.0</b>	<b>785.6</b>	<b>947.6</b>

Source: BNB.

## Payments on Foreign Financial Obligations (by currency of transactions)

(million)

Currency	Number		Total volume		incl.			
	2003	2004	2003	2004	Installments		Interest	
					2003	2004	2003	2004
EUR	46	44	171.844	146.8404	65.913	35.29	105.9	111.6
USD	35	31	284.924	962.85231	115.41	808.11	169.5	154.7
JPY	14	14	1678.21	1636.4216	1285.5	1293.6	392.8	342.8
CAD	4	1	0.35321	10.083772		10	0.353	0.084

Source: BNB.

## Government Securities Auctions

	Auction number		Total nominal value of government securities issues				Average bid-to-cover ratio		Average number of participants	
	2003	2004	2003		2004		2003	2004	2003	2004
			million BGN	million EUR	million BGN	million EUR				
1. Auctions for sale of government securities, incl.	36	34	612.2	125	544.0	65.0	2.52	2.95	19.67	20
short-term	14	14	182.2	-	184.0	-	2.01	1.85	16	17
medium-term	10	10	225.0	-	200.0	-	2.25	3.17	21	21
long-term	12	10	205.0	125	160.0	65.0	2.92	3.49	22	22
2. Auctions for repurchase of government securities, incl.	6	-	62.1	-	-	-	-	-	5	-
without fixed term	4	-	18.5	-	-	-	0.28	-	3	-
with fixed term	2	-	43.6	-	-	-	1.69	-	6	-
3. Exchange subscriptions	4	4	-	15.4	-	0.6	-	-	1	1

Source: BNB.

## List of Government Securities Primary Dealers Approved in December 2004

1. DSK Bank
2. Hebros Commercial Bank
3. BNP Paribas, Bulgaria
4. Bulbank
5. Bulbrokers
6. Bulgarian Post Bank
7. Demirbank, Bulgaria\*
8. DZI Bank
9. Evrobank
10. Evrofinance
11. HVB Bank Biochim
12. Elana Trading
13. ING Bank N. V., Sofia Branch
14. Corporate Commercial Bank
15. United Bulgarian Bank
16. Municipal Bank
17. First Investment Bank
18. Raiffeisenbank, Bulgaria
19. SG Expressbank
20. Citibank N. A., Sofia Branch
21. Allianz Bulgaria Commercial Bank
22. Investbank
23. Unionbank
24. UNIBANK \*\*
25. Central Cooperative Bank
26. Economic and Investment Bank

\* By Resolution No. 26 of 28 January 2005 of the Sofia City Court the Bank's name was changed to *D Commerce Bank*.

\*\* By Resolution No. 40 of 8 February 2005 of the Sofia City Court the Bank's name was changed to *International Asset Bank*.

Source: BNB.

## Sales of Savings Government Securities Issued in 2004

Issue number	Currency	Term	Sold by the BNB	Sold by commercial banks	Total
500	BGN	3-year	1 296 553	2 350 815	3 647 368
501	EUR	5-year	553 237	3 769 840	4 323 077
502	BGN	3-year	1 013 470	5 783 931	6 797 401
503	BGN	3-year	319 894	67 152	387 046
504	EUR	5-year	99 538	12 805	112 343
505	BGN	3-year	556 564	253 690	810 254
506	EUR	5-year	134 801	51 971	186 772
507	BGN	3-year	581 495	208 170	789 665
508	EUR	5-year	195 323	41 436	236 759
509	BGN	3-year	604 171	68 107	672 278
<b>2004, total</b>					
Sold savings government securities denominated in BGN			4 372 147	8 731 865	13 104 012
Sold savings government securities denominated in EUR			982 899	3 876 052	4 858 951

Source: BNB.

## BNB Sales and Cash Payments on Savings Government Securities in 2003 and 2004

	Number		Volume (BGN '000)		Volume (EUR '000)	
	2003	2004	2003	2004	2003	2004
Sales – nominal value	3 362	2 190	7 843.9	4 372.1	-	982.9
Repaid certificates at maturity – nominal value	3 186	3 045	5 578.0	6 673.1	-	-
Repaid interest coupons	13 363	12 330	853.1	851.1	-	10.1
Government securities repurchased prior to maturity – nominal value	616	586	928.2	1 165.8	-	138.6
Government securities partially repurchased prior to maturity – nominal value	246	180	191.8	278.9	-	0.6

Source: BNB.

## Government Securities Primary Registration and Payments

	Number		Volume (million BGN)	
	2003	2004	2003	2004
Total	4299	3998	1748.1	1067.7
Registration of government securities sold on an auction principle	463	560	856.6	671.1
Registration of target government securities sold to individual investors	165	321	29.8	22.6
Registration of reverse repurchased prior to maturity government securities through auctions and directly by individuals	1136	949	123.3	3.0
Principal and interest repayments of matured government securities, incl.	2535	2168	738.4	371.0
- principal	577	504	628.0	240.6
- interest	1958	1664	110.4	130.4

## Notes:

1. Government securities at nominal value.

2. The lev equivalent of forex-denominated government securities is based on the BNB exchange rate of respective currencies on the day of registration.

Source: BNB.

