

BULGARIAN NATIONAL BANK

REPORT • JANUARY – JUNE 2001



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**Honorable Mr. Chairman
of the National Assembly!
Honorable members of Parliament!**

In accordance with the provisions of the Law on the Bulgarian National Bank, Article 1, paragraph 2, the Bulgarian National Bank reports its activities before the National Assembly. Pursuant to Article 50 of this Law, I have the honor to submit the semiannual report of the Bulgarian National Bank for the period ending 30 June 2001.



**Svetoslav Gavriiski
Governor of the Bulgarian
National Bank**

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Abbreviations

BCC	Bank Consolidation Company
BGL (Lev)	National Currency of the Republic of Bulgaria prior to Redenomination
BGN	National Currency of the Republic of Bulgaria after the Redenomination
BIR	Base Interest Rate
BIS	Bank for International Settlements, Basle, Switzerland
BISERA	Banking Integrated System for Electronic Transfer
BNB	Bulgarian National Bank
BORICA	Banking Organization for Payments Initiated by Cards
BSE	Bulgarian Stock Exchange
BSE SL	Bulgarian Stock Exchange Sofia Lazard
BUS	Banking Unified Standard
CB	Commercial Banks
CEFTA	Central European Free Trade Association
CESI	Central European Share Index
CIF	Cost, Insurance, Freight
CIS	Commonwealth of Independent States
CM	Council of Ministers
CMD	Council of Ministers Decree
DAX	Deutscher Aktienindex
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EFF	Extended Fund Facilities
EFTA	European Free Trade Association
EMU	Economic and Monetary Union
EU	European Union
FLIRBs	Front-loaded Interest Reduction Bonds
FOB	Free on Board
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GFD	Gross Foreign Debt
GSM	Global System of Mobile Communication
IMF	International Monetary Fund
LBNB	Law on the Bulgarian National Bank
LSPDACB	Law on State Protection of Deposits and Accounts with Commercial Banks
MF	Ministry of Finance
NSI	National Statistical Institute
OECD	Organization for Economic Cooperation and Development
SDR	Special Drawing Rights
SFRD	State Fund for Reconstruction and Development
SII	State Insurance Institute
TFP	Transitional and Final Provisions
USAID	United States Agency for International Development
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)

I. Developments in the World Economy and Finances

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

Uncertainty about global economic conditions heightened in late 2000 and early 2001 with expectations that a possible worsening of current problems in the USA will impact other regions adversely. Large-scale globalization is becoming a major channel of spreading economic disturbance from the USA to the EU and to the rest of the world. Latest forecasts confirm the anticipated serious slowdown in world output growth. According to the IMF, world output growth will fall to 2.5% and world trade growth will drop from 12.4% in 2000 to 6.7% in 2001.

2. The Developed Countries

The three leading industrial economies, the USA, Japan and Germany, contributed most to the worsening of economic conditions. Problems in high-tech product manufacture and subsequent layoffs led to persistent volatility in equity prices. During the review period stock exchange indices followed a downward trend, moving within a wide range. This affected mainly countries specializing in the manufacture and export of information technology. Unlike early 90s' recession, consumer demand (underpinned by continuous income growth) became the only driver of economic growth against a background of declining profit, investment and output. A number of studies show that during the second half of the year consumer demand in the USA and the EU may be boosted by lower inflation and planned tax cuts.

Concerns over a looming economic crisis entailed a policy of lower interest rates. The IMF forecast for 2001 points to a 1.9% GDP growth and a 0.8% budget deficit.

The European Union

During the first quarter of 2001 the European economy posted 2% average GDP growth. However, estimates for the second quarter are pessimistic (0.5%), given the strong adverse impact of the US crisis. In the setting of worsening global economic conditions the results of individual EU countries diverged broadly: from steady growth in Finland, Norway, Ireland, Switzerland, France and the Netherlands to low economic activity in Germany and Italy, which are among Bulgaria's major trading partners.

Following a short-lived stabilization in international forex markets at the beginning of the review year, the downward trend in the euro against the dollar continued. As a result, the euro lost 10.5% of its value and traded at USD 0.85 to one at the end of the period. After the first indications of emerging recession in Germany, the leading European economy, the ECB cut the interest rate by 25 basis points to 4.5% quite unexpectedly. However, this step led to a strong devaluation of the European currency and was seen as a signal of problems in European economies. According to latest data, the business climate in the eurozone has deteriorated further (from the beginning of the year the IFO index decreased from 97.4 to 89.5) and inflation has exceeded the two-percent limit. This is mainly attributable to food and energy price rises. France's growth forecast was cut from 2.9% to 2.5% on an annual basis as a result of the dramatic fall in exports to Germany, which is a major trading partner. This resulted in revising the 2001 GDP growth in the EU from 2.2% to 2%, and to pressure on the ECB to cut interest rates. With a view to reducing inflationary expectations, ECB monetary policy is likely to be reoriented to underpin eurozone economic growth.

The IMF forecast for 2001 is for 8.4% unemployment, 2.3% inflation measured through the harmonized CPI, and a budget deficit of 0.8%.

The USA

Following the longest period of expansion in US history, during the first half of 2001 the country is on the brink of economic crisis. The only factor postponing the moment of recession is unusually strong support from private consumption. End-June data show a fall in industrial output by 7.9%, a rise in unemployment to 4.5%, and an increase in inflation to 3.4% on an annual basis. Prices of shares traded on the stock exchange, especially technological companies' shares, were volatile throughout the review period, exhibiting a clear downward trend. As a result, many investors left the market. The FRS intervened on several occasions to revive investor and consumer confidence whereby the interest rate on fed funds fell from 6.5% to 4%.

The IMF forecast for 2001 is for 1.5% growth in GDP, 2.6% inflation on 2000 and a fall in the official interest rate to 3.25%. This forecast does not take into account a possible worsening in economic conditions from an external shock.¹

Japan

Following 1.5% GDP growth in 2000, in the second quarter of 2001 the Japanese economy entered recession with a 0.9% GDP fall. The reversal is mainly due to worsened economic conditions in the USA and the recession in the international market for high-tech products. Industrial output and exports fell by 9.5% and 12.5% respectively, securities lost 32% of their value, bottoming at a 17 year low. Unemployment continued rising (by 5%) and expansionary monetary policy (zero interest rate) failed to combat deflation, underpinned by contracting consumer demand.

Forecasts for 2001 are characterized by skepticism about the development of the Japanese economy. Great intercompany indebtedness, particularly in the banking sector, is a serious cause for concern: 19 Japanese banks were put into conservatorship in mid-March. Expectations are for 0.2% GDP decline, 1.2% deflation,² and growth in unemployment from 4.7% to 5.3%.

3. The Transition Economies

Economic slowdown in the EU and particularly Italy and Germany, major trading partners of most CEE countries, adversely affected trade in the region. However, this is expected to have a short-lived effect. Transition economies including Bulgaria, will have to rely mostly on internal sources of growth.

According to the IMF forecast in 2001 transition economies will post 4% growth, with 3.9% growth for Central and Eastern Europe as a whole. The forecast does not take into account the negative effect of a slowdown in transition economies' economic activity.

Central Europe

In the first half of 2001 business climate in *Hungary* worsened gradually, consistent with reduced export orders resulting from the strong forint and the growing negative effect of the EU crisis on the Hungarian economy. During the January to March period GDP rose by 4.4%. Despite pessimistic expectations about the second quarter, at the end of August the Ministry of the Economy announced a revised GDP forecast for some 4.5 – 5% growth. The forecast is based on expectations of enhanced consumer demand consistent with the *consumer confidence* indicator hitting a record high for the last 30 months and the MF package of measures for

¹ Notwithstanding the first signs of stabilization of the US economy, the events following the terrorist act of 11 September in the USA may become the negative impulse causing serious problems in that country and the rest of the world. Although preliminary estimates vary broadly they all forecast a downturn in business climate and consumer confidence. As regards financial markets, coordinated actions by all central banks and particularly the FRS and the ECB will be the key factor for their stabilization. Despite measures taken to surmount the critical situation, the negative effect of this external shock is yet to reflect on the world economy.

² IMF, *World Economic Outlook*, May 2001.

boosting economic growth.

Despite weaker external demand, the current account deficit decreased by EUR 87 million on the same period last year, mainly driven by the unexpectedly high inflow of foreign investment (EUR 90 million). Inflation measured by the CPI, moved within the 10.1 to 10.8% range. The key factors for this are fuel and food price rises. This resulted in a slightly increased anticipated inflation at year-end, which will exceed slightly the 6 to 8% target announced by the National Bank of Hungary (NBH). Following the NBH reducing the pace of monthly forint devaluation from 0.3% to 0.2% on 1 April 2001, three days later the bank broadened the band of possible deviations from the central parity of the forint from 2.25% to 15%. In essence, this was a switch from a fixed exchange rate to a floating exchange rate. With the central bank explicitly announcing inflation targeting in mid-June, Hungary became the third CEE country to introduce *inflation targeting*. Though symbolic, this was seen as a further step in Hungary's preparation for joining the European Exchange Rate Mechanism. The nation is the most serious candidate for EU membership.

In the first and second quarters of 2001 *Poland* posted real GDP growth³ of 2.3% and 1.5% respectively, combined with a budget deficit of 9.1% and 2.1%, and industrial output growth of 4.1% and 0.9%. Inflation reached 6.6% on average for the period as a result of food, energy and services price rises.

In formulating its policy the Central Bank of Poland did not take into account initial signals of a worsening in macroeconomic conditions at the end of 2000, setting 6 to 8% annual inflation. At the same time, the slump in industrial output (4.7% in June) was seen as a signal for monetary policy reorientation toward boosting economic growth. Thus despite volatile inflationary expectations, especially in the first quarter, a resolution was passed on reducing the base interest rate from 19% to 15.5% to stimulate lending and investment.

Forecasts for 2001 are for 2% real GDP growth, 6% average annual inflation, 17.3% unemployment, 5.1% current account deficit and a 3.9% budget deficit increase as a result of fiscal expansion policy, expected lower tax revenues and increased spending prior to and at the time of the fall elections.

In the first and second quarters of 2001 the *Czech economy* posted GDP growth of 3.8% and 3.6%.⁴ Despite an unfavorable external economic environment and emerging crisis in Germany, a major trading partner, expectations of stabilization of the Czech economy materialized. In the Czech Republic, as in many other countries, the *business confidence indicator in industry and construction* bottomed at a low and therefore the economy will have to rely on higher domestic demand.

Despite the 1.9% budget surplus of early 2001, a deficit of 6.1% was reported in the second quarter. The MF forecast for 2001 is for 3.6% growth, 5.1% inflation, 8% unemployment, a current account balance of payments deficit of 5.6% of GDP, and a budget deficit of 4.1%. However, steady growth in line with preset goals requires more restrictive fiscal and monetary policies under the circumstances. To this end the Czech central bank is expected to raise the official interest rate by 75 basis points by year-end.⁵

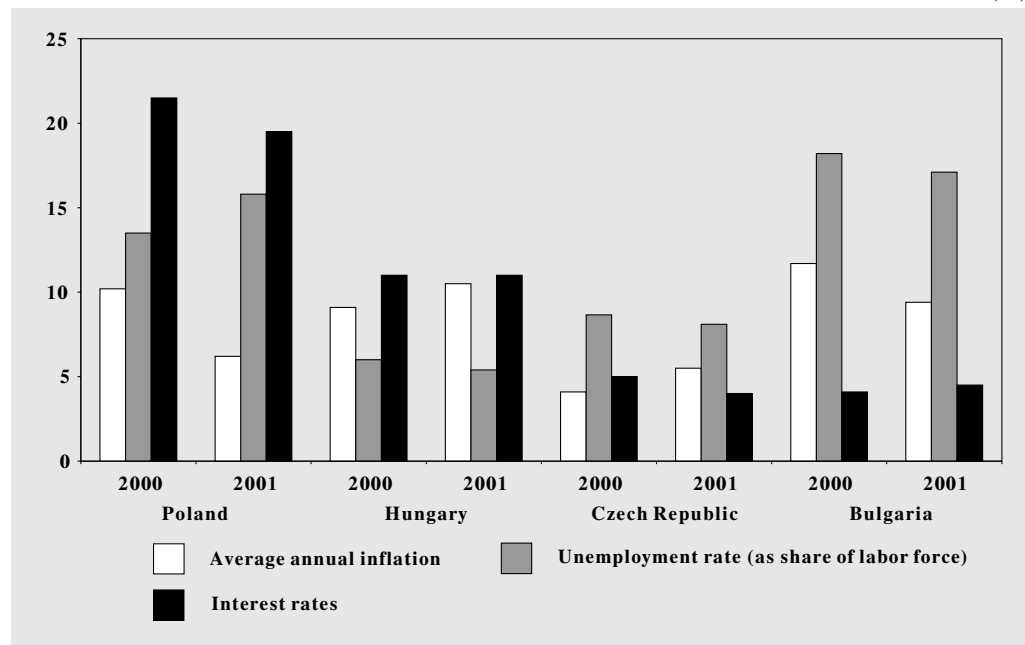
³ Bank for International Settlements, *Economic Indicators for Eastern Europe*, June 2001.

⁴ *Ibidem*.

⁵ JPMorgan, *Global Markets Outlook and Strategy*, September 5, 2001.

**BASIC MACROECONOMIC INDICATORS FOR TRANSITION ECONOMIES
FOR THE FIRST HALF OF THE YEAR**

(%)



Source: BIS.

Russia

The *Russian economy* posted 8.3% growth in 2000 and positive developments continued in 2001 with GDP growing by 4.9% in the first quarter and 5.9% in the second quarter.⁶ An unfavorable global business climate in the first half of 2001 was the main reason for the reduced current account surplus falling from 21% to 15% of GDP compared with the same period last year. At the end of June, domestic credit rose by 14.5% and 17.9%, unemployment declined further to 9.2%, and year-on-year inflation was 23.7%. Russia attracted foreign direct investment of USD 1.2 billion, an increase of USD 0.2 billion compared with the same period last year.

Expectations for 2001 are associated with stable public and private sector demand, a balanced budget, growth in foreign currency reserves, and a current account surplus. The Ministry of the Economy forecasts a 5 to 5.5% GDP growth, 17–18% annual inflation, and a gradual devaluation of the rouble to RUR 30 per US dollar.

**Countries with
Currency
Boards**

Following the *Estonian economy's* 6.9% GDP growth⁷ in 2000 reflecting favorable external and internal economic environment, in the first half of 2001 growth slowed down. This is mainly attributable to a slowdown in industrial output growth to 2.5% and increased foreign trade deficit. As a result of changing economic conditions the Estonian MF revised its 2001 growth forecast from 5.5% to 4.8%. Expectations of success in the Estonian economy are associated with strict adherence to currency board rules and foreign investment. Forecasts are for 5.8% average annual inflation, 7.2% current account deficit and 0.2% of GDP budget deficit.

In the first half of 2001 the *Lithuanian economy* grew rapidly, posting 4.4% real GDP growth in the first quarter and 5.6% in the second quarter. Additional factors for the improved domestic climate are the gradual reduction of unemployment from 13.1% to 12.1%, strong industrial output (23.2% in the second quarter), and a reported budget surplus of 0.3% of GDP.

The USD 111 million loan agreement with the IMF signed in August 2001 assumes a positive revision of forecasts. They are for 4.5 to 5.1% growth, 0.6% average annual inflation and a commitment by the government for a budget deficit not exceeding 1.3% of GDP.

⁶ Bank for International Settlements, *Economic Indicators for Eastern Europe*, June 2001.

⁷ *Ibidem*.

II. Development of the Bulgarian Economy

1. The Real Sector

Gross Domestic Product

BNB preliminary data for the January to June 2001 period reported GDP valued at BGN 12,279.8 million, a real growth of 4.8% compared with the first half of 2000. Though the reported growth was primarily the result of enhanced internal demand and increased exports, the weight of these two major components responsible for the growth changed through the review period. While the impact of adverse trends in the international situation had not been clearly pronounced in the first quarter, progressively declining external demand and an accompanying slump in major export goods prices affected significantly export dynamics during the second quarter. To a certain extent the adverse effect was offset by the enhanced internal demand attributable to intensified investment activity and revived final consumption. As a result economic growth accelerated from 4.5% in the first quarter to 5.1% in the second quarter.

GDP by Final Demand Component

Between January and June 2001 the major element in the structure of GDP, final consumption, increased by 1.2% in real terms from the first half of 2000. In early 2001 final demand weakened indicating a decline, while in the April to June period it increased fully compensating the drop in the first quarter. Individual consumption did not add much to reported economic growth. Individual consumption accounted for a mere 0.2% of overall growth, attributable entirely to real income increases and intensified commercial bank lending to households. The share of individual consumption fell to 80.4% against 84.1% in the first half of 2000. Higher growth was reported in collective consumption (8.7%) contributing to faster GDP growth in the second quarter of 2001.

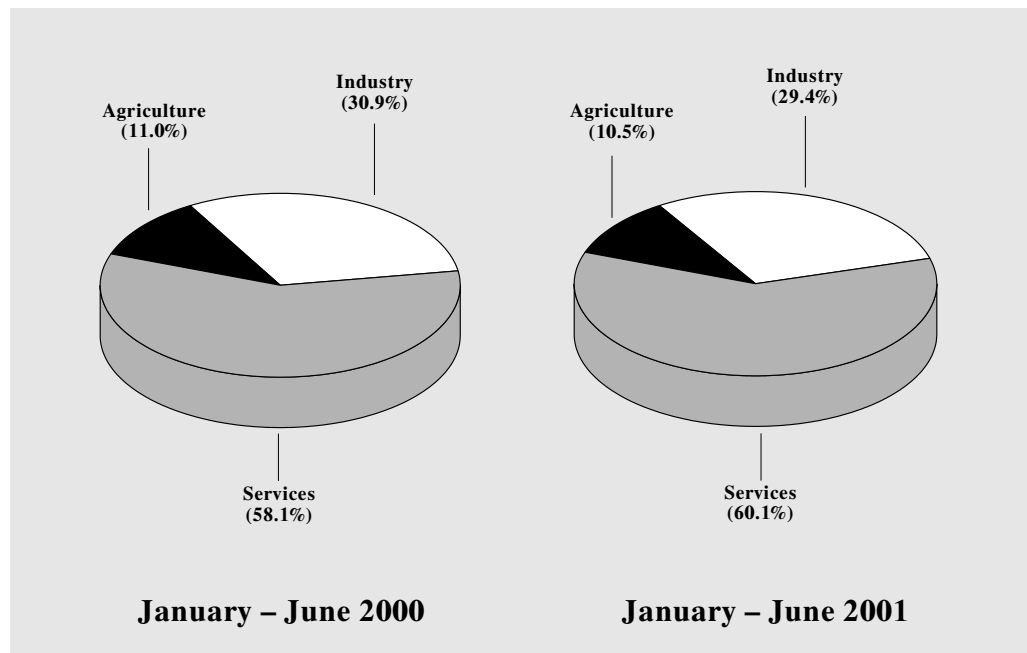
Enhanced investment demand, characterized by a clear upward trend among internal growth sources, contributed most substantially to reported economic growth. Increased gross capital formation reflected both greater investment in fixed capital and changes in the physical volume of inventories. Due to optimistic economic expectations, investment in fixed capital rose by 20% in real terms from the first half of 2000. The increase in the share of fixed capital investment from 13.9% in the first half of 2000 to 15.4% evidences positive trends in fixed capital investment. Enhanced gross capital formation also reflects the physical growth in inventories to 1.5% against 0.3% in the first half of 2000. This growth was a result of impeded sale of output (particularly export goods) associated with reduced external demand.

During the review period the foreign trade balance of exports and imports of goods and services was negative, with imports exceeding exports by BGN 802.2 million (6.5% of GDP). In real terms exports rose by 15.5% and imports by 11.9%. In general exports contributed significantly to reported GDP growth between January and June 2001 but worsening external conditions affected GDP growth in the second quarter of 2001. The economic slowdown of Bulgaria's major trading partners, weakened external demand and the price slump of major export goods affected export dynamics significantly: exports declined from 20.4% in the first quarter to 11.1% in the second quarter of 2001. In spite of the fact that unfavorable trends in export dynamics and enhanced import growth in the second quarter had a negative effect on net exports, the share of foreign trade deficit in GDP was lower than in the first half of 2000 (6.5% against 7.5% in the first half of 2000).

Sectoral Output Structure

Between January and June 2001 gross value added in industry saw the largest growth: 9.2%. The services sector also reported an increase (by 6%), while gross value added in agriculture fell by 8.1%. Changes in sectoral output structure followed the previous periods' pattern. In general, no dramatic changes occurred in sectoral structure. The share of services in gross value added increased, reaching 60.1% against 58.1% in the January – June 2000 period. The shares of agriculture and industry declined by 0.5 percentage points and 1.5 percentage points to reach 10.5% and 29.4%.

SECTORAL OUTPUT STRUCTURE

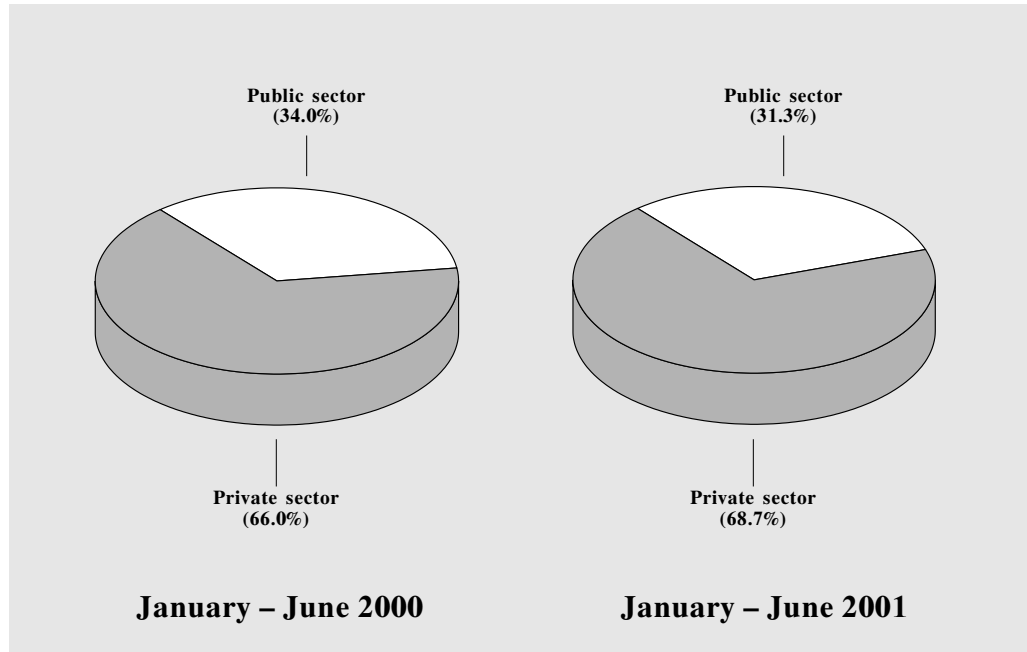


Source: NSI.

GDP by Origin of Ownership

As in previous periods the volumes of gross value added in the public and private sectors were divergent. The ongoing restructuring of ownership and intensified private sector activity impacted the gross value added produced by private sector economic agents which rose by 9.8% in real terms on the first half of 2000. Concurrently, the physical volume of output produced in the public sector decreased by 3.1%. These processes prompted changes in the structure of gross value added by origin of ownership: the private sector share increased to 68.7% (against 66% in the first half of 2000), while the public sector share decreased to 31.3% during the review period.

GDP BY ORIGIN OF OWNERSHIP



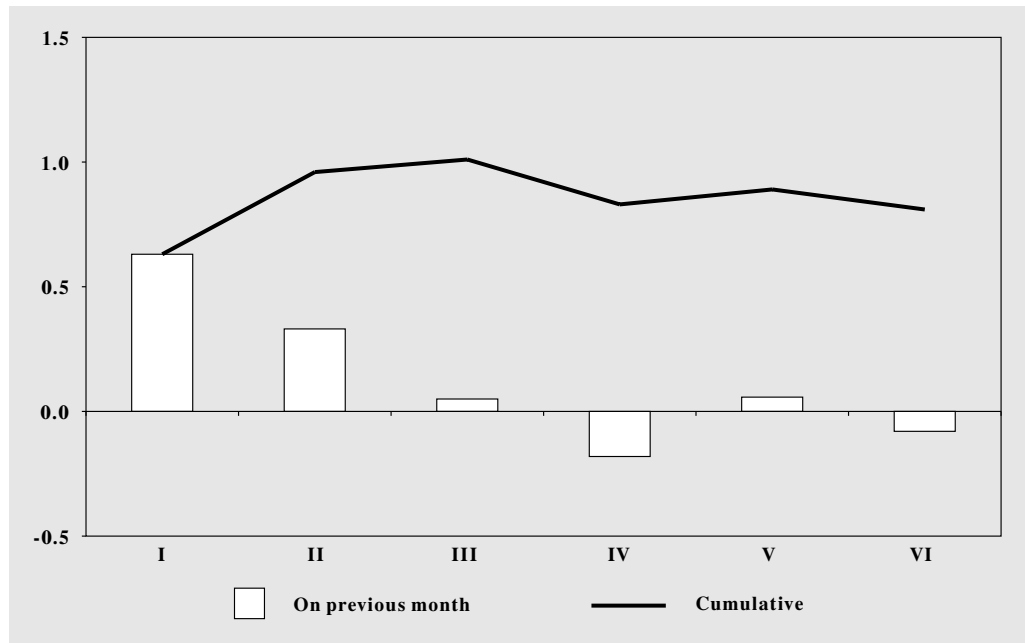
Source: NSI.

Inflation

Following inflationary pressure in the second half of 2000 associated with energy price rises and euro devaluation against the US dollar, no dramatic price movements occurred in the first half of 2001. By the end of June accumulated inflation measured through the consumer price index reached 0.8%.

INFLATION

(%)



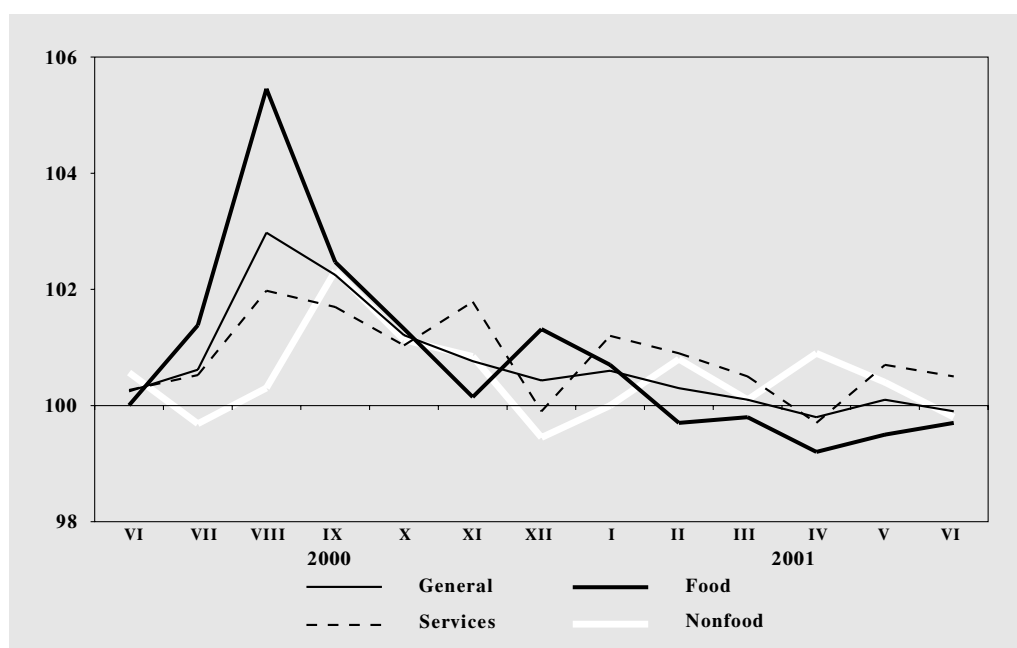
Source: NSI.

Despite the lower than previous years' inflation in early 2001 consumer prices rose most dramatically in the first quarter. Consumer price rises gradually subdued and April and June saw a fall. Between January and June inflation dynamics re-

flected the complex effect of several factors. On the one hand, price increases were determined by external factors: progressive euro devaluation against the US dollar, movements in fuel prices and changes in administered prices. On the other hand, the relatively stable price level maintained over the review period reflected the stable monetary environment provided by the currency board, unchanged prices of electricity and thermal power, as well as seasonal dynamics of food prices which offset higher prices in the commodity groups. Between January and June 2001 services contributed most significantly to price increases, a result of strong effect of external factors on prices of transportation services, changes in government administered prices and the nontradable nature of services.

By commodity group, services experienced the strongest price increase (3.5%), followed by nonfood prices (2%). Food prices decreased by 1.4% from early 2001. The reported fall in food prices reflected the progressive decline in food prices over the review period with the exception of January.

CHAIN CONSUMER PRICE INDICES BY COMMODITY GROUP



Source: NSI.

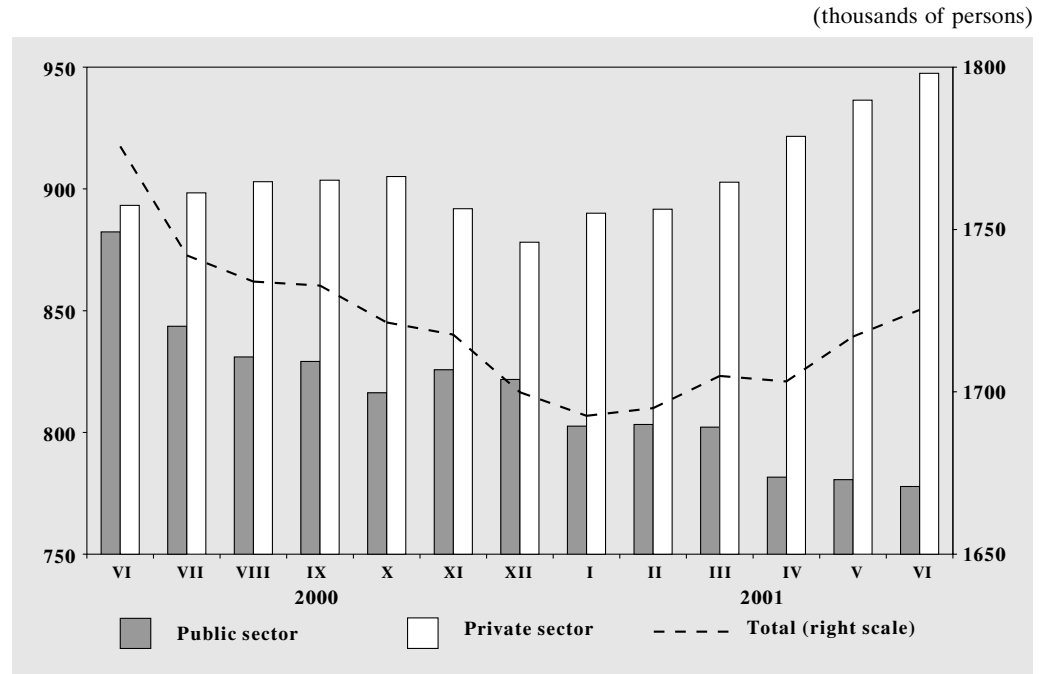
The big share of food in the consumer basket impacted the behavior of the general consumer price index seriously. Consequently, though not so strongly pronounced as in 2000, seasonal deflation in food typical of the review period had an effect on the general consumer price index and helped reduce inflation between January and June 2001. The major factor responsible for increased consumer prices was services price dynamics, particularly in transportation, communications and healthcare. Transportation prices were affected by the rising US dollar and movements in fuel prices. Price rises in communications in early 2001 reflected increased rates of telephone usage in January. Though to a smaller extent, nonfoods also added to the reported higher price level.

The Labor Market

By the end of June 2001 the average number of employees under labor contracts increased by 1.5% (totaling 1,725,244 persons) on end-2000. The number of public sector employees continued to decline, while the number of private sector employees increased. Between January and June 2001 the number of persons employed in the public sector declined by 43,998 (5.4%), while the number of private sector employees grew by 69,364 (7.9%). The upward trend in the share of private

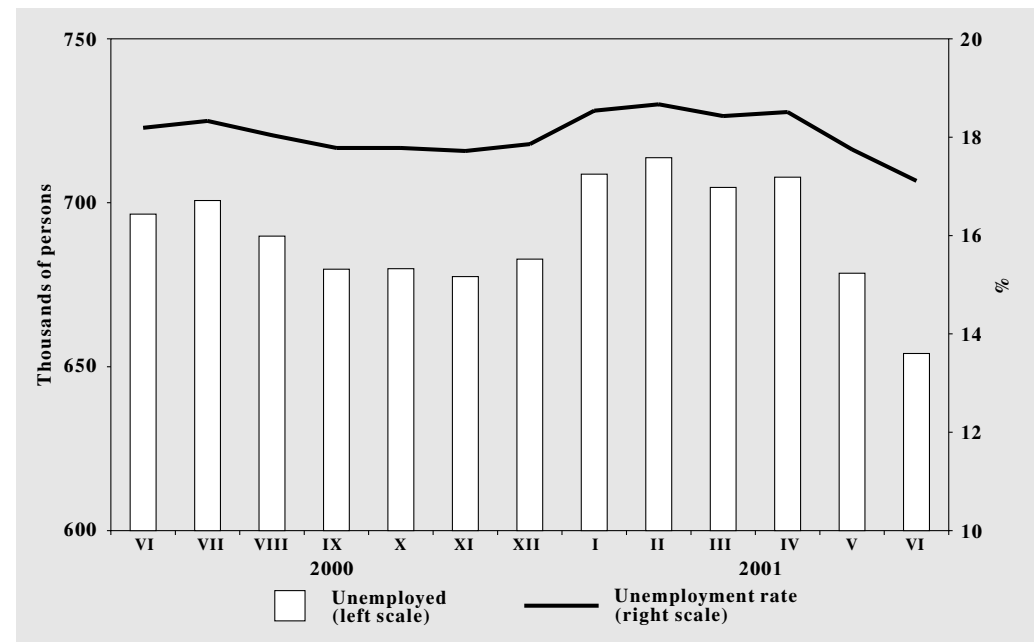
sector employment was sustained: by end-June it reached 54.9% against 51.7% in December 2000. This shows the combined effect of ownership restructuring, improving employment in budget organizations and the greater role of the private sector in creating new jobs. Increased private sector employment over the review period also reflects seasonal activity in agriculture and tourism, both dominated by private ownership. No essential changes occurred in the structure of employment.

EMPLOYEES UNDER LABOR CONTRACTS



Source: NSI.

UNEMPLOYMENT



Source: NSI.

By the end of June 2001 the number of unemployed people was 654,000, or 17.11% of Bulgaria's labor force. Unemployment dynamics between January and June 2001 corresponds to employment trends: the reported decline in unemploy-

ment compared with end-2000 was due to a great extent to seasonal activity in some industries. Despite the reduced number of unemployed compared with the first half of 2000, unemployment remained high. Additional factors which may contribute to unemployment growth are associated with possible redundancies in the government administration and structural changes in privatized enterprises.

Average pay in the first quarter of 2001 was BGN 238 and in the second quarter BGN 259. Nominal salary growth in the January to June period exceeded consumer price growth. By the end of June real pay grew by 2.3% on December 2000: 3.7% in the private sector and 2.7% in the public sector. Despite the reported higher remuneration growth in the private sector, officially announced pay in the private sector stayed lower than in the public sector, reflecting the sustained practice of reporting lower remuneration as a way of minimizing social security payments.

2. The External Sector

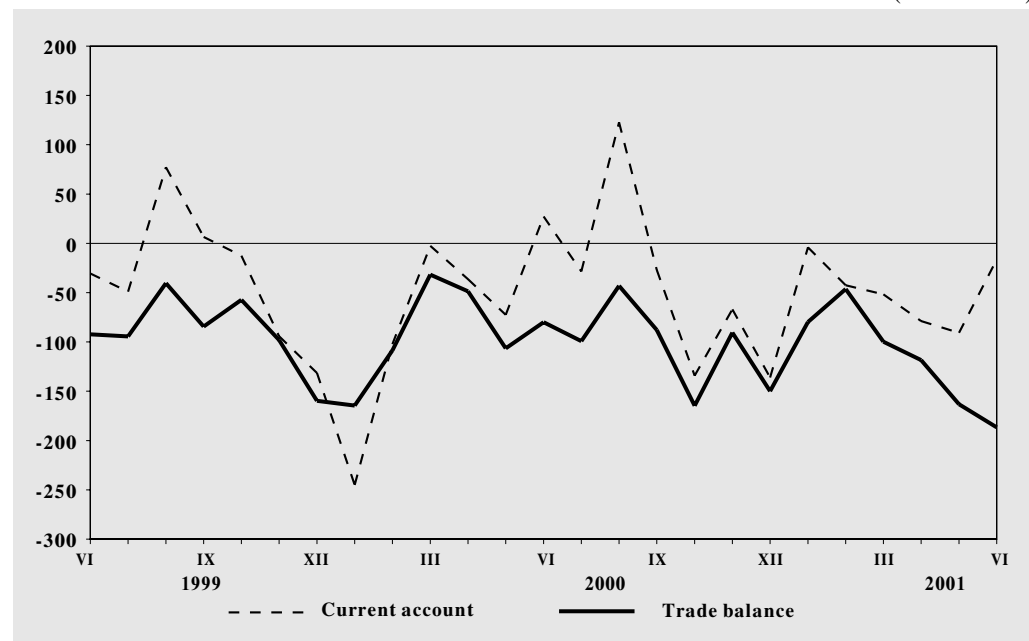
The Balance of Payments

The Current Account

Between January and June 2001 the balance of payments current account deficit amounted to USD 284.2 million. The trade balance deficit was USD 694.2 million, an increase of USD 154 million compared with the same period of 2000. The increased foreign trade deficit was associated primarily with worsened external conditions. Economic growth in eurozone countries slowed down compared with the first half of 2000, a result both of reduced internal demand and slower growth in other countries, particularly the USA and Japan. Slower growth rates in the world economy prompted price slumps in a number of goods with a key significance in Bulgarian exports. In June 2001 steel prices fell most dramatically, by 31.3% for hot-rolled steel, prices of carbamide by 20.2%, those of zinc by 19.9%, etc. However, between January and June 2000 the *Terms of Trade* indicator significantly improved compared with the same period in 1999.⁸

CURRENT ACCOUNT AND TRADE BALANCE
(monthly data)

(million USD)



Source: BNB.

⁸ According to BNB assessment.

During the review period *exports (FOB)* reached USD 2,487.1 million, an increase of 8.9% (USD 203.4 million) on the first half of 2000. *Imports (FOB)* indicated higher values: an increase of 12.7% (USD 357.4 million) reaching USD 3,181.3 million. Despite lower petroleum prices, imports of *energy inputs (CIF)* decreased by just 0.8% (USD 6.6 million) on the first half of 2000 reflecting increased imports of natural gas (due to higher prices) and enhanced imports of coal.

Between January and June 2001 the balance on services ended in surplus (USD 316.7 million), indicating an increase of USD 184.7 million against the same period of 2000 (USD 132 million). Net expenditure on *transportation services* (USD -61.2 million) decreased by USD 1.7 million against the January to June 2000 period (USD -62.9 million) mostly attributable to higher revenues from exports and tourism. Between January and June 2001 the balance on travel amounted to USD 222.5 million, an increase of 26% (USD 45.9 million) on the same period of 2000 (USD 176.6 million). The improved balance reflects higher travel revenue (by USD 45 million or 10.9%), pertaining to the increased number of foreign tourists to Bulgaria. Net revenue on *Other services* reached USD 155.4 million, increasing by 137.1 million on the January to June 2000 period (USD 18.3 million). This increase was primarily the result of the sale of the license for the second GSM mobile telephone operator in January 2001, worth USD 135 million.⁹

During the first half of 2001 the balance on the *Income* item improved by USD 20.6 million. Between January and June 2001 *Income: credit* grew by USD 32.1 million (20.4%) on the same period of 2000, with interest comprising the largest share. *Income: debit* amounted to USD 331.3 million, an increase of USD 11.5 million (3.6%) on the same period of 2000 (USD 319.8 million). This growth reflects increased payments on Brady bonds (by USD 24.6 million) and higher interest paid on loans compared with the corresponding period in 2000.

Between January and June 2001 net revenue from *current transfers* (USD 235.7 million) increased by USD 96.1 million compared with the first half of 2000. Revenue on current transfers amounted to USD 293 million, increasing by USD 126.1 million (75.6%) compared with the same period of 2000 (USD 166.9 million). Reported revenue includes unrequited transfers of USD 107.6 million extended from EU preaccession funds.

The Financial Account

Between January and June 2001 the balance on the *financial account* turned positive (USD 143.7 million). However, it worsened from the same period of 2000. *Direct investment in Bulgaria* totaled USD 274.6 million, a decrease of USD 11.2 million on January to June 2000 (USD 285.8 million). *Portfolio investment by residents abroad* rose by USD 57.1 million, while in the first half of 2000 it had increased by USD 100.7 million.¹⁰ *Portfolio investment (liabilities)* fell by USD 23 million attributable mostly to the decreased investment of nonresidents in ZUNK bonds (by USD 15.1 million). Compared with January to June 2000 liabilities on portfolio investment decreased by USD 30.6 million.

Between January and June 2001 *Other investment – assets* went up by USD 101.7 million against an increase of USD 9.7 million in the same period of 2000. In June 2001 alone these assets rose by USD 101.1 million due to increased commercial bank deposits abroad (by USD 132.5 million). During the first half of 2001 commercial banks' forex deposits abroad grew by USD 240 million against an increase of USD 221.4 million between January and June 2000. During the period under review deposits by individuals with local banks (*Other currency and deposits*)¹¹ increased by USD 133.9 million against an increase of USD 61.6 million between January and June 2000.