## Government Securities Transactions Registered in the Secondary Market

Registered transactions	Number		Volume (million BGN)	
	2003	2004	2003	2004
Total	10876	10694	13669.2	15381.6
Repo agreements	2192	1372	2353.6	2384.5
Outright purchases and sales	1678	2125	2206.1	3267.9
Transactions with and on behalf of customers	5288	5481	5713.4	5569.3
Blocking/unblocking of government securities, incl.:	1718	1716	3396.1	4159.9
- for securing budget-supported entities' funds with commercial banks	1641	1698	3284.0	4124.8
- in case of registered pledges on government securities	60	18	43.7	35.1
- other	17	-	68.4	-

## Notes:

1. The nominal value of transactions volume includes government securities issued under Ordinance No. 5 of the MF and BNB and structural reform government securities with and without movement on current accounts with the BNB.

2. The volume and number of repo agreements include reverse repo agreements and those concluded during the current day.

3. The lev equivalent of transactions in forex-denominated government securities is recalculated using BNB average monthly exchange rates of respective currencies.

Source: BNB.

## Major Resolutions of the BNB Governing Council

<b>8 January</b>	<p>An improved model of BNB monetary statistics in line with ECB requirements was adopted.</p> <p>An improved model (approach) of international reserves management was adopted.</p> <p>The holiday home building 'Romantika' and grounds at Kostenets were given to the State as a gift.</p>
<b>22 January</b>	<p>Ordinance No. 36 on custodian banks under the Social Security Code was adopted.</p> <p>Amendments to BNB Ordinance No. 9 on the evaluation and classification of risk exposures of banks and the allocation of provisions to cover impairment loss were adopted.</p>
<b>8 March</b>	<p>As of 25 March 2004 the Bulgarian National Bank put into circulation a coloured CuNi coin commemorating Palm Sunday with a nominal value of 5 levs, issue 2004.</p>
<b>25 March</b>	<p>Amendments to BNB Ordinance No. 22 on the Central Credit Register of banks were adopted.</p>
<b>29 March</b>	<p>As of 2 April 2004 the Bulgarian National Bank put into circulation a coin with a nominal value of 50 stotinkas commemorating Bulgaria's accession to NATO, issue 2004.</p>
<b>8 April</b>	<p>The report on the implementation of the 2003 BNB Budget was adopted.</p>
<b>26 April</b>	<p>Amendments to BNB Ordinance No. 2 on the licenses and permits granted by the Bulgarian National Bank were adopted.</p> <p>Amendments to BNB Ordinance No. 7 on the large exposures of banks were adopted.</p> <p>Amendments to BNB Ordinance No. 8 on the capital adequacy of banks were adopted.</p> <p>A new special purpose fund 'Compensation of Market Risk Losses' was established at the BNB.</p>
<b>5 May</b>	<p>As of 31 May 2004 the Bulgarian National Bank put into circulation a gold commemorative coin '125 years Bulgarian National Bank' with a nominal value of 125 levs, issue 2004.</p>
<b>20 May</b>	<p>Amendments to BNB Ordinance No. 21 on the minimum required reserves maintained with the Bulgarian National Bank by banks were adopted.</p>
<b>3 June</b>	<p>The BNB Governing Council decided to stop applying, as from 7 June 2004, the commission of 0.5 per cent to all BNB non-cash transactions involving sale of euro against levs.</p>
<b>9 June</b>	<p>BORICA EOOD was transformed into BORICA EAD.</p>
<b>24 June</b>	<p>Amendments to Ordinance No. 1-171 of the Ministry of Interior and the BNB on the organization of, and control over, security of banks and non-bank financial institutions were adopted.</p>

- 8 July** The members of the Consultative Council to the Bulgarian National Bank were approved.  
A holiday home building and grounds at Voneshta Voda were given to the Bulgarian Red Cross as a gift.
- 22 July** As of 1 October 2004 the Bulgarian National Bank put into circulation a silver coin commemorating the 100th anniversary of the Ivan Vazov National Theatre with a nominal value of 10 leva, issue 2004.  
As of 1 October 2004 the Bulgarian National Bank put into circulation a silver coin (piefort) commemorating the 100th anniversary of the Ivan Vazov National Theatre with a nominal value of 10 leva, issue 2004.
- 9 September** The Strategy for Bulgarian National Bank Development between 2004 and 2009 was adopted.
- 20 September** The procedure on sale of BORICA shares was approved.
- 7 October** The acquisition of Formprint EOOD by the BNB Printing Works was approved.
- 19 October** The BNB gave its consent to conclude an agreement between the BNB and the Council of Ministers on introducing the euro in Bulgaria.
- 28 October** Amendments to Ordinance No. 5 of the MF and the BNB on the terms and procedure for acquisition, redemption and trade in government securities were adopted.  
The BNB budget for 2005 was adopted.  
The BNB commemorative coin programme for 2005 was approved.  
A holiday home building and grounds in Bankya were given to the State as a gift.
- 18 November** Amendments to BNB Ordinance No. 21 on the minimum required reserves maintained with the Bulgarian National Bank by banks were adopted.  
BNB holiday bungalows in Chepelare were given to the local Municipality as a gift.
- 22 November** As of 3 December 2004 the Bulgarian National Bank put into circulation a silver coin, partially gold-plated, commemorating St. Nikolai Mirlikiiski Chudotvorets with a nominal value of 10 leva, issue 2004.
- 16 December** The new methodology of setting the base interest rate was adopted.  
Amendments to the Cash Servicing Fees Tariff were adopted.
- 23 December** Ordinance No. 8 on the capital adequacy of banks was adopted.  
Amendments to BNB Ordinance No. 7 on the large exposures of banks were adopted.