⁹ In accordance with § 165 of the IMF Balance of Payments Manual of 1993 and § 3.118 of the Manual on Statistics of International Trade in Services of the European Commission, the IMF, the OECD, the UN, the UN Trade and Development Organization and the World Trade Organization of 2001, the license purchase of the second GSM mobile telephone operator conducted in January 2001 was reported under the Services item, included in the balance of payments current account.

¹⁰ Changes due to valuation adjustments excluded.

¹¹ Changes due to valuation adjustments excluded.

During the review period *Other investment – liabilities* increased by USD 54.1 million (against an increase of USD 64.2 million in the same period of 2000), a result of increased principal payments on loans of the *general government* and loans extended to *Other sectors*. *Nonresidents' deposits* grew by USD 1.7 million, on an increase of USD 23.2 million in the same period of 2000.

Between January and June 2001 the *Errors and Omissions* item turned negative totaling USD 17.9 million; it had been positive (USD 148 million) in the first half of 2000.

As a result of developments in the balance of payments current and financial accounts the overall balance in the January to June 2001 period ended in a deficit of USD 158.4 million. BNB forex reserves fell by USD 163.7 million against an increase of USD 56.2 million in the same period of 2000 (changes reflecting valuation adjustments have been excluded).¹² By end-June 2001 BNB forex reserves reached USD 3,039.7 million, indicating a fall of USD 105.5 million (3.4%) on June 2000 (USD 3,145.1million).¹³ The ratio of *BNB forex reserves to imports of goods and nonfactor services* worsened as a result of decreased BNB forex reserves (in US dollar terms) and increased average monthly imports of goods and nonfactor services. By end-June 2001 it was 4.5 months, while by end-December 2000, it had been 5.4 months.

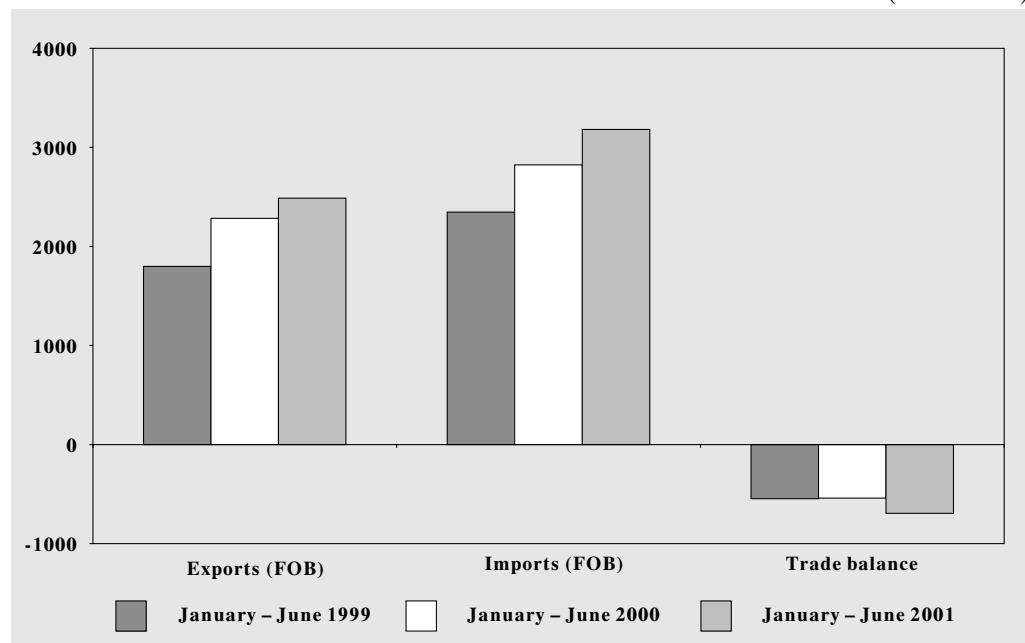
Foreign Trade

External Conditions

Between January and June 2001 economic growth in Europe slowed down compared with the first half of 2000, a result both of reduced internal demand and slower growth in other countries, particularly the USA and Japan. Bulgarian exports were also affected by the crisis in Turkey. Between January and June 2001 slower growth rates in the world economy compared with the corresponding period in 2000 prompted price slumps in a number of goods having a key significance in Bulgaria's exports.

EXPORTS, IMPORTS AND TRADE BALANCE

(million USD)



Source: BNB, NSI.

¹² If changes due to valuation adjustments are included, BNB forex reserves declined by USD 420.6 million during the period under review.

¹³ Changes due to valuation adjustments included.

According to preliminary data the **trade balance** ended in deficit (USD –694.2 million, or 5.3% of GDP¹⁴). Compared with the first half of 2000 the trade balance deficit increased by USD 154 million.¹⁵

During the first half of 2001 **exports (FOB)** increased by 8.9% (USD 203.4 million) on the same period of 2000, reaching USD 2,487.1 million. **Imports (FOB)** increased by 12.7% (USD 357.4 million) against the first half of 2000 to reach USD 3,181.3 million. Only imports of *nonenergy resources (CIF)* rose by 17.4% or USD 393.9 million. Despite lower petroleum prices, imports of *energy inputs (CIF)* decreased just 0.8% (USD 6.6 million) on the first half of 2000 reflecting increased imports of *natural gas* (at higher prices) and enhanced imports of *coal*.

Export Dynamics

Between January and June 2001 exports of **energy resources** rose by 14.9% (USD 44 million) on the corresponding period of 2000. This was attributable to the *electricity* item. Export fall in petroleum products over the review period reflected the lower prices of crude oil (exported physical volume in the first half of 2001 grew by 4.1% compared with the same period of 2000).

Exports of **consumer goods** indicated an increase of 17.6% (USD 120.9 million) compared with the first half of 2000. Major commodity groups responsible for this growth are: *clothing and footwear* (by 31.8% or USD 117.8 million), *food* (by 20.7% or USD 14.9 million) and *housing and home furniture* (by 21.5%, or USD 10.9 million). However, a substantial decline was reported in exports of *cigarettes* (by 49.9% or USD 7.5 million) and *drinks* (by 18.4% or USD 7 million).

EXPORTS BY USE

Commodity groups	Relative share in total exports for 2000,%	Contribution to total export change on corresponding month of 2000 (percentage points)		
		2001		
		I quarter	II quarter	January – June
Consumer goods	29.9	5.6	5.0	5.3
Raw material feedstocks	44.1	2.0	0.0	1.0
Investment goods	11.5	1.3	0.1	0.7
Energy commodities	14.5	6.1	-2.1	1.9
TOTAL EXPORTS, FOB	100.0	15.1	3.0	8.9

Source: BNB, NSI.

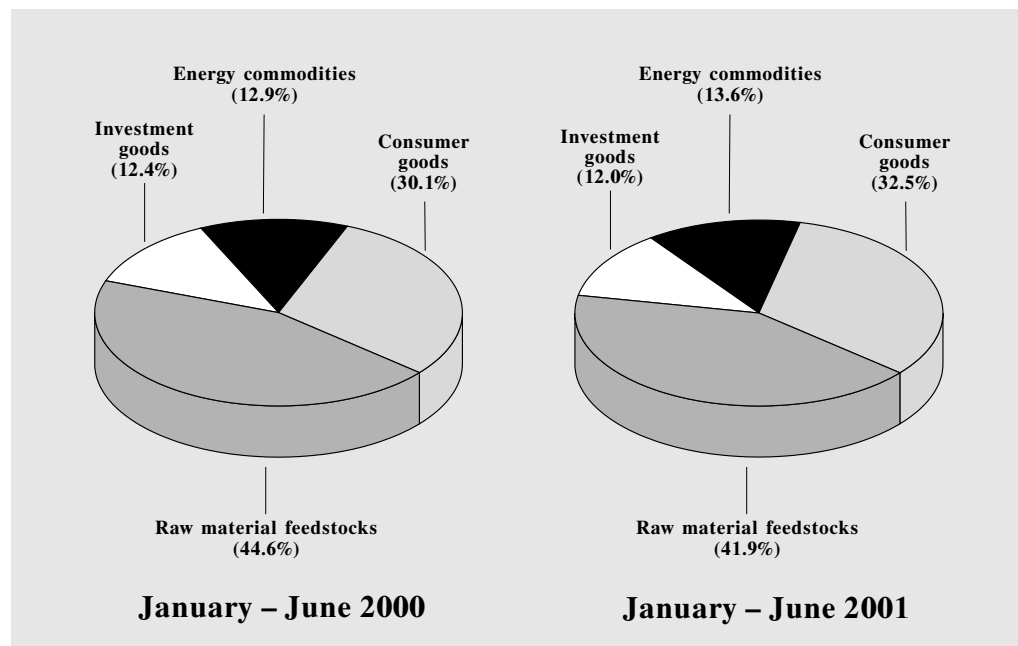
Between January and June 2001 exports of **investment goods** grew by 5.6% (USD 15.8 million) due mostly to higher exports of *spare parts and equipment* (by 20.9% or USD 11.9 million) and *transportation facilities* (by 19.9% or USD 3 million).

During the first half of 2001 exports of **raw material feedstocks** grew by 2.2% (USD 22.7 million), attributable primarily to the increased exports of *textile materials* (by 41% or USD 26.3 million), *fertilizers* (by 32.5% or USD 11.4 million), and *food feedstocks* (by 13.8% or USD 4.9 million). Exported greater physical volumes of *mineral or chemical nitrate fertilizers* (by 45%, 87,400 tones) contributed most significantly to the growth reported in exports of *fertilizers*. However, exports of *cast-iron, iron and steel* dramatically declined: by 17.7% (USD 36.4 million), reflecting both lower steel prices in international markets and lower exports, particularly of *flat-rolled products* (by 12.7%, 55,900 tones). A fall was reported in exports of *to-bacco* (by 13.1% or USD 2.3 million) and *cement* (by 31.6% or USD 6.1 million).

¹⁴ At GDP estimated for 2001 amounting to USD 13,000 million.

¹⁵ According to customs data processed by the BNB and supplemented by the NSI. Data is final for 2000 and preliminary for 2001.

EXPORTS BY USE



Source: BNB, NSI.

CHANGE OF PRICES IN INTERNATIONAL COMMODITY MARKETS

Commodities	Average prices (USD per tonne)		Change (2001 – 2000)	
	I – VI.2000	I – VI.2001	USD	%
Cereals	108.4	130.5	22.1	20.4
Cotton	1239.0	1204.0	-35.0	-2.8
Wool	4241.0	4402.0	161.0	3.8
Carbamide	101.2	107.1	5.9	5.8
Triple superphosphate	138.0	127.3	-10.7	-7.8
Aluminum	1560.0	1539.0	-21.0	-1.3
Copper	1767.0	1708.0	-59.0	-3.3
Lead	436.0	478.0	42.0	9.6
Zinc	1132.0	977.0	-155.0	-13.7
Hot-rolled steel	303.3	227.6	-75.7	-25.0
Cold-rolled steel	393.3	310.8	-82.5	-21.0
Steel products*	75.3	69.1	-6.2	-8.2
Crude oil**	26.7	26.5	-0.2	-0.6

* Index 1990 =100.

** Brent, USD per barrel.

Source: Global Commodity Markets. *Commodity price data*. The World Bank. July 2000, July 2001.

Import Dynamics

Due to intensified production and exports, imports of **raw material feedstocks** increased by 25.3% (USD 255.2 million) between January and June 2001. By commodity group imports rose most substantially in *textile materials* (by 31.8% or USD 90.7 million), *nonferrous metals* (by 80.3% or USD 18.9 million), *ores* (by 35.5% or USD 34.8 million), *cast-iron, iron and steel* (by 24.4% or USD 13.5 million), *plastics and rubber* (by 22.9% or USD 24.8 million), and *hides* (by 57.4% or USD 14.7 million).

Imports of **consumer goods** rose by 21.1% (USD 102.9 million), a result primarily of increased imports of *clothing and footwear* (by 30.1% or USD 29 million), *housing and home furniture* (by 29.9%, or USD 19.3 million) and *medical goods and cosmetics* (by 22.4% or USD 23.6 million).

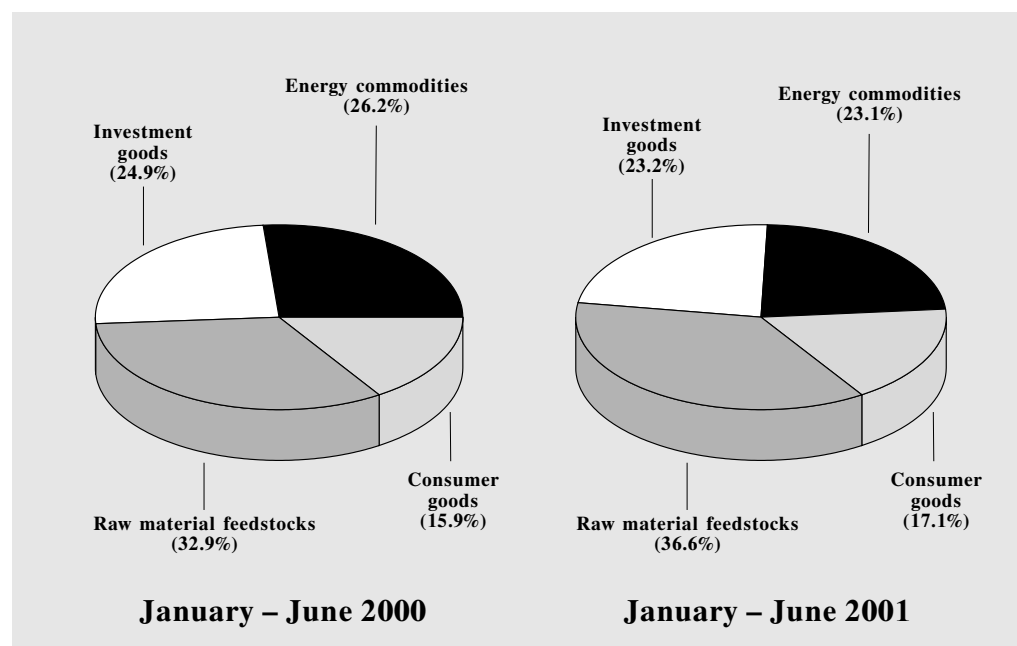
Imports of **investment goods** also increased (by 4.7% or USD 35.9 million) compared with the first half of 2000. The highest growth was reported in imports of *electrical machines* (by 50.4% or USD 50.4 million), *transportation facilities* (by 15.8% or USD 20 million) and *spare parts and equipment* (by 10.8% or USD 10.8 million).

IMPORTS BY USE

Commodity groups	Relative share in total imports for 2000, %	Contribution to total import change on corresponding month of 2000 (percentage points)		
		2001		
		I quarter	II quarter	January – June
Consumer goods	15.3	2.9	3.8	3.4
Raw material feedstocks	33.0	7.5	9.2	8.3
Investment goods	24.5	-2.3	4.7	1.2
Energy commodities	27.2	-1.9	1.4	-0.2
TOTAL IMPORTS, CIF	100.0	6.2	19.1	12.6

Source: BNB, NSI.

IMPORTS BY USE



Source: BNB, NSI.

Imports of **energy commodities** indicated a slight decline of 0.8% (USD 6.6 million). Imported *crude oil* fell by 14.4% (USD 68.1 million), while imports of *natural gas* and *coal* grew by 22.1% (USD 38.2 million) and 30.1% (USD 19.6 million) respectively. The decreased volume of imported *crude oil* reflected both lower *crude oil* prices and smaller physical volumes imported in the review period (by 7.1% or 173,800 tonnes). Imports of *natural gas* grew as a result of higher international market prices (the physical volume of imported gas rose by 0.6%).

Geographic Structure

Exports

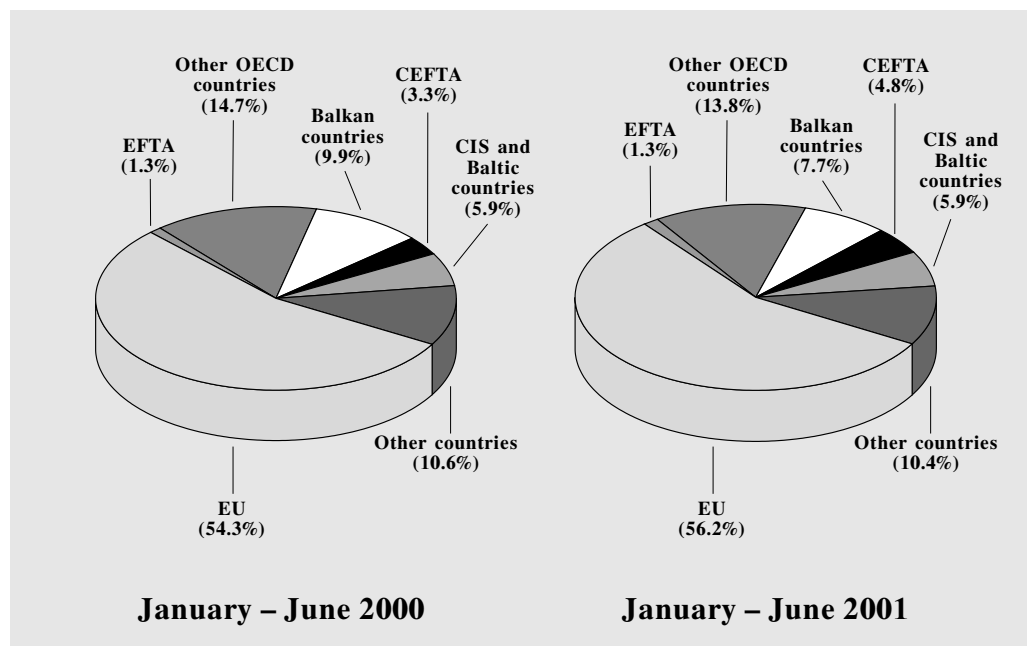
Slower growth rates reported in the eurozone coupled with weakened external demand insignificantly affected exports to the EU. Between January and June 2001 exports to the Union rose by 12.6% (USD 156 million) against the same period of 2000. However, growth slowed down compared with the same period in 2000, when it was reported at 26.4% (USD 259.2 million). EU countries continued to be Bulgaria's major trading partners, accounting for 56.2% of total exports. Exports to Spain increased most significantly (53% or by USD 28.1 million), followed by those to France (32.7% or USD 34.1 million) and Greece (by 24.1% or USD 46.6 million). Higher exports to Spain are attributable mostly to exported *cast-iron, iron and steel*, while increased exports to France and Greece reflect the enhanced exports of

mineral fuels, mineral oils and distilled products, and clothing and accessories. However, compared with the first half of 2000 exports to Belgium indicated a fall by 5.8% (USD 9 million), a result of decreased exports of *copper and its products*, and to the Netherlands by 13.8% (USD 5.9 million).

Exports to **Other OECD countries** grew by 2.7% (USD 9.2 million) from the first half of 2000 due primarily to increased exports to the *USA* (by 49.4% or USD 43.4 million). The reported growth reflects basically higher exports of *mineral fuels, mineral oils and distilled products* (by USD 30.9 million), and *fertilizers* (by USD 14.7 million).

Between January and June 2001 exports to the **Balkan countries** experienced a decline of 15.3% (USD 34.5 million) on the corresponding period of 2000, due mostly to reduced exports to *Yugoslavia* (by 21.9% or USD 33.6 million). The decline was the result of reduced exports of *mineral fuels, mineral oils and distilled products* (by 44.9% or USD 48 million) to Yugoslavia associated with resumption of work by Yugoslavia's refineries.

GEOGRAPHIC STRUCTURE OF EXPORTS



Source: BNB, NSI.

Exports to **CEFTA** countries increased most significantly (in percentage terms): by 58% (USD 43.6 million), attributable mostly to increased exports of *mineral fuels, mineral oils and distilled products, wheat and cast-iron, iron and steel to Romania*. Exports to *Hungary* and *Poland* also experienced dramatic growth: by 28.5% and 22.3% respectively.

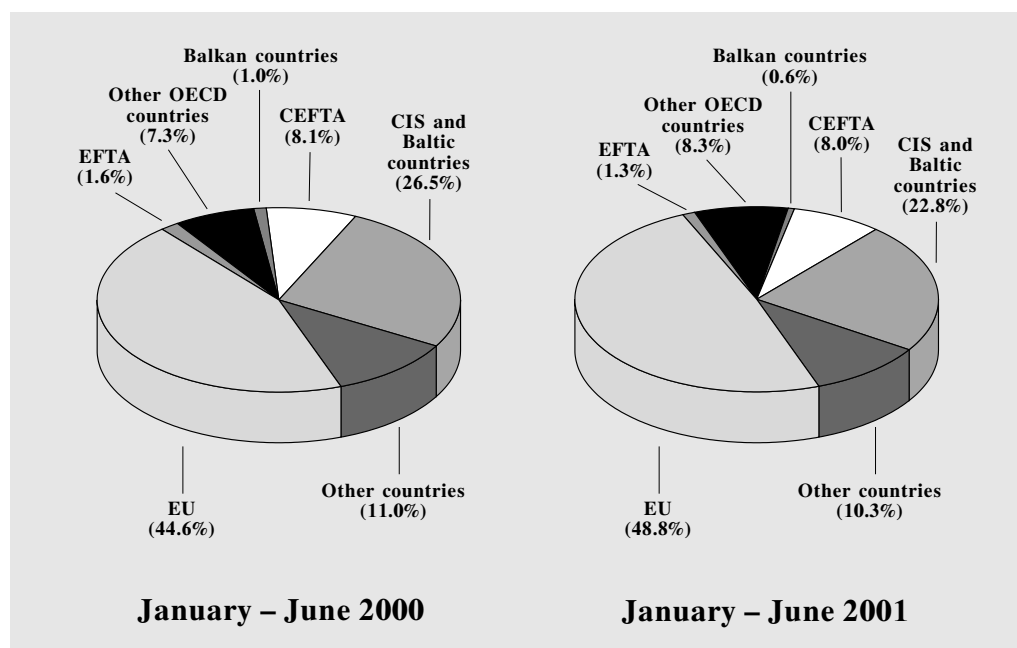
Imports

Between January and June 2001 imports from the **European Union** increased by 23.3% (USD 318.2 million), with the EU share in total Bulgarian imports growing by 4.2 percentage points to reach 48.8% by end-June 2001. Imports from most EU countries indicated dramatic growth: most significantly from *Italy*, by 32.5% (USD 86.3 million) and *Germany*, by 18.7% (USD 78.1 million). The enhanced growth in imports from *Italy* reflects primarily higher imports of *nuclear reactors, boilers, machines, appliances, machinery and spare parts* (by 28.6% or USD 13.5 million) and from *Germany*, *electrical machines and appliances* (by 52.5% or USD 19.9 million) and *automobiles* (by 12.6% or 13.4 million). Reported higher growth in imports from *Greece* between January and June 2001 (by 25.9% or USD 41.6 million) pertains mostly to enhanced imports of *clothing and accessories to clothing* (by 32.1% or USD 14.8 million).

Imports from *Russia* indicated the most dramatic decline in imports from **CIS and Baltic countries**: by 7.1% (USD 51.8 million), attributable mostly to reduced petroleum prices. As a result the share of this region in total Bulgarian imports fell from 26.5% to 22.8%.

During the first half of 2001 imports from **CEFTA** countries increased by 11.4% (USD 28.4 million), reflecting to a great extent additionally reduced customs duties in early 2001 under the CEFTA agreement. Higher growth in imports was a result of enhanced imports from *Poland* (by 27.9% or USD 10.9 million), *Hungary* (by 32.8% or USD 10 million) and *Slovenia* (by 32% or USD 3.8 million). Increased imports from *Poland* were due to imported higher volumes of ores, slags and ashes (by 238.8% or USD 2.8 million), and from *Hungary*, nuclear reactors, boilers, machines, appliances and machinery (by 112.8% or USD 3.5 million) and electrical machines and appliances (by 100.6% or USD 2 million).

GEOGRAPHIC STRUCTURE OF IMPORTS



Source: BNB, NSI.

Between January and June 2001 imports from **Other OECD countries** grew by 27.5% (USD 61.5 million, a result of increased imports from the *USA* (by 38.4% or USD 33.1 million), with imports of medical goods contributing most significantly to this growth (five-fold, or USD 14.3 million). Higher imports from *Turkey* (by 12.1% or USD 12.3 million) are associated with the dramatically depreciated Turkish lira after February 2001. By commodity group the largest imports were reported in electrical machines and appliances (by 94.8% or USD 6 million), ores, slags and ashes (by 59% or USD 4.1 million) and clothing and clothing accessories (by 69.7% or USD 3.4 million).

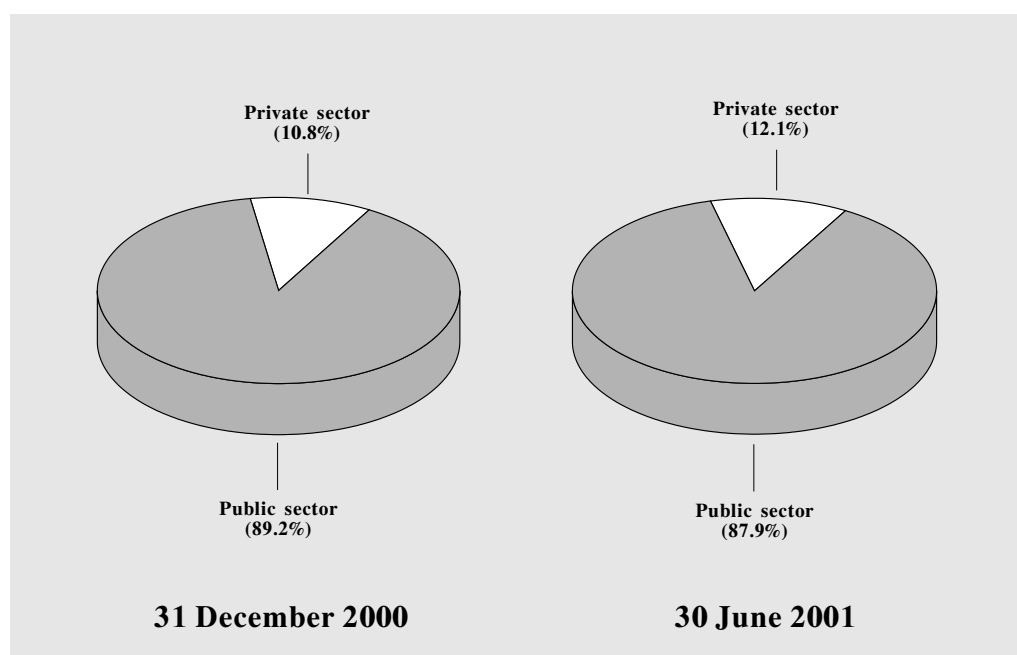
Between January and June 2001 imports from **Balkan countries** decreased by 34.2% (USD 10 million) on the same period of 2000, reflecting mostly reduced imports from *Yugoslavia* (by 44.3% or USD 6.3 million) and *Macedonia* (by 24.8% or USD 3.2 million) from January to June 2000. By commodity group, a fall was reported in imports of nuclear reactors, boilers, machines, appliances and machinery (by 91.7% or USD 2.2 million) and mineral fuels, mineral oils and distilled products (by 95.3% or USD 2.3 million) from *Yugoslavia* and ores, slags and ashes (by 76.2% or USD 4.7 million) from *Macedonia*.

Foreign Debt and Debt Instruments

Gross Foreign Debt

Bulgaria's gross foreign debt by end-June 2001 totaled USD 10,056 million (77.4% of GDP¹⁶): a decrease of USD 308.4 million (3%) compared with end-2000 (USD 10,364.3 million, 86.5% of GDP). Foreign debt payments between January and June 2001 totaled USD 764.7 million. Disbursed loans and deposits amounted to USD 535.1 million. As a result of conducted transactions¹⁷ gross foreign debt fell by USD 10.3 million, and by USD 298.1 million due to valuation adjustments. *Net transfer of funds*¹⁸ between January and June 2001 was negative, amounting to USD 229.6 million against a negative amount of USD 60.1 million in the first half of 2000.

FOREIGN DEBT SHARES OF PUBLIC AND PRIVATE SECTORS IN GROSS FOREIGN DEBT



Source: BNB.

In terms of maturity, Bulgaria's long-term debt totaled USD 9,439.7 million (93.9% of total debt), and short-term debt USD 616.3 million (6.1% of total debt), indicating a decline of USD 278.2 million (2.9%) and USD 30.1 million (4.7%) respectively on 31 December 2000.

By end-June 2001 *private sector* debt totaled USD 1,215 million, increasing by USD 97.4 million (8.7%) compared with end-2000 (USD 1,117.6 million).

Private commercial bank debt amounted to USD 245.6 million, decreasing by USD 23.6 million (8.8%) from the end of 2000, a result of decreased nonresidents' deposits by USD 20.1 million. By the end of June 2001 private nonfinancial enterprise debt totaled USD 969.4 million, an increase of USD 121 million (14.3%) from end-2000. Intracorporate loans increased by USD 98.7 million (26.7%) to reach USD 467.6 million by end-June 2001. Loans drawn from other creditors (*Other loans*) grew by USD 22.3 million (4.7%) totaling USD 501.8 million. In terms of maturity, long-term loans comprised 53% and short-term loans 47% in private nonfinancial enterprise debt.

By the end of June 2001 Bulgaria's public debt amounted to USD 8,840.9 mil-

¹⁶ Projected GDP in 2001 totals USD 13,000 million.

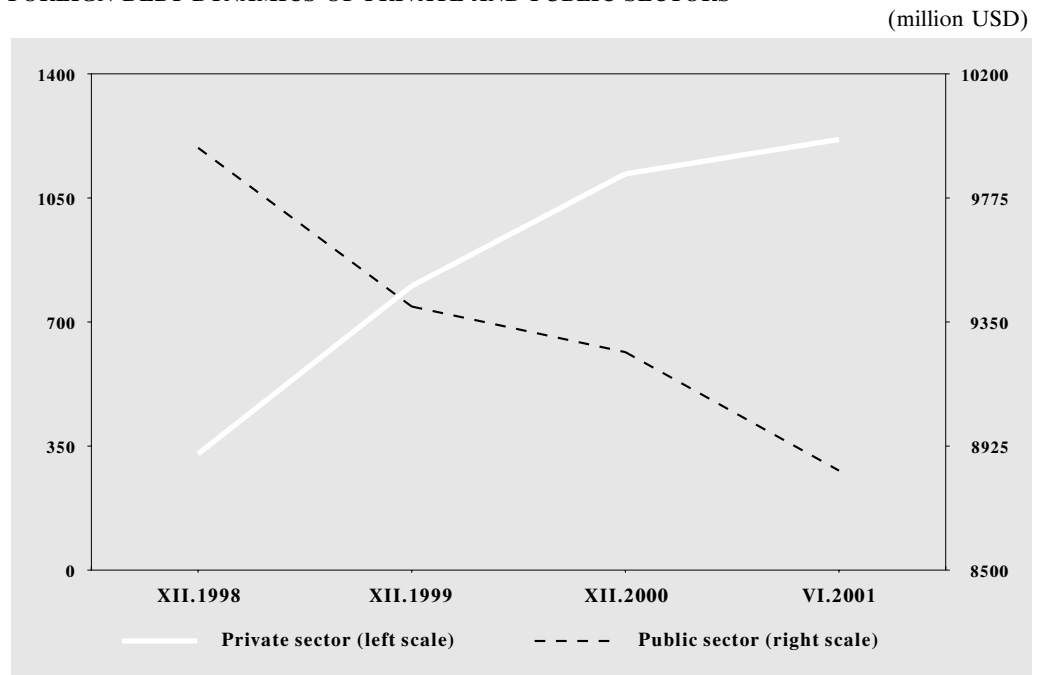
¹⁷ Transactions associated with changes in the amount of gross foreign debt include principal payments, disbursement of new loans and deposits and restructuring of old loans and deposits.

¹⁸ The balance between the total amount of disbursed loans and total amount of payments on gross foreign debt service. Principal and interest payments received and paid on revolving credits excluded.

lion, a decrease of USD 405.8 million (4.4%) from end-2000. By the end of June 2001 government debt totaled USD 7,925.4 million, a decrease of USD 308.9 million (3.8%) from end-December 2000 (USD 8,234.3 million). Government guaranteed debt grew by USD 38.8 million (6.1%) during the first half of 2001, reaching USD 671.2 million by the end of June 2001. The public sector *Other debtors'* debt totaled USD 152.5 million, a decrease of USD 123.9 million (44.8%) on end-2000.

Between January and June 2000 no essential changes occurred in the foreign exchange structure of gross foreign debt. By end-June 2001 Bulgaria's obligations denominated in US dollars accounted for 65.8%, in euro (including its national components) 18%, and in SDR 12.5%.

FOREIGN DEBT DYNAMICS OF PRIVATE AND PUBLIC SECTORS



Source: BNB.

Gross Foreign Debt Service

Between January and June 2001 payments on Bulgaria's gross foreign debt service (USD 764.7 million, 5.7% of GDP) include principal payments of USD 479.1 million (62.7%), and interest payments of USD 285.6 million (37.3%). Compared with the first half of 2000 gross foreign debt payments between January and June 2001 increased by USD 252.3 million (49.2%).

Payments on the private foreign debt service totaled USD 173.7 million. Payments made on the obligations of private commercial banks totaled USD 108 million. Payments on the debt of nonfinancial sector private enterprises amounted to USD 65.7 million, indicating an increase of USD 28 million (74.2%) compared with the first half of 2000.

In the January to June 2001 period public sector debt payments amounted to USD 591 million, including principal payments of USD 318.4 million (53.9%) and interest payments of USD 272.6 million (46.1%). Between January and June 2000 the public sector debt payments amounted to USD 454.5 million. Government debt repayments totaled USD 510.1 million and government guaranteed debt repayments amounted to USD 46.8 million.

New Loans and Deposits

Between January and June 2001 new loans and deposits received amounted to USD 535.1 million. Of this USD 238.7 million (44.6% of the total amount) was extended to the public sector and USD 296.4 million (55.4%) to private financial and nonfinancial enterprises. Compared with the first half of 2000 the total amount of loans drawn increased by USD 82.8 million (18.3%).

During the review period new loans and deposits extended to the private sector increased by USD 96.1 million (48%) on January to June 2000. Deposits accounted for the largest share (90.9%, or USD 102.2 million) of total new credits and deposits extended to private commercial banks (USD 112.5 million). Tranches on *intracompany loans* comprised 66.9% (USD 123 million) and on other loans 33.1% (USD 60.9 million) in total loans drawn by nonfinancial sector private enterprises (USD 183.9 million) in the first half of 2001. Compared with the corresponding period in 2000 *intracompany loans* increased by USD 26.6 million (27.6%), and other loans by USD 11.3 million (22.9%). In terms of maturity long-term loans disbursed to private nonfinancial enterprises totaled USD 105.6 million, an increase of USD 18.6 million (21.4%) compared with the first half of 2000. Short-term loans amounted to USD 78.3 million, indicating an increase of USD 19.4 million (32.8%) compared with the same period of 2000.

Loans and deposits disbursed to the public sector decreased by USD 13.4 million (5.3%) on the January to June 2000 period. Loans to the government amounted to USD 132.4 million, coming to 55.5% of total public sector loans in the review period. Government guaranteed loans amounted to USD 91.9 million, indicating an increase of 34.6% (USD 23.7 million) compared with the first half of 2000.

Changes in Debt Indicators

The ratio of *gross foreign debt to gross domestic product* improved, decreasing from 86.5% by end-2000 to 74.5% by 30 June 2001. This is attributable to both decreased debt during the January to June 2001 period and projected GDP growth for 2001 in US dollars.

DEBT INDICATORS

	2000				2001	
	III	VI	IX	XII	III	VI
Gross foreign debt/gross domestic product	84.1	85.9	85.6	86.5	78.0	77.4
Short-term debt/gross foreign debt	5.9	6.5	7.0	6.2	6.6	6.1
Short-term debt/gross domestic product	5.0	5.6	6.0	5.4	5.1	4.7
Short-term debt/BNB forex reserves	20.7	21.2	24.2	18.7	21.6	20.3
Short-term debt/commercial banks' usable forex reserves	32.7	35.9	34.3	32.7	30.2	28.7
Gross foreign debt service/exports of goods and nonfactor services	23.2	16.1	16.8	16.7	26.3	21.0

Source: BNB.

The ratio of *short-term debt to gross foreign debt* improved slightly from December 2000, reaching 6.1%. This reflects a slower decrease in the gross foreign debt (3%) than in the short-term debt (4.7%) in the first half of 2001.

The ratio of *short-term debt to GDP* improved in June 2001 indicating a decline from 5.4% by end-2000 to 4.6% by 30 June 2001. This was primarily the result of reduced overdue obligations of commercial banks.

The ratio of *short-term debt to BNB forex reserves*, indicating the ability to provide forex reserve cover of Bulgaria's gross short-term obligations, reached 20.3% against 18.7% by end-December 2000.

Compared with the end of June 2000, the ratio of *short-term debt to commercial banks' usable forex reserves* improved by 4.1 percentage points, a result of reduced Bulgarian short-term debt on the one hand, and increased commercial bank usable reserves (by USD 176 million) during the first half of 2001 on the other.

The ratio of *foreign debt service to exports of goods and nonfactor services* reached 21% by end-June 2001. Compared with June and December 2000 this ratio worsened. This was entirely attributable to increased average monthly expenses on foreign debt service (both in public and private sectors).

3. The Monetary Sector

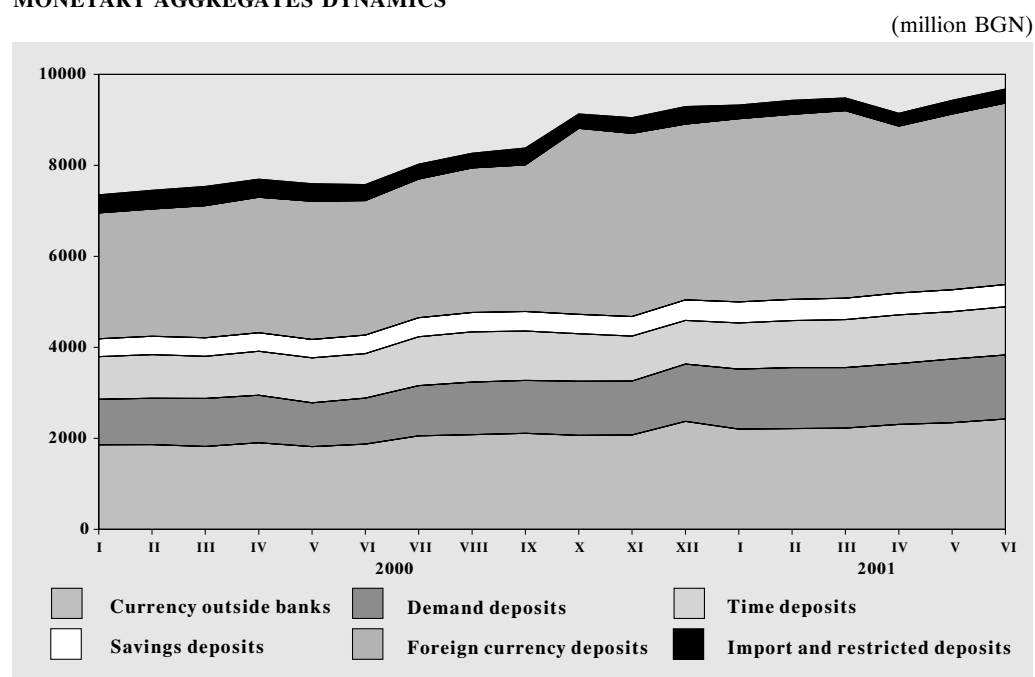
Between January and June 2001 the monetary sector benefited further from general macroeconomic and financial stability. Low inflation also contributed to increased real money supply which under a currency board reflects real economic agent demand. Money supply growth was additionally stimulated by accelerated economic growth and banking system stability.

In the macroeconomic aspect, real money and credit growth created monetary conditions favoring national economy development. Conservative commercial bank market behavior was sustained though signals of intensifying lending were present. Commercial bank prudence reflects existing high risk in the restructuring real sector, and internal commercial bank problems associated with the quality and range of services offered, as well as bank experts' ability to assess lending projects. Intensified financial mediation and improved monetary sector efficiency primarily reflect increasing competition consistent with the progressive opening of the monetary sector to international markets.

Monetary Aggregates

For the second year in a row, as early as in January the broader monetary aggregates (M2 and M3) indicated a greater increase than at the end of 2000. In previous years this recovery had occurred even after mid-year. Given the generally stable currency circulation velocity, this appears an indirect indicator of improved economic performance. Only M1, the narrowest monetary aggregate, indicated a fall in early 2001, consistent with dramatically declined currency in circulation due to traditional seasonal factors.¹⁹

MONETARY AGGREGATES DYNAMICS



Source: BNB.

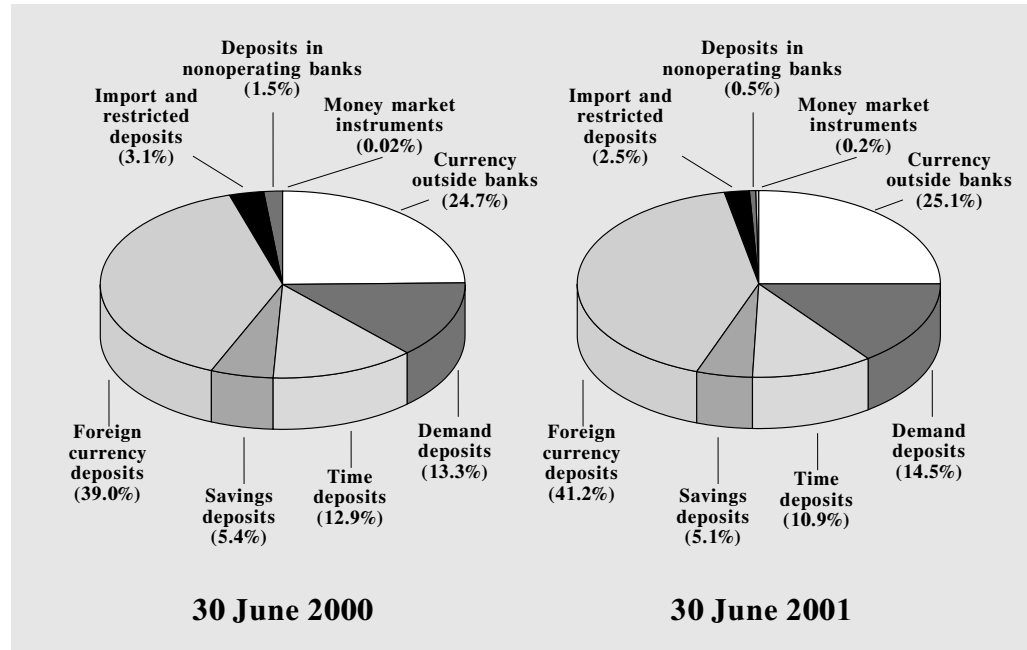
Between January and June 2001 the broadest monetary aggregate M3 rose by BGN 388 million (4.2% in nominal and 3.4% in real terms). Compared with the same period of 2000, it grew just 0.5% in real terms, while the January to June 1999 period saw a fall of 4.4%. Year-on-year (against June 2000) broad money growth

¹⁹ The period between Christmas and New Year is characterized by enhanced money demand for transactions and increased currency in circulation.

accelerated significantly: by BGN 2,101 million (27.7% in nominal and 18.3% in real terms). Accelerated real M3 growth compared with previous years indicates intensive recovery of money demand, due to a great extent to the stabilization role of the currency board both in strengthening confidence in the national currency and the banking system, and in providing conditions for general macroeconomic stability favoring economic growth.

Money supply nominal increase during the first half of 2001 was entirely attributable to the lev component which rose by 6.3%, against a forex component growth of just 1.5%. Year-on-year the forex component grew significantly: by 31.5% in lev terms, a result of euro devaluation against the US dollar.

STRUCTURE OF MONEY SUPPLY



Source: BNB.

M1, the narrower monetary aggregate, increased by 5.6%, with the dynamics of the two major components following similar patterns but at different rates. Demand deposits grew by 11.8%, while currency outside banks grew by a mere 2.3%. Year-on-year absolute growth of currency outside banks (BGN 552.5 million) exceeded demand deposit growth (BGN 395.4 million), while comparison of relative increases suggests that an upward trend was sustained during the six-month period: an increase of 29.5% and 39.1% in nominal and 20.1% and 29.7% in real terms respectively. M1 growth (by BGN 947.9 million or 32.8% in nominal and 23.4% in real terms) exceeded broad money growth during the review period,²⁰ evidencing further strengthened lev confidence and increased money demand for transactions purposes.

Compared with the first half of 2000 quasi-money grew by 27.6% (BGN 1,198 million) due mostly to significantly increased foreign currency deposits. Savings and time deposits indicated almost equal growth in absolute terms. Between January and June 2001 quasi-money increased by BGN 264.1 million (by 5% in nominal and 4.2% in real terms). Time deposits rose most substantially, by BGN 95.8 million (10% in nominal and 9.2% in real terms), followed by savings deposits, by BGN 37.2 million (8.2% in nominal and 7.4% in real terms). Despite the nominal increase in the lev equivalent of foreign currency deposits (by BGN 131.1 million or 3.4%), in US dollar terms foreign currency deposits indicated a decline of USD 106 million (5.8%) due entirely to valuation adjustments.²¹

²⁰ This refers to the July 2000 to June 2001 period and the first half of 2000.

²¹ Deposits denominated in US dollars and euro increased but after revaluation only in US dollars they indicated a fall due to euro devaluation against the US dollar.

By June 2001 the share of the broad money lev component was 56.9% against 58.1% by June 2000 and 55.7% by December 2000. These values are indicative of sustained economic agent preference for foreign currency deposits (mostly in US dollars). Besides purely psychological factors,²² this reflects the progressively appreciating US dollar against the single European currency. The reported drop in foreign currency deposits (in US dollar terms) and broad money forex component on end-2000 did not reflect a reverse trend. It was associated with the BCC decision of April 2001 to repay the entire net profit in the form of dividends to BCC shareholders (the government holds 97.7%). This led to a dramatic decline (by more than 50%) in foreign currency deposits of state-owned enterprises and an increase in the government deposit in the Issue Department liabilities. The bulk of this amount is comprised of funds from the Bulbank sale which were transferred to BCC accounts in October 2000, prompting a significant growth in banking system foreign currency deposits by the end of 2000.

Broad money nominal growth was not entirely attributable to the most liquid components (as in previous periods) but to a greater extent to a quasi-money increase. The real growth in currency outside banks between January and June 2001 lagged far behind growth rates for all types of lev deposits. This directly reflects on money multiplication and has a beneficial effect on the economy, creating conditions for boosted lending.

By end-June 2001 the share of currency outside banks in monetary aggregate M1 accounted for 63.3% against 65% in June 2000 and 65.3% in December 2000. Despite the positive trend of this indicator, values remain too high, particularly in the context of intended extensive development of financial mediation. In addition to the insufficiently developed system for noncash payments, the high values of the above indicator signals a sizable 'gray economy' which uses cash in concealing transactions and income to evade taxes.

The Money Supply Mechanism

Specificity in money supply under the Bulgarian currency board model allows for divergent dynamics of reserve money and forex reserves. Between January and June 2001 money supply growth was equally attributable to the increased monetary base and money multiplier. Money supply growth on the account of reserve money between January and June 2001 reflects mostly increased net domestic assets associated with the reduced government deposit in the balance sheet of the BNB Issue Department. However, on an annual basis forex reserve growth was the major factor behind the increase in reserve and broad money.

BROAD MONEY CHANGE

	(million BGN)		
	VI.2000 – XII.1999	VI.2001 – XII.2000	VI.2001 – VI.2000
Broad money change driven by:	226.7	388.0	2,100.9
money multiplier	547.7	185.2	613.5
reserve money	-298.7	198.8	1,376.0
both factors	-22.3	4.0	111.4
Broad money change driven by			
reserve money source	-298.7	198.8	1,376.0
net foreign assets,	-241.2	-1,115.3	1,135.3
incl. forex reserves	445.9	-807.3	1,664.5
net domestic assets,	-57.5	1,314.0	240.6
incl. net claims on government	-157.7	-569.9	910.7
claims on banks	-10.5	-78.7	-363.9

Source: BNB.

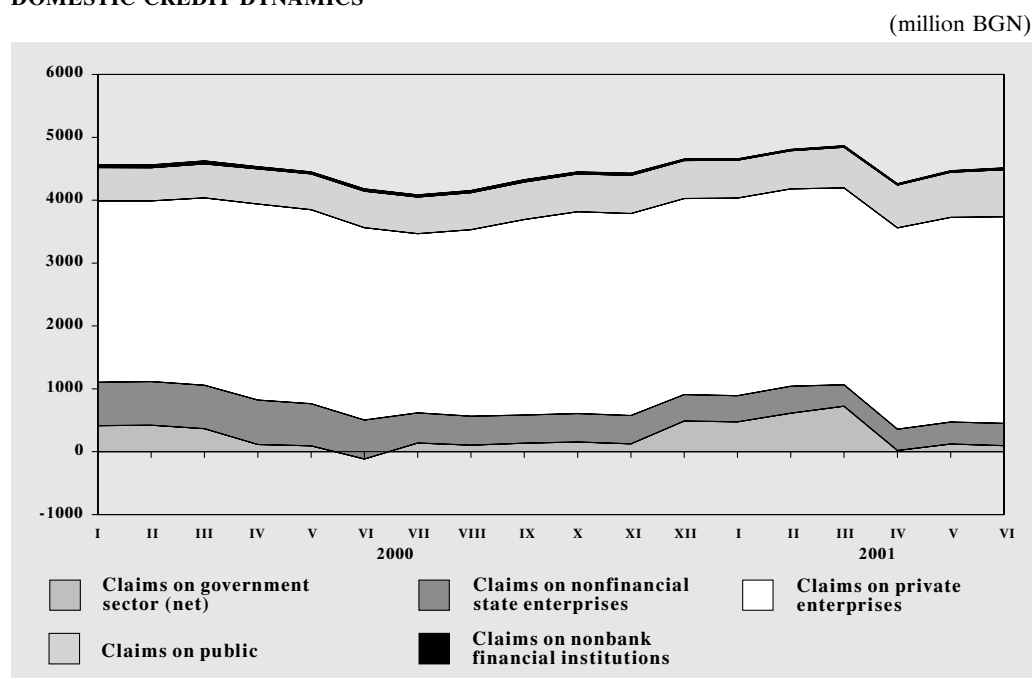
²² Associated primarily with the 1996 – 1997 financial crisis.

Credit Aggregates

Between January and June 2001 money supply dynamics diverged from developments in domestic credit which experienced a decline of BGN 140 million. The lev component of net claims on the government sustained its negative values. Changes in government foreign currency obligations reflect mostly official foreign financing and foreign debt service. Over the first half of 2001 government foreign currency obligations fell by BGN 116.5 million, and year-on-year decrease was BGN 315.9 million. Claims on nonfinancial state-owned enterprises declined by BGN 65.8 million in the first half of 2001 and BGN 264.9 million on an annual basis.

The downward trend in claims on nonfinancial state-owned enterprises was the result of frozen lending to these enterprises for several years due to their isolation, liquidation or restructuring, as well as to their physical contraction associated with closure or privatization for some of them. Credit to private enterprises continued to increase in nominal terms: by BGN 169.9 million (5.5%) between January and June 2001 and BGN 226.5 million (7.4%) in the July 2000 to June 2001 period. However, compared with end-2000 credit to private enterprises grew by 4.7% in real terms, while it exhibited a decline of 2% from the first half of 2000, attributable to the decreased forex component of this aggregate.

DOMESTIC CREDIT DYNAMICS

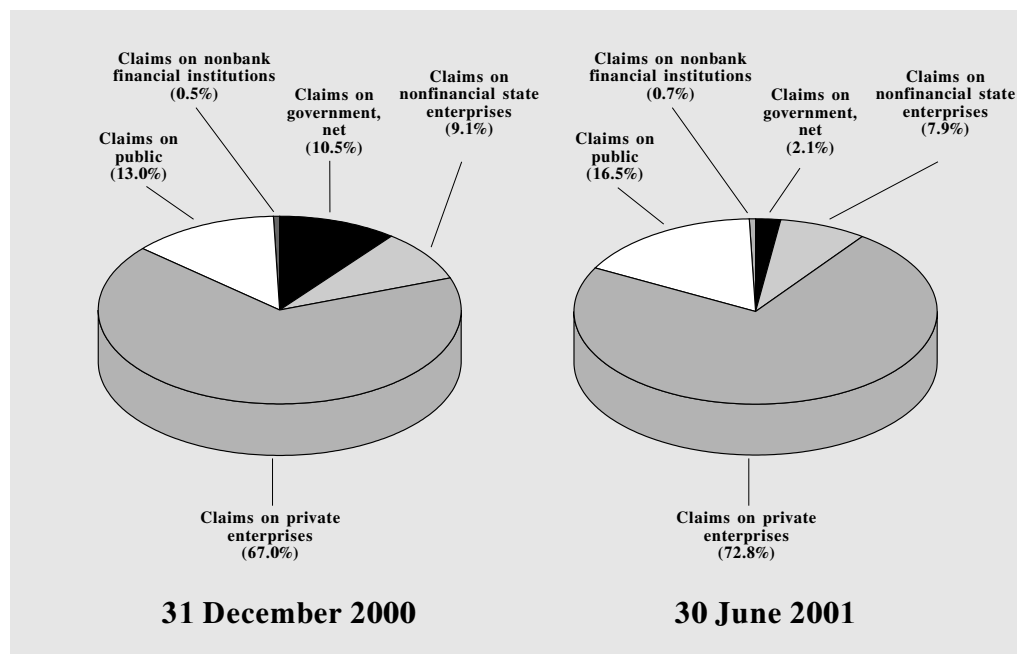


Source: BNB.

This may be attributable to companies' preference for lev instead of foreign currency (mostly US dollar) credits as lending rates on both credits are comparable and foreign exchange risk is avoided. Claims on nonbank financial institutions increased during the first half of 2001 but declined on an annual basis due to a decreased foreign exchange component. Claims on individuals exhibited most significant growth among credit aggregates: by BGN 142.2 million in the first half of 2001 (23.6% in nominal and 22.8% in real terms) and BGN 167.7 million on an annual basis (29% in nominal and 19.6% in real terms). The dramatic growth in this credit aggregate reflects increased internal demand and higher consumer spending. On the other hand, it should be taken into account that this growth was due to a great extent to the fact that a significant portion of the so-called 'consumer loans' were used for investment, particularly in small and medium-scale business. This is attributable to easier conditions for drawing consumer loans (no business plans and proofs on financial flows are required). Data analysis suggests that credit to the real sector in-

creased but the credit level remained relatively low. Actually, the national economy does not entirely utilize available credit and a significant portion of it is invested abroad, which leads to an increase in net foreign assets of the banking system. Real sector inefficiency, resulting in low profitability and high investment risk, is attributable primarily to delayed real sector restructuring. This is the major reason behind commercial bank prudence in extending greater credit to the real sector.

DOMESTIC CREDIT STRUCTURE



Source: BNB.

Interest Rates on Commercial Bank Operations

Between January and June 2001 liquidity withdrawal from the banking system continued, consistent with the inclusion of more organizations in the single budget account. This did not lead to significant changes in the base rate as the fiscal position stayed stable and no additional financing was required by the budget. In general deposit and lending rates sustained their normal levels.

Though at a much slower rate, nominal annual interest rates on short-term lev loans continued to fall: in April and May they were under 11%. This fall proves more significant against the background of a comparatively higher base interest rate over the review period. This prompted a particular growth in the volume of newly disbursed lev loans, though insufficient to meet the needs of the real economy. Interest rates on new short-term loans in euro almost matched those in levs, while the rates on short-term loans in US dollars were higher (by 1 to 2 percentage points).

Lending rates on new long-term lev loans stood around 15% to 16% on an annual basis, while those in euro were one to two percentage points lower. Long-term loans in US dollars proved most expensive: they stood at 17% to 19% with the exception of February and March.

Nominal interest rates on one-month deposits stood at the previous year's levels, at some 3% annually. They appeared to be positive in real terms given the low inflation rate reported between January and June 2001.

Banks' foreign currency orientation also reflected on the interbank market. Interest rates in the interbank lev market generally remained below base rate, but a strongly pronounced converging trend evolved: almost through the whole year transactions with a term exceeding seven days (and in some months with three to seven day terms) were effected at rates higher than base rate. This suggests lower bank lev liquidity without any disturbing symptoms of liquidity risk. Interbank foreign cur-

rency deposit rates rose gradually, the weighted average for the year exceeding by one percentage point those reported in 2000.

Under the progressively narrowing spread between interest on financial assets and interest on financial liabilities in levs and euro, banks continued to seek compensation partly by increasing credit exposure and maintaining relatively high spreads on foreign currency transactions.

In general the interbank market stayed relatively calm. The average monthly rate on extended short-term deposits in early 2001 was very low: 0.82% in January. This was followed by an increase, and a high of 4.03% was reported in April. By the end of June 2001 the rate on short-term deposits gradually fell to 3.39%.

Daily interest rates on short-term deposits moved around and below base rate with a few exceptions (the closing days of March and May and the second and third decades of April) when the values of this indicator significantly exceeded base rate. A dramatic increase occurred by the end of the second and the beginning of the third decade of February: from 1.82% to 3.33% to 3.97%. However, the rates did not exceed base rate.

Stronger interest rate fluctuations on extended short-term deposits were associated with dramatic changes in banking system liquidity usually driven by flows from and to the Ministry of Finance²³ and the need to replenish the minimum required reserves on commercial bank accounts with the central bank. In early 2001 the Ministry of Finance changed the schedule of three-month government securities issues. Under the new schedule auctions of three-month government securities issues are held twice a month instead of weekly as in previous years. This changed the frequency of setting the base interest rate which is based on the average annual yield of these securities attained at the auctions. The base rate depended entirely on banking system liquidity. Interest payments and partial principal repayment on USD-denominated ZUNK bonds resulted in enhanced demand for government securities which led to an expected initial decline (to 4.19% in February). The initial fall was followed by a gradual increase, with the January level matched in June (4.5%).

Regarding sporadic liquidity deficiencies experienced by a few banks, the analysis firmly suggests that the banking system as a whole did not face liquidity problems. Some commercial banks had difficulties in providing the required liquidity to meet customer payments in national currency due to insufficiency of lev funds on current accounts with the BNB. Due to temporary deficiency of funds, interest rates on short-term interbank deposits dramatically increased in particular periods. However, the average monthly interest rate on short-term interbank market deposits stood below average rates in the reserve currency countries (euro) which is a proof of the lack of any systemic liquidity problems. The reasons behind temporary liquidity problems may be considered in the following aspects:

- In recent months the average daily amount of payments via BISERA increased, particularly when payments to the budget were effected. This prompted an increased balance between effected and received payments which had a negative effect on banks. Probably this trend will intensify further, given the progressive monetization of the economy underpinned by positive trends in real sector development and the general increase in money demand.
- On any individual day the banking system as a whole had sufficient funds on lev accounts to ensure normal payments. Most often problems were associated with uneven distribution of funds between individual banks. In addition, in some cases and due to a variety of reasons the interbank market was unable to perform its role of a mediator efficiently. It is noticeable that the same banks repeatedly experienced temporary liquidity deficiencies, while

²³ Upon maturity of government securities and social payments (pensions, salaries) liquidity is injected into the banking system and the base rate falls: upon companies' payments to the Ministry of Finance (for taxes, social security, health insurance, etc.) liquidity is withdrawn and the interest rate rises. Liquidity withdrawal occurs by the end of the so-called maintenance period and several days following it, within which banks are legally required to transfer the minimum required reserves on accounts with the central bank.

other banks traditionally acted as donors. This signals poor current liquidity management in individual banks.

- In an attempt to improve asset management some banks (of systemic importance for the banking sector) pursued a policy of reducing balances on current accounts with the BNB at the expense of increased foreign assets. This resulted in reduced supply of free lev resources in the interbank market prompting a volatility in interbank deposit rates. Commercial banks' desire to minimize balances on current accounts with the central bank are quite understandable and economically justified. However, it is a fact that as a rule banks experiencing temporary liquidity deficiencies maintain significant net foreign assets.

This analysis leads to the conclusion that banks should take the effect of the above trends, as well as other major factors such as monthly corporate payments to the budget and the traditional summer vacation withdrawal of funds by individuals seriously into account in managing their current liquidity.

BNB Issuing Activity

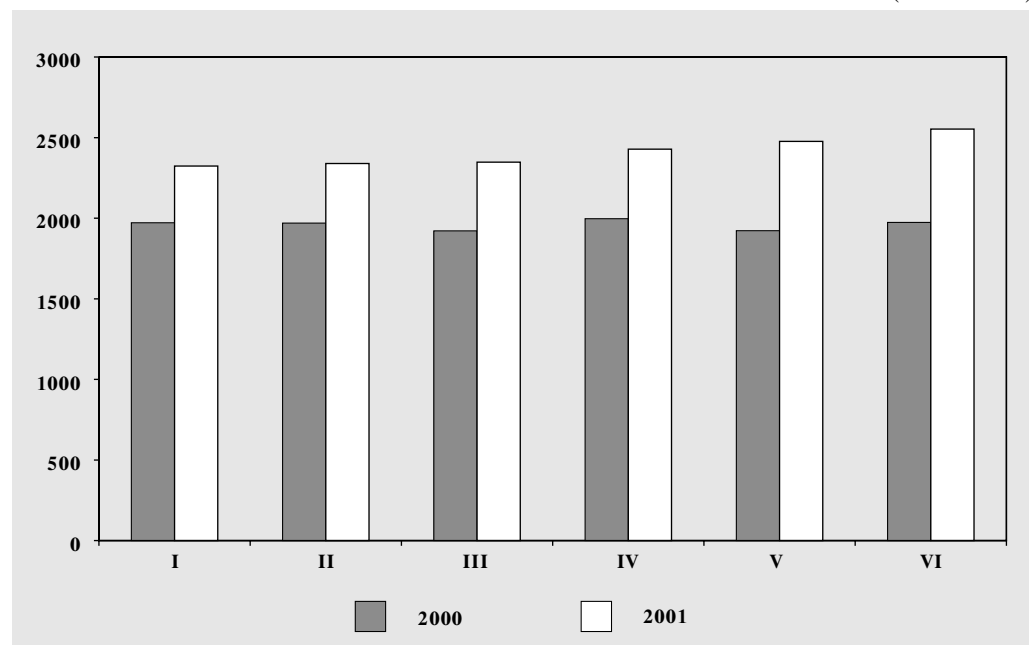
Currency in Circulation

At the end of the half-year banknotes and coins outside BNB vaults reached BGN 2,553 million, an increase of BGN 48 million or 2% compared with end-2000. Of these, banknotes (1999 issue) and circulating coins (1999 and 2000 issues) accounted for BGN 99.22%.

Cash in commercial bank vaults totaled BGN 116 million at the end of the first half of 2001 against BGN 134 million at the end of 2000.

CURRENCY IN CIRCULATION (OUTSIDE BNB VAULTS)
(at end of month)

(million BGN)



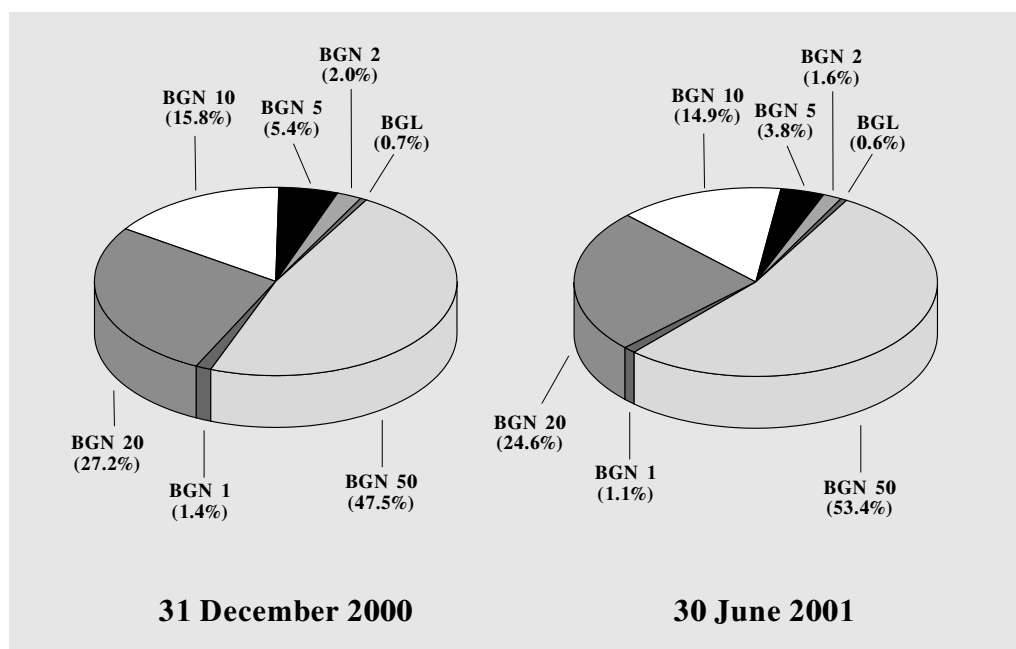
Source: BNB.

Denomination Composition

The number of banknotes outside BNB vaults was 163 million or BGN 2,505 million against 182 million of BGN 2,458 million at the end of 2000. The average banknote in circulation at the end of the reporting period was worth 15 levs against 13.5 levs at the end of 2000.

As of 30 June 2001 the number of coins was 283 million or BGN 27 million against 204 million or BGN 22 million at the end of 2000. The average coin outside BNB vaults was worth 0.09 levs against 0.10 at the end of the previous year.

DENOMINATION COMPOSITION OF CIRCULATING BANKNOTES



Source: BNB.

Commemorative Coin Issue

During the half-year the BNB put the following commemorative coins into circulation:

Name of coin	Issue	Nominal value	Metal	Circulation date	Mintage (number)	Sold in 2001 (number)
XIX Winter Olympic Games "Ski-jumper"	2001	10	silver	19.02.2001	25,000	10,976
"Bulgarian Higher Education" - EURO	2001	10	silver	22.05.2001	10,000	6,200

Source: BNB.

4. The Fiscal Sector

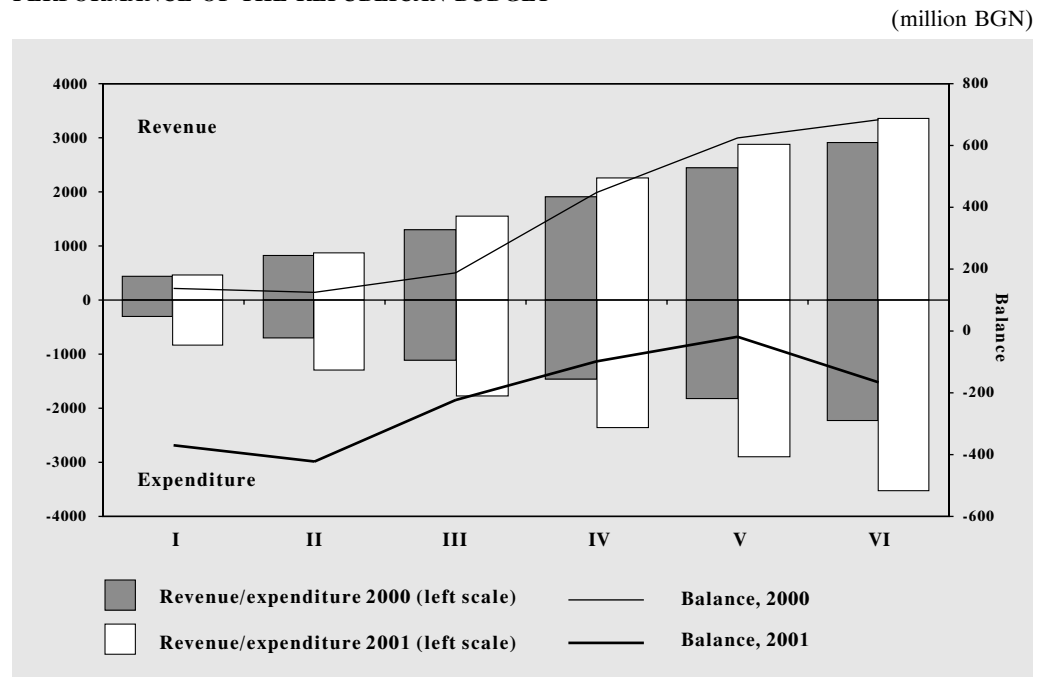
The Republican Budget

During the first half of 2001 the republican budget was stable. This underpinned sustained macroeconomic stability to a great extent. Strict control over revenue collection and budget spending contributed to fiscal program implementation. Although expenditure increased on the previous year, better revenue planning made it possible for the republican budget to end the half-year with a lower than projected deficit.

Good revenue performance contributed most significantly to this. In the first half of 2001 revenue on the republican budget reached BGN 3,358.3 million, or 53.5% of annual estimates. This is mainly attributable to tax revenues which accounted for 77.9% of total budget revenue for the first half-year. Some tax changes were made in early 2001 aimed at gradually reducing the tax burden to boost economic growth. Tax changes involve lower taxes on profits for the republican budget, a change in the tax scale of physical persons' incomes, and shortening the time for tax credit recovery under VAT. Overall, tax revenue performance was better than in the first half of 2000, though revenues on specific tax obligations displayed divergent dynamics. Republican budget revenues from corporate tax were higher than those in the first half of 2000. This is attributable to improved tax collection and the BCC corporate tax for 2000. VAT revenues and excise were higher than those in the first half of 2000, while revenues from customs duties and physical persons' income tax decreased. Nontax revenues also contributed to the good revenue performance

of the republican budget, including budget revenues from ownership and the BNB contribution.

PERFORMANCE OF THE REPUBLICAN BUDGET



Source: MF.

Data on republican budget execution shows a significant growth in expenditure. Expenditure on transfers exceeded by 39% nominally those made in the same period last year, totaling BGN 3,524.7 million. This is attributable to almost twice as high transfers to other budgets and high operating expenditures, mainly reflecting expenditures of ministries and agencies. Lower interest payments had a beneficial effect on the level of expenditure. Interest expenditures on domestic debt stayed at the previous year's level and interest payments on foreign debt did not exceed estimated values, given the US dollar appreciation.

Although increased spending reflected significantly on the fiscal stance, the republican budget ended the first half-year with a primary surplus of BGN 417.8 million. Lower interest expenditures on domestic debt made it possible for an internal surplus of BGN 292.8 million to be achieved. Unlike the previous year, when the republican budget ended the first half-year with a 2.7% budget surplus of GDP, the cash balance as of 30 June 2001 ran a deficit of BGN 166.5 million. The deficit reported at the end of the review period gives ground for assuming that the projected annual figure of BGN 856.9 million (3% of GDP) will not be exceeded in the absence of adverse factors.

The Consolidated Fiscal Program

Sustained macroeconomic stability in the reporting period was due to continued fiscal stability. Consolidated fiscal program execution ran smoothly, reflecting good revenue performance and prudent budget spending. Higher budget expenditure growth than budget revenue growth reflected on a lower budget surplus than that reported in June 2000. Nevertheless, better revenue performance in comparison with planned values made it possible for the consolidated state budget to end the first half-year with a surplus of BGN 167 million.

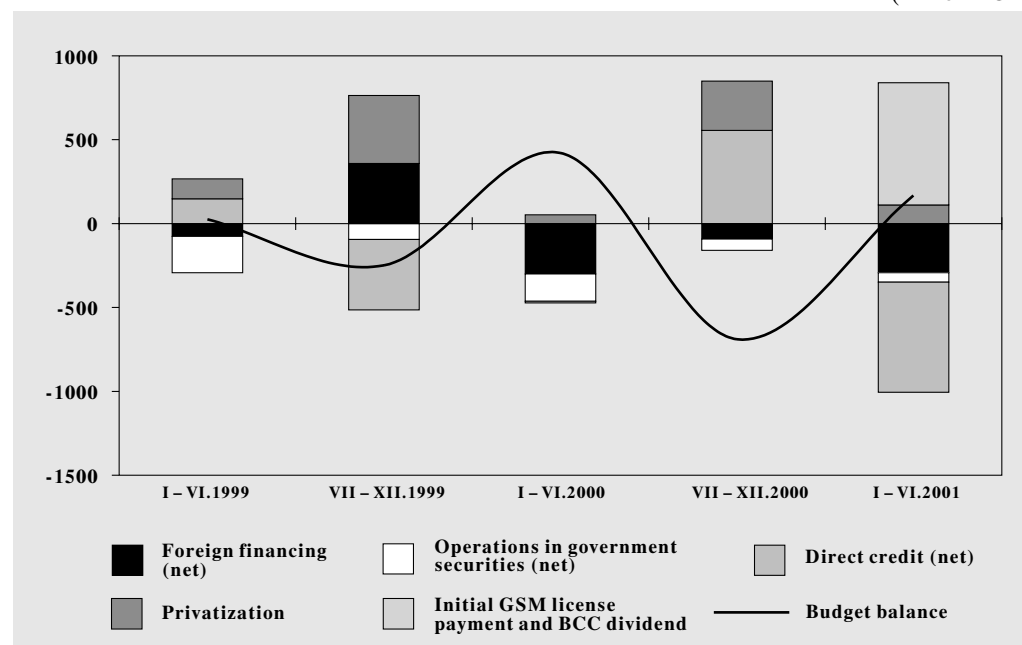
As of end-June revenue on the consolidated fiscal program accounted for BGN 6,062.1 million and expenditure totaled BGN 5,895.1 million. These results are attributable to better revenue collection and enhanced opportunities for increased budget spending.

With the exception of the republican budget, the other budgets within the consolidated fiscal program ended the reporting period with surpluses. This is largely due to the significant amount of transfers from the republican to other constituent budgets, increasing to 3.6% of GDP from 1.7% in the first half of 2000. The bulk of transfers were directed to social security budgets and municipal budgets. One of the reasons for the significantly increased transfers to state social security was to compensate for the lower revenues from reduced pension contributions (by three percentage points) effective since early 2001.

The bulk of consolidated budget financing was one-off. The budget received BGN 727.6 million from the BCC dividend deposit and an initial payment from the second GSM mobile telephone network operator. This helped maintain negative net financing and increased foreign currency reserves. During the reporting period obligations to foreign creditors were reduced by BGN 293.4 million as a result of foreign debt payments. The largest payments were to the Paris Club, G-24, and the World Bank. Net domestic financing was negative too, reflecting government securities operations, budget obligations to the BNB on IMF tranches, and fiscal reserve dynamics. The budget used the last two tranches under the three-year standby agreement with the IMF, receiving credit from the BNB under Article 45 of the LBNB and made payments on these obligations, whereby net financing from this source totaled BGN 15.3 million for the reporting period. Reduced government borrowing requirements and the availability of other sources of financing entailed negative net issues of government securities. As a result, the amount of redeemed government securities exceeded the value of new issues by BGN 55.8 million. The BGN 690.3 million growth in deposits and accounts was the main reason for the reported negative value of domestic financing. Privatization also contributed to a stronger fiscal position, providing BGN 110.8 million revenue in the consolidated budget.

FINANCING THE DEFICIT ON THE CONSOLIDATED FISCAL PROGRAM

(million BGN)



Source: BNB.

Fiscal developments reflected on fiscal reserves. The latter reached BGN 2,870.5 million at the end of June. Fiscal reserve dynamics is determined by budget revenue and expenditure and financing operations (new loans drawn and debt repayments). The fall in fiscal reserves in January and sustained lower levels in the first quarter reflected significant spending at the beginning of the year, including payments on Brady bonds, the higher deficit early in the year and sizeable do-

mestic debt payments. Fiscal reserves began gradually restoring their level as a result of tax revenues in March and April and an improved budget balance.

Government Debt

The financial discipline imposed by the currency board and the policy of reducing government debt had a strong effect on government debt amount and structure. Reduced borrowing requirements by the budget made it possible for the volumes of issued securities on domestic debt to be close to those redeemed. At the same time, foreign debt payments resulted in negative foreign financing. The ratio of government debt to GDP decreased in the first half of 2001, accounting for 77.3% against 80.6% at the end of 2000. This refers to both domestic and foreign debts: for the first half-year of 2001 the ratio of domestic debt to GDP fell from 6.9% to 6.3%, and that of foreign debt from 73.7% to 71%. The fall was due to reduced debt amount and the high GDP projection for the current year.

During the first half of 2001 no significant changes evolved in domestic government debt:²⁴ at the end of June it amounted to BGN 1,767.1 million against BGN 1,767.2 million at the beginning of 2001. Domestic government debt totaled BGN 1,757.9 million and domestic government guarantees amounted to BGN 9.2 million. The fall on December 2000 reflects negative net issues of government securities. The US dollar exchange rate dynamics had the opposite effect as it affected the lev equivalent of USD-denominated government securities.

DOMESTIC DEBT

	(thousand BGN)	
	31.XII.2000	30.VI.2001
I. Total government debt	1,757,226.3	1,757,868.7
1. Debt on government securities for budget deficit financing	946,065.5	941,434.9
2. Debt on government securities issued for structural reform	811,160.8	816,433.8
II. Domestic government guarantees	9,984.1	9,225.6
TOTAL DOMESTIC DEBT	1,767,210.4	1,767,094.3

Source: MF.

Government securities for budget deficit financing had the largest share (53.3%) in domestic debt, totaling BGN 941.4 million at the end of June against BGN 946.1 million in early 2001. Though insignificant, the decrease reflects lower domestic borrowing requirements of the budget and the policy of domestic debt restriction. Government securities issued for structural reform amounted to BGN 816.4 million, or 46.2% of domestic debt. The increase of BGN 5,273,000 or 0.65% is due to exchange rate differences: the increase in the lev equivalent of USD-denominated securities under ZUNK is greater than the value of securities redeemed or used as legal tender in privatization during the reporting period.

Issue policy was aimed at maintaining negative net issues and the amount of newly issued securities was close to that of redeemed ones. Favorable developments in government securities financing, which had started last year, continued in the first half of 2001. The trend toward extending the average maturity of newly issued debt continued, resulting in a continuous increase in the average term of circulating issues. In June the average-weighted maturity of deficit financing issues grew to 31 months. Furthermore, enhanced demand for longer-maturity government securities reflected on the yield attained in the primary market. The latter is characterized by a gradual reduction of five-year government securities at the expense of two-year and three-month securities.

²⁴ From April direct debt to the BNB is excluded from domestic debt. Earlier reporting of these obligations under domestic debt reflected the fact that IMF financing was internal for the budget as tranches were made to the BNB which lent them to the government subsequently. Exclusion of the direct credit to the BNB from foreign debt aims to eliminate errors and double reporting in using debt data, as obligations to the IMF are reported under foreign financing.

As of end-June *government foreign debt* recalculated in US dollars totaled USD 8,684.3 million, including USD 8,187.2 million government debt and USD 497.1 million government guaranteed debt. Recalculated at end-of-period exchange rates total foreign debt of the government decreased by USD 286.1 million (3.2%) compared with end-2000. The decrease occurred in the government debt (3.9%) while government guaranteed debt grew by 11.1%. The reduced debt amount at the end of the reporting period is the result of the ratio between financing and repayment, and of US dollar exchange rate dynamics.

GOVERNMENT FOREIGN DEBT

	31.XII.2000 (million USD)	30.VI.2001 (million USD)	Change (%)
I. Government debt	8,522.9	8,187.2	-3.9
London Club	4,976.1	4,976.1	0
Paris Club	600.4	465.2	-22.5
World Bank	827.8	794.4	-4.0
G-24	56.5	27.2	-51.9
European Union	428.0	391.5	-8.5
IMF	1,218.4	1,170.1	-4.0
Other	127.1	116.3	-8.5
Government investment loans	233.5	187.7	-19.6
Called government guarantees	55.1	58.8	6.7
II. Government guaranteed debt	447.4	497.1	11.1
TOTAL GOVERNMENT DEBT	8,970.4	8,684.3	-3.2

Source: MF.

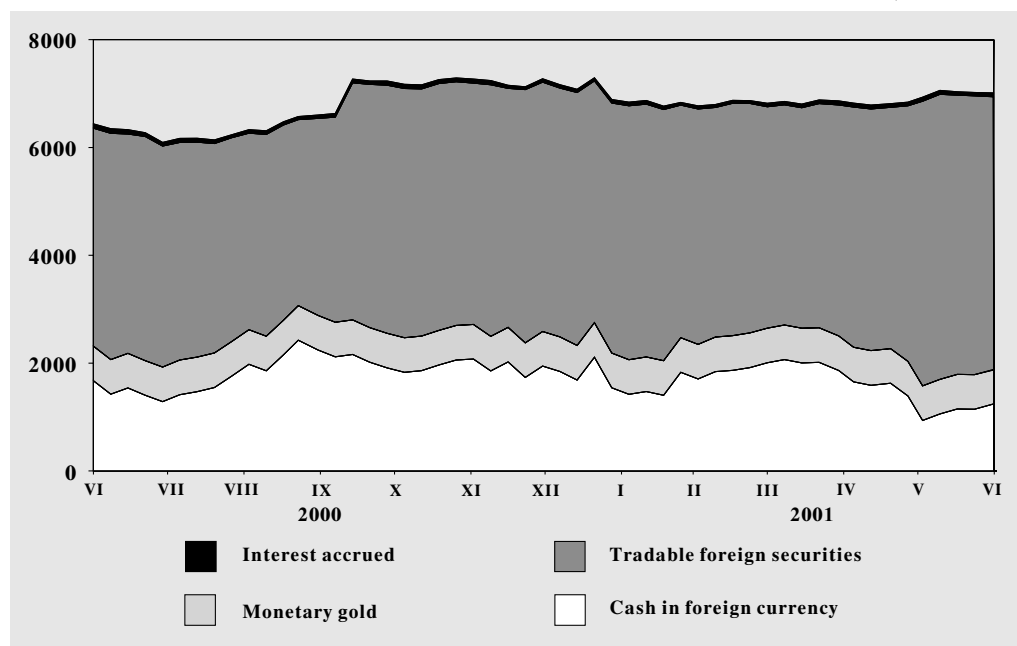
Foreign debt structure by creditor remained unchanged: Brady bonds had the largest share (57.3%), followed by obligations to the IMF (13.5%), the World Bank (9.15%), and the Paris Club (5.4%). Overall, the first half of 2001 is characterized by a negative net foreign financing (USD -79.9 million). The bulk of this financing is under the three-year agreement with the IMF (USD 131.7 million). During the reporting period the following repayments were made: to the IMF (USD 130 million), the Paris Club (USD 91.7 million), and G-24 (USD 26.5 million); the bulk of interest payments were to the London Club (USD 160.7 million). The negative value of net foreign financing for the period is mainly due to payment of obligations to the Paris Club, G-24, and the World Bank while the positive net foreign financing reflects government investment loans and external loans guaranteed by the government.

III. Foreign Exchange Reserves Management

During the first half of 2001 foreign exchange reserves fell by BGN 328 million (4.5%) compared with end-2000. Major factors for this are large foreign debt repayments resulting in negative net foreign financing. Despite the fall, forex reserves exceeded all monetary obligations of the BNB and ensured normal functioning of the economy under the currency board arrangement.

DYNAMICS OF FOREIGN EXCHANGE RESERVES

(million BGN)



Source: BNB.

1. Management Strategy for International Foreign Exchange Assets

The investment management strategy for international foreign exchange assets is determined by legal restrictions laid down in the Law on the BNB, and benchmark and investment restrictions on international foreign exchange asset management. The objectives of foreign exchange asset management are:

- for international foreign exchange assets to cover total BNB monetary liabilities;
- for maintaining liquid international foreign exchange assets to allow the BNB to sell and buy euro without limitation within Bulgaria against levs at the fixed exchange rate.

ECB and FRS interest rate policies, the state of international financial markets, as well as cash flows over the first six months of 2001, were the major factors in international foreign exchange asset management.

Portfolio Positioning in Euro

Euro-denominated portfolio management could be conditionally split into two periods:

First quarter. During the first quarter of 2001 the ECB did not make changes in interest rates despite expansionary monetary policies by the leading economies' central banks. As a result, the eurozone yield curve was influenced to a great extent

Portfolio Positioning in US Dollars

by US government securities yields.

The portfolio duration was higher than that of the benchmark, reflecting lower interest rates and a highly volatile yield at the shorter ends of the yield curve. Investment was mainly in the one- to five-year sectors. Five- to ten-year sectors had higher weight than the benchmark,²⁵ while the one-year sector had lower weight. During the period cash flows were balanced and did not impact the portfolio structure significantly.

Second quarter. Data on the European economy pointed to a further slowdown in growth and higher inflation. At the beginning of the period yield on the entire yield curve enhanced as a result of a dramatic interest rate cut by the Federal Reserve, reflecting a strong correlation between European and the U.S. debt markets. Global economic slowdown and aggressive expansionary policies by other central banks forced the ECB to ease monetary policy; on 11 May it reduced repo interest by 25 basis points to 4.5%. Following this decision, yield at the shorter ends fell and the slope of the eurozone yield curve steepened.

Strong yield volatility at the short ends of the curve allowed for higher duration than the benchmark to be maintained. Investments were mainly in the two- to five-year sectors and the relative weight of investments in the one-year sector was reduced.

A new strategy for managing the funds of some BNB clients was adopted. The agreements signed with these clients provided for separate portfolios of EUR-denominated short-term government securities (up to six months). To ensure the necessary funds under the agreements and to meet current foreign debt obligations some positions were closed, which did not affect the strategy adopted significantly.

USD-denominated portfolio management could also be conditionally split into two periods:

First quarter. Lower US output sparked fears of recession and forced the Federal Reserve to switch to expansionary monetary policy. In the conditions of lower interest rates yield on government securities fell considerably. Portfolio duration was maintained higher than the benchmark. There were two significant jumps over the period caused by external cash flows: revenue from the sale of the license for the second GSM mobile telephone operator totaling USD 135 million on 19 January, and USD 160 million debt repayment to the London Club on 29 January.

Funds were invested in accordance with market conditions, whereby exposure in the one- to three-year sector and the up to one-year sector increased. Eurodollar bonds and securities of supranational institutions were the preferred instruments as they ensured higher yields than government securities.

Second quarter. The slowdown in the US economy continued in the second quarter and the Federal Reserve cut interest rates to 3.75%. Monetary policy reflected stock exchange falls, low corporate profits, economic slowdown and reduced consumer confidence. In conditions of lower interest, portfolio duration was maintained higher than the benchmark. Significant cash flows reflected foreign debt payments.

Exposure in the one- to three-year sector remained unchanged and investment in the sector below one year increased. Due to aggressive expansionary policy pursued by the Federal Reserve short-term government securities and eurodollar bonds were the preferred instruments as they ensured higher yield than government securities.

²⁵ Benchmark: a model portfolio of securities setting the risk-neutral position in asset management, including duration.

2. Structure, Profitability and Risk Management of International Foreign Exchange Assets

Foreign Currency Structure

The bulk of BNB assets are in reserve currency, comprising 84.1% of total actively managed forex reserves; the share of assets in US dollars was 11.3%.

FOREIGN CURRENCY STRUCTURE OF THE ACTIVELY MANAGED PORTION OF FOREX RESERVES

Currency	I	II	III	IV	V	VI	(%)
EUR	86.5	85.1	84.9	84.2	83.6	84.1	
USD	10.8	11.0	11.0	10.9	11.2	11.3	
XAU	2.5	2.5	2.6	2.6	2.7	2.8	
CHF	0.2	1.4	1.5	2.3	2.5	1.8	
Total assets	100	100	100	100	100	100	

Source: BNB.

MARKET VALUE OF ASSETS WHICH ARE NOT ACTIVELY MANAGED BY THE BNB (at end of month)

	I	II	III	IV	V	VI	(million BGN)
Foreign currency cash	16.03	14.41	18.94	20.69	32.61	22.43	
Assets in GBP	1.12	1.02	0.81	0.75	0.57	0.44	
Assets in JPY	21.47	0.74	1.37	1.34	0.22	0.29	
Assets in SDR	175.65	118.66	296.20	235.07	250.12	378.82	
Assets at external managers	486.22	488.12	395.25	416.59	418.55	420.50	
Monetary gold in BNB vaults	577.06	579.88	593.05	591.45	632.15	642.32	

Source: BNB.

Increased SDR assets in June reflect the last IMF tranche under the three-year agreement, with value date 5 June, totaling SDR 52.3 million. The reason for the reduced amount placed with external managers is the terminated investment agreement with one of the two major external managers, the funds being withdrawn and put up for management by the BNB Treasury Directorate.

As a result of dollar appreciation against the lev, the market value of monetary gold in BNB vaults increased, totaling BGN 642.3 million at the end of the reporting period, and the balance sheet remained unchanged at BGN 515.6 million.

Structure by Financial Instrument

Investment in securities and deposits had the largest share in the structure by financial instrument. The negative share of cash at the end of April and June reflects transactions concluded on 28 April and 29 June (trade date), when there were no free funds equivalent to the transactions concluded; on the value date the necessary cash funds come as an external flow or are received as a result of earlier investments.

STRUCTURE BY FINANCIAL INSTRUMENT (at end of month)

Type of instrument	I	II	III	IV	V	VI	(%)
Cash	4.5	5.6	1.9	-2.2	3.6	-1.3	
Deposits	22.0	27.2	32.9	31.7	12.2	20.2	
Securities	73.5	67.2	65.2	70.5	84.2	81.1	
Total assets	100	100	100	100	100	100	

Source: BNB.

Structure by Residual Maturity

The bulk of BNB assets are invested in instruments (current accounts, short-term foreign currency deposits, gold and securities) with up to one-year residual term to maturity. Their share accounted for 73.7% at the end of the reporting period. The negative share of the nil to three-day maturity sector in April was equivalent to available cash as shown in the table above and explained in the previous paragraph.

STRUCTURE OF ASSETS BY RESIDUAL MATURITY

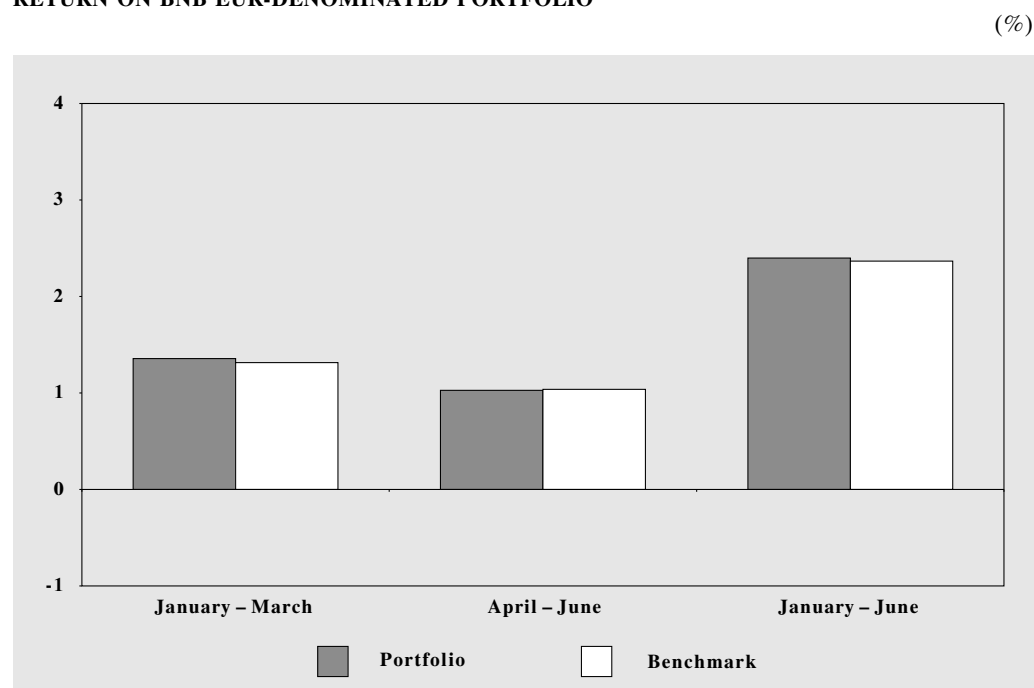
Maturity	I	II	III	IV	V	VI
Up to 3 days	4.5	5.6	1.9	-2.2	3.6	-1.3
From 3 days to 1 month	24.6	28.1	35.8	32.2	19.3	24.7
From 1 month to 1 year	41.8	35.4	31.7	37.9	48.5	50.3
From 1 to 3 years	20.8	22.3	20.2	19.5	18.6	16.6
From 3 to 5 years	7.0	7.9	10.0	12.2	9.5	9.2
From 5 to 10 years	1.3	0.7	0.4	0.4	0.5	0.5
Total assets	100	100	100	100	100	100

Source: BNB.

Return, Volatility and Risk

EUR-denominated portfolio. Volatility (standard deviation) of the realized portfolio return was 0.52% against 0.46% for the benchmark. Modified duration, which is a basic measure of interest rate risk, was 0.96 years against 0.87 years for the benchmark. Portfolio Sharp ratio²⁶ was 0.14 against 0.09 for the benchmark.

RETURN ON BNB EUR-DENOMINATED PORTFOLIO



Source: BNB.

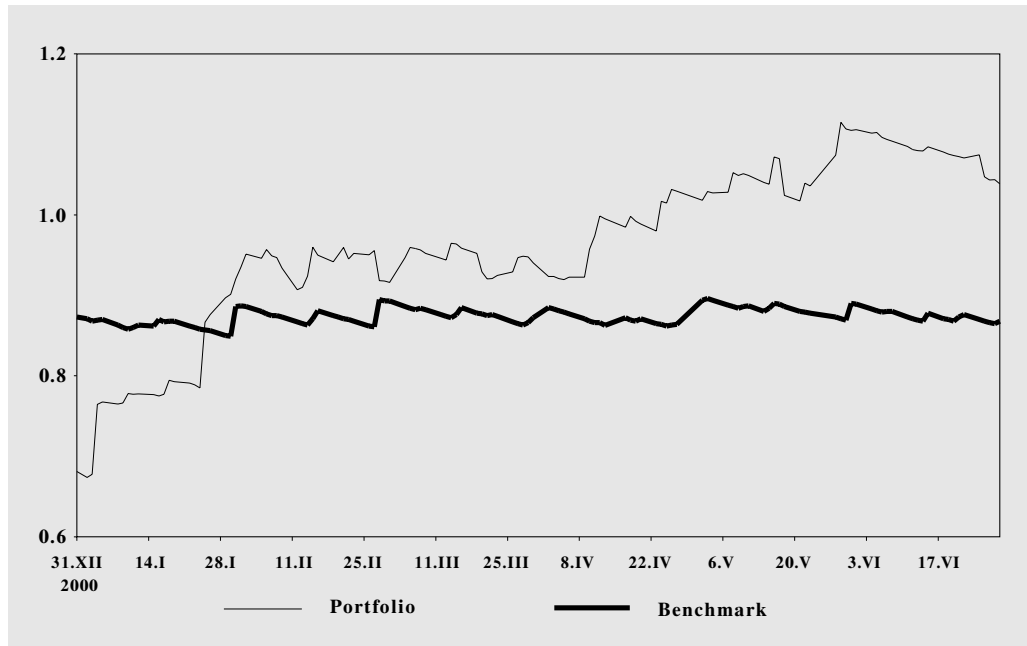
Return over the reporting period was 2.4%, or 3 basis points above the benchmark.

	31.XII.2000 – 30.VI.2001	
	Portfolio	Benchmark
Return (%)	2.40	2.37
Volatility (%)	0.52	0.46
Modified duration	0.96	0.87
Sharp ratio	0.14	0.09

Source: BNB.

²⁶ The Sharp ratio is a measure of realized extra return over the risk-free return and allows for correct interpretation and comparison of the efficiency of portfolio management with various degrees of risk. The higher the Sharp ratio for a particular portfolio, the more efficient is the portfolio's management.

MODIFIED DURATION OF BNB EUR-DENOMINATED PORTFOLIO

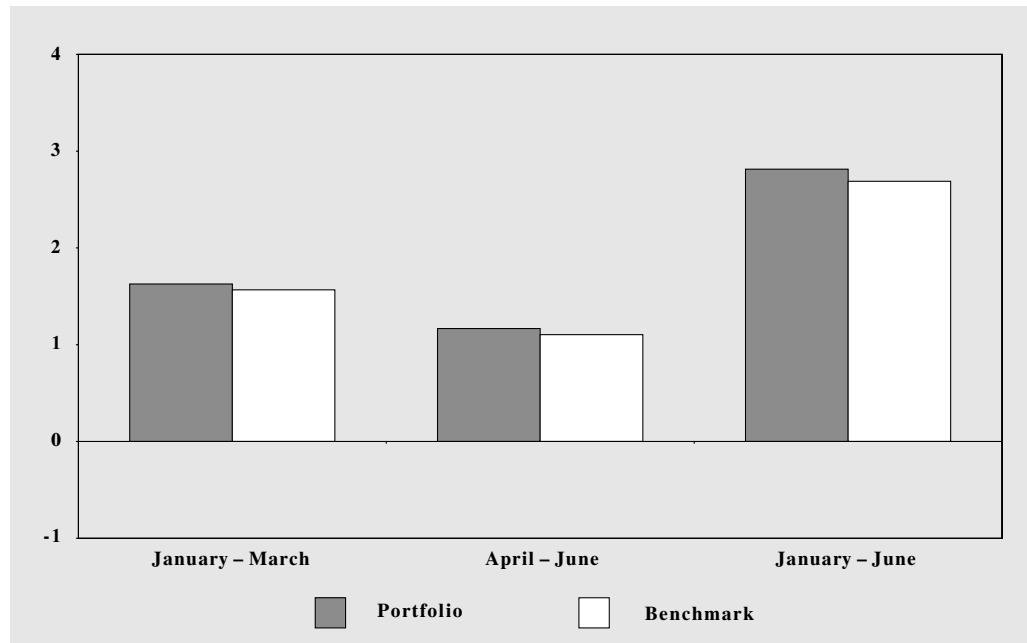


Source: BNB.

USD-denominated portfolio. Return on the USD-denominated portfolio was 2.81% in the first half of 2001 or 12 basis points higher than benchmark. Portfolio volatility was 0.35% against 0.25% for the benchmark. Modified portfolio duration was 0.35 years on average against 0.25 years for the benchmark. Portfolio Sharp ratio was -0.12 against 0.68 for the benchmark.

RETURN ON BNB USD-DENOMINATED PORTFOLIO

(%)

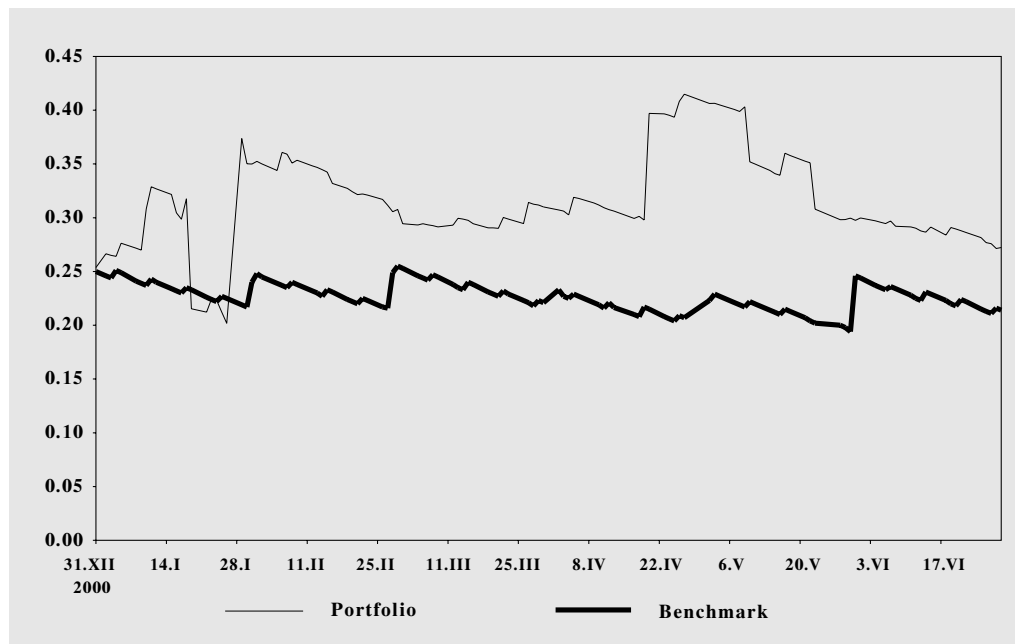


Source: BNB.

	31.XII.2000 – 30.VI.2001	
	Portfolio	Benchmark
Return (%)	2.81	2.69
Volatility (%)	0.35	0.25
Modified duration	0.31	0.23
Sharp ratio	-0.12	-0.68

Source: BNB.

MODIFIED DURATION OF BNB USD-DENOMINATED PORTFOLIO



Source: BNB.

Monetary gold managed by the BNB. Major instruments employed in monetary gold management were short-term deposits with a maximum term of up to three months. Realized portfolio return on gold deposits was 0.33%.

REALIZED RETURN

	REALIZED RETURN (%)		
	January – March	April – June	January – June
Monetary gold managed by the BNB	0.19	0.14	0.33

Source: BNB.

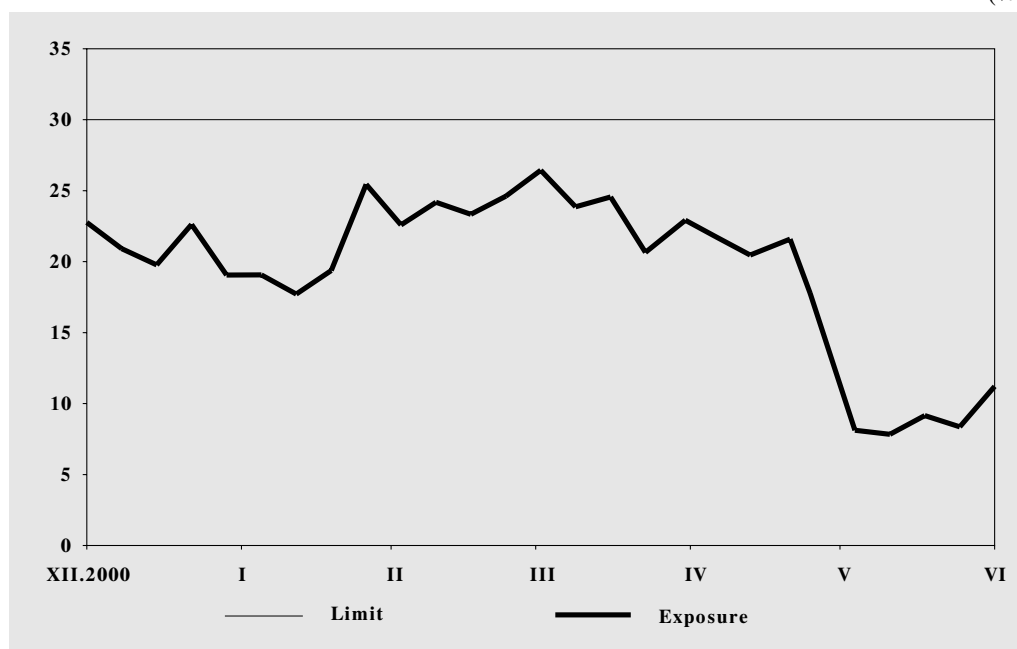
Credit Risk

The bulk of BNB international forex reserves was invested in government and government guaranteed securities issued by countries with at least **AA** long-term credit rating. Financial BNB counterpart institutions have a minimum of an **AA** long-term credit rating by at least two of the three international credit rating agencies (**Moody's**, **Standard & Poors**, and **Fitch IBCA**). At the end of the reporting period the share of investment in financial instruments with **AAA** long-term credit rating according to the *Fitch IBCA* rating agency was 67%.

In compliance with investment restrictions on forex management the share of investment in commercial banks or BNB exposure must not exceed 30% of total reserves (without monetary gold in BNB vaults and foreign exchange in cash).

CREDIT EXPOSURE OF THE BNB

(%)



Source: BNB.

The reduced share in the second part of the period was due to rechanneling the bulk of investment in commercial bank deposits into investment in government securities under agreements signed with the Ministry of Finance and the National Health Insurance Fund in May.

Currency Risk

Currency risk was minimized by observing the permissible deviation of the currency structure of assets against the currency structure of liabilities. This mismatch must not exceed $\pm 2\%$ in accordance with Article 31, para. 3 of the Law on the BNB. BNB risk is minimal reflecting a legally set narrow band for maximum permissible deviation of weights of currencies other than the euro on the asset side from those on the liability side.

IV. Liquidity and Financial Markets

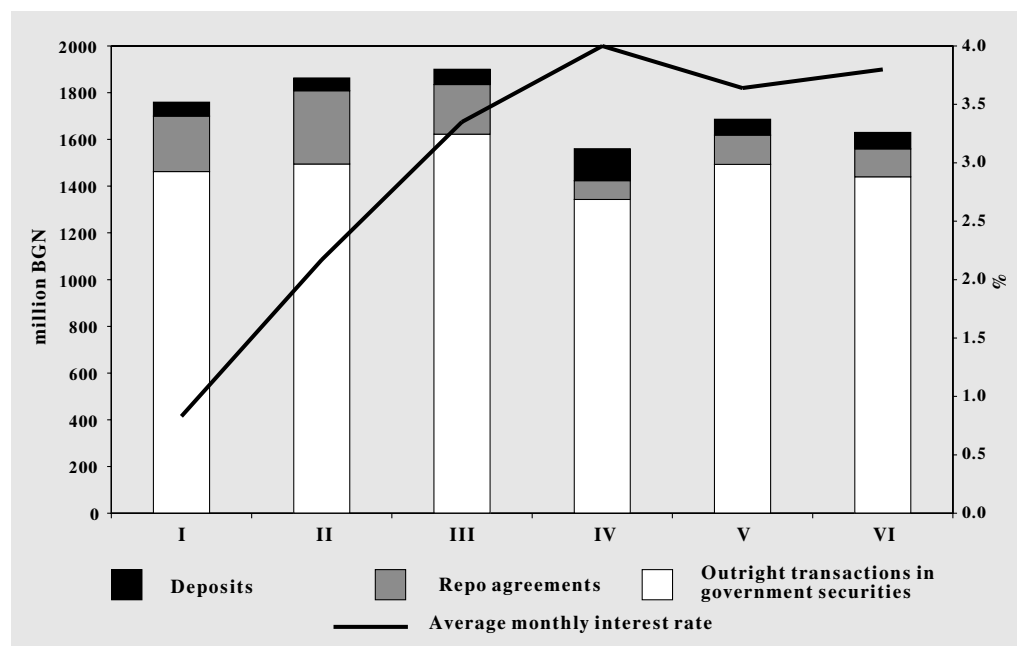
1. Liquidity

The Interbank Money Market

Operating amid continued stabilization of the financial system, in the first half of 2001 the volume of traded funds in the interbank money market increased 1.2 times year on year, totaling BGN 4,380,804,000. Market structure by type of transaction remained unchanged. Deposits had the largest share (85.16% against 74% a year earlier), followed by repo agreements (10.46%) and outright transactions (4.38%: 20% and 4% on a year earlier respectively). Of note is the fact that unsecured deposits halved on a year earlier and, along with reduced repo agreements, reflected the atmosphere of strengthening confidence among banks. As regards outright transactions, the volume of foreign currency denominated government securities fell due to their higher yield and a sustained upward trend in the US dollar, as well as principal amortization. As regards the term of transactions, one-day transactions had the largest share (65.44%), followed by transactions of two- to three-days (17.16%).

The price level of traded funds moved from 0.83% (January) to 4.06% (April) reflecting demand and supply of funds in the market and MF fiscal policy. The average interest rate on interbank market transactions was 2.88% against a 4.31% base rate.

INTERBANK MONEY MARKET



Source: BNB.

Commercial Bank Reserves

In the first half of 2001 the volume of attracted bank funds in lev and foreign currencies increased gradually, though slightly. Between January and June the lev deposit base grew by 8.93% and foreign currency deposits increased by 17.59%, reflecting the 12% average lev devaluation against the US dollar.

In the first half of 2001 the percentage of minimum required reserves remained unchanged at 8% of the deposit base.

Reserve assets held by banks varied widely. Required reserves in foreign currency on attracted funds in foreign currency comprised 21% in January, reaching 70% in June. The low level in January was due to high lev liquidity resulting from

interest and principal payments on USD-denominated ZUNK bonds by the Ministry of Finance.

In June higher yields in international markets led banks to convert their free lev funds into euro. To compensate the shortage of funds on their lev settlement accounts, banks increased significantly their reserve assets in foreign currency on special accounts at the BNB.

Interest on interbank market transactions did not exceed average levels in individual months due to timely action by commercial banks. The euro continued to be the preferred currency for covering bank reserves on attracted funds, followed by the Swiss franc; the US dollar comprised a mere 3 to 4% of deposited currency.

During the half-year banks did not face difficulties in maintaining minimum required reserves at the BNB. Current and medium-term liquidity management in the system was flexibly linked with the state of domestic and international markets and cash flows from and to the Ministry of Finance. Depending on bank policies, excess reserves varied from BGN 87.031 million in January to BGN 11.037 million in June. Average excess reserves for the period totaled BGN 35.2 million, a 30% decrease on a year earlier. This reflected more efficient fund management by commercial banks under similar conditions. Nevertheless, every month one bank or another failed to comply with minimum required reserves and the Banking Supervision Department was duly notified in accordance with Regulation No. 21. The reasons for noncompliance were not of a systemic nature but purely technical and administrative: incorrect calculation of the deposit base (UBB, Pireus), errors by inexperienced staff (Hypovereinsbank), and defaulting payers at the end of the maintenance period (ING Bank, UBB).

2. The Financial Markets

The Government Securities Market

The Primary Market

During the first half of 2001 serious changes occurred in the issue calendar of the Ministry of Finance:

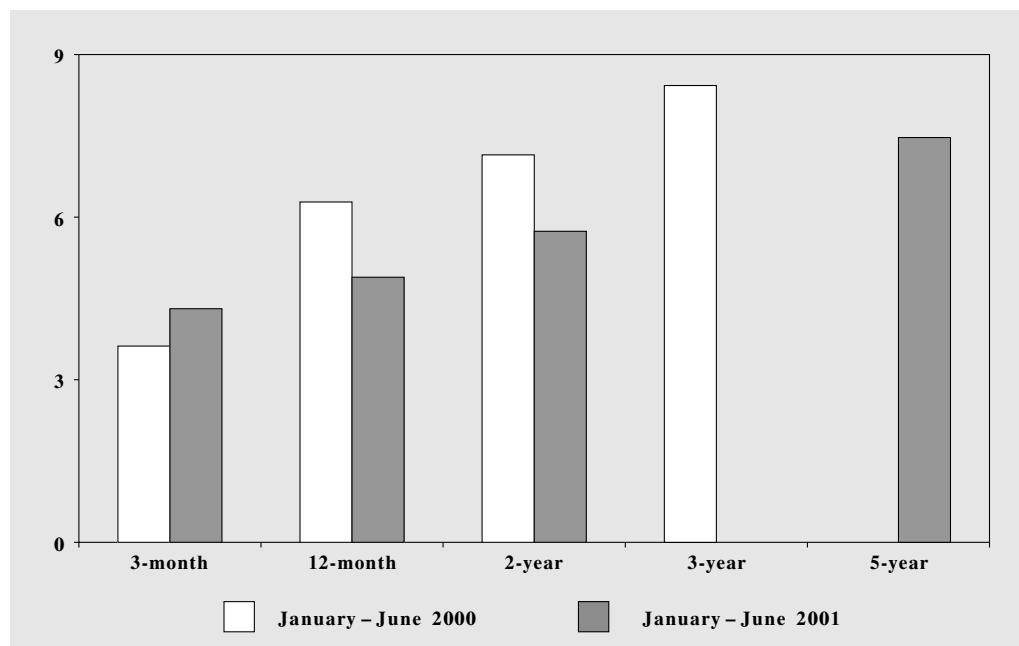
- Three-month discount government securities were issued twice monthly instead of once weekly at twice as high nominal value: BGN 10 million against BGN 5 million in the previous year.
- The practice of joint auctions was abolished and auctions for longer-term government securities were held in the weeks when three-month issues were not offered.

The change in the calendar of three-month securities did not affect significantly the coverage coefficient (the ratio between bids received and bids approved). It moved within 2:1 and, as a rule (except in March), was higher in the first auction than in the second auction of the month. Average annual yield at issue (used to determine the base rate) started from a level of 4.5%, fell to 4% in the first quarter and came close to the 4.5% level in the second quarter, the coverage coefficient falling below 2:1.

Lower coverage coefficient occurred in other issues as well. However, the effect was a slowdown rather than a reversal in the average annual yield at issue, especially for longer-term securities.

Sales of target government securities earmarked for physical persons moved from BGN 0.9 million to BGN 2.1 million monthly. A slight reduction occurred on a year earlier both in amount and monthly volatility. As in the first half of 2000, sales dynamics exhibited a sustained upward trend in the first quarter and a volatile downward trend in the second quarter. On 1 March 2001 the BNB stopped selling government securities at its inland branches. The change was in line with the restructuring of the BNB branch network. Service to physical persons was restored on 12 March by relevant UBB branches. As a result, the share of government securities sold through the BNB in total target issues fell to little below 50% in March and accounted for a third in the second quarter.

AVERAGE ANNUAL YIELD OF NEW GOVERNMENT SECURITIES ISSUES



Source: BNB.

A subscription for the conversion of 25-year USD-denominated ZUNK bonds maturing on 1 January 2019 into 20-year EUR-denominated government securities with the same status and maturity date was held in June. As a result, the first issue of USD 31.9 million nominal value was replaced by the second issue of EUR 37.5 million in the government securities primary dealers' registers kept by the BNB (unlike the subscription in June 2000, which ended without bids and without a change in the nominal values of the two issues).

The Secondary Market

Outright commercial bank transactions in government securities (including transactions by investment intermediaries approved as primary dealers) rose 1.27 times (26.6%) on a year earlier (the index is based on transactions with a flow on settlement accounts and on amounts at market value).

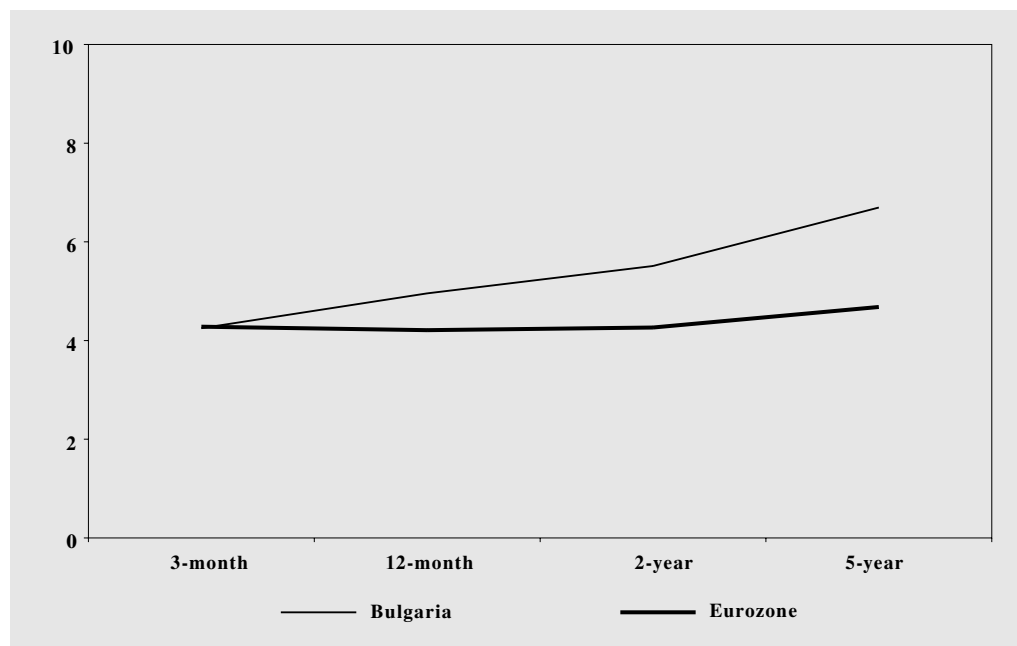
The Bulgarian yield curve on government securities converged to the identical section of the eurozone benchmark curve. Bulgarian three-month securities displayed lower yields than the eurozone benchmark, but as a result of the greater fall in the eurozone and a more modest one in Bulgaria the two levels converged. A similar development occurred for two-year and particularly five-year issues (where reduced Bulgarian yield was accompanied by a slight increase in the eurozone, the margin still staying the largest). Twelve-month issues were the only exception, with a slightly widening margin between the two yields due to a slower downward movement in Bulgarian yield than that in the eurozone.

On 6 June Reuters adopted the yield curve comprised of quotations of overnight, one-week, one-month, three-month, one-year, two-year, and five-year government securities as the benchmark curve for Bulgaria.

Following the initial slight fall in early 2001, the center of movement of the average monthly price of USD-denominated ZUNK bonds stayed at a level of USD 70 per USD 100 nominal value. It gradually moved to the level of USD 75 and exceeded it at the end of the half-year.

**BENCHMARK CURVES OF GOVERNMENT SECURITIES IN BULGARIA AND EUROZONE
AS OF 29 JUNE 2001**

(annual yield,%)



Source: BNB.

The Forex Market

Overview of the Forex Market

Forex market recovery accelerated further in the first half of 2001. The total volume of transactions with two-day payment value date (spot, next and same day) amounted to EUR 9,294.3 million, a slight decrease by 1.4% on the second half of 2000, but an increase of 35% on the first. Typically, volumes in the second half exceeded those in the first. Foreign currency purchases exceeded bank sales (the BNB included) by EUR 30.5 million.

Market Sectors

The volume of transactions with final customers fell significantly and had a minor share of the forex market. During the half-year foreign currency purchases exceeded bank sales (the BNB included) by EUR 33.4 million. The net result is lower than that reported in the first half of 2000 (EUR 170.6 million) but is better compared with the second half of 2000 when a negative balance of EUR 119.7 million was reported. The result for commercial banks alone (without the BNB) is negative, unlike the positive result in the previous year.

SPOT OPERATIONS WITH CUSTOMERS

	(million EUR)		
	Bought	Sold	Balance
Total	2,263.3	2,229.9	33.4
incl.:			
commercial banks	2,183.8	2,209.4	-25.6
BNB	79.4	20.4	59.0

Source: BNB.

The volume of interbank trade in foreign currency rose by 9.3% on the second half of 2000. BNB participation was comparatively balanced, unlike previous years when the Bank participated mostly as a buyer.

INTERBANK SPOT MARKET

(million EUR)

	Bought	Sold	Balance
Total	2,399.2	2,402.0	-2.9
incl.:			
commercial bank*	2,299.6	2,309.7	-10.1
BNB with commercial banks	99.6	92.4	7.2

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

Source: BNB.

The BNB share in total interbank market volume stayed at 6.8%, typical of previous years. The positive balance between forex bought and sold by the BNB is the result mainly of transactions with final customers and from interbank transactions to a lesser extent; no forex sales to the MF for foreign debt service were made.

BNB SPOT TRANSACTIONS

(million EUR)

	Bought	Sold	Balance
Total	179.0	112.8	66.2
BNB with commercial banks	246.7	0.0	246.7
BNB with final customers	60.4	180.4	-120.0
incl.:			
with companies and budget organizations	37.6	46.8	-9.2
with MF for foreign debt	0.0	130.6	-130.6
cash operations at tills	22.8	2.9	19.9

Source: BNB.

Market Structure by Currency

In the first half of 2001 the euro reinforced its dominant position in the forex market, comprising 66% of total turnover against 56% in 2000. The dominance was more pronounced in the interbank market (79% against 72% in 2000) and in trade with final customers (52%) while the US share fell to 45% both in purchases and in sales.

Market Exchange Rates

During the half-year the average weighted market exchange rate of BGN 2.1727 per USD was reported against the official rate of BGN 2.1785 per USD. This shows that the gradual appreciation of the dollar during the first half of 2001 did not affect usual market behavior as the average market exchange rate was less, though insignificantly (by less than one *stotinka*), from the official one.

The Equity and Corporate Debt Securities Market

Trade Performance

Though smaller than in the second half of 2000 (by year-end the activity traditionally intensified), the total volume of secondary market trades more than doubled compared with the first half of the previous year, due to a nearly twofold increase in stock-exchange trade and a sixfold increase in over-the-counter trade. The greater increase in over-the-counter trade turnover (in equity), mostly in the first quarter, led to a rise in its relative weight. However, *bourse* trade remained far more important, accounting for some three quarters of total corporate paper turnover (at market prices) through the Central Depository: BGN 71 million. Of this, BGN 70 million was in shares, BGN 0.6 million in debt paper and BGN 0.4 million in Bulgarian Depository Receipts. The volume of over-the-counter trades through the Central Depository amounted to BGN 23 million (in equity) at market prices.

On 9 April the Bulgarian Stock Exchange – Sofia and the Athens Stock Exchange signed a memorandum of understanding for cooperation in trade of securities issued by Bulgarian and Greek companies. The memorandum aimed to support the efforts of the Bulgarian stock market bodies to harmonize local regulations with the European Union's rules and improve the investment climate in southeast Europe.

VOLUME OF BULGARIAN STOCK-EXCHANGE TRANSACTIONS

(in million BGN)

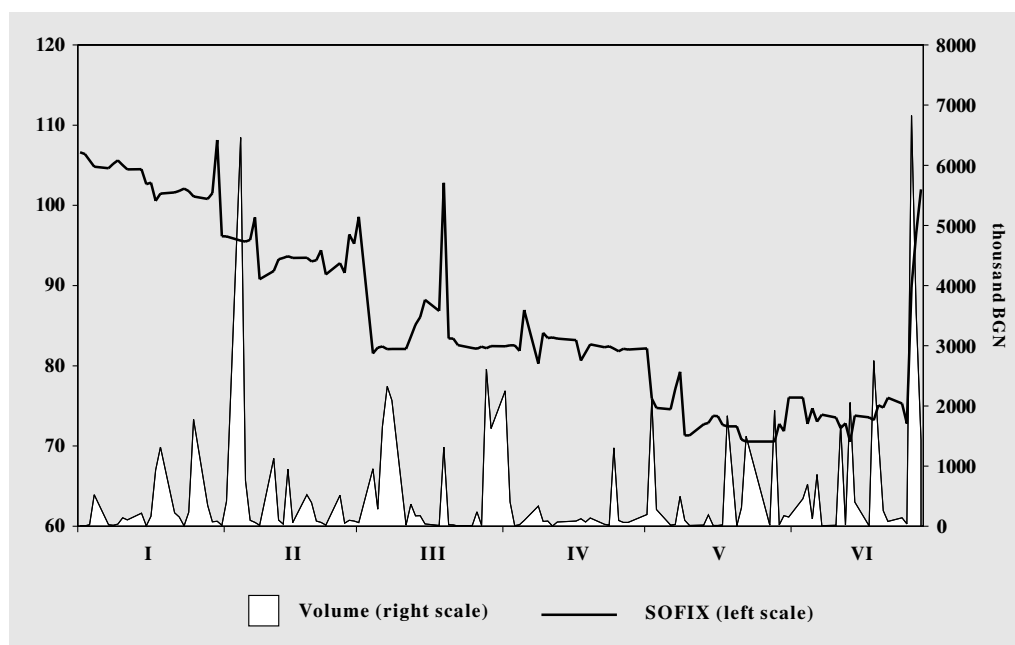
Markets	Equity market		Bond market			
	official market of shares	free market of shares	official market of bonds			free market of bonds
Segments at which the instruments are registered	segments A, B, C	free market of shares	government securities	municipal bonds	corporate bonds	free market of bonds
Trade in primary instruments, incl.:	10.7	59.3	-	-	0.6	-
regular transactions	0.4	12.9	-	-	0.6	-
block and other transactions	10.3	44.1	-	-	-	-
privatization market transactions	-	2.3	-	-	-	-
Trade in derivatives, incl.:		0.4				
regular transactions	-	0.4	-	-	-	-

Source: Reuters.

Equity

The total volume of regular stock-exchange transactions (*floor deals*: on-and-off-the-premises trading-time keyboard dealing) slightly changed (BGN 13.4 million) compared with the first half of 2000: *official market* transactions remained still smaller in volume and *free market* deals slightly increased. However, block transactions rose by BGN 31 million to reach BGN 54.4 million (block trades reporting includes also some smaller transactions as transfers and tender purchases) together with the growing range of traded companies and comprised 77.7% of the stock-exchange trading in shares (*official market* shares accounted for 14.7% and *free market* shares 63%). *Privatization transactions* in the BSE – Sofia (BGN 2.3 million, entirely *free market* shares) also marked a rise on the first half of 2000.

VOLUME OF TRADED SHARES AND PRICE INDEX (January – June 2001)



Source: Reuters.

Stock prices progressively slid down, approaching the threshold of 70 points for the *SOFIX* share price index in early May. That level proved stable and after a rebound in prices (and in turnover) in late June, the index went back exceeding the

100-point line. On 26 June the Board of Directors of the BSE – Sofia proposed changes in the *Rules & Regulations* envisaging a lift of price limits on block transactions and exclusion of block transaction prices from computation of *bourse* indices.

Trade in Bulgarian Depository Receipts (BDRs) on the BSE – Sofia *free market of shares* extended to all the four German-equity-based instruments that were admitted for trade in late 2000. Plans of an investment intermediary to develop BDRs based on the *Dow Jones* index were announced.

Corporate Debt Securities

Secondary trade in corporate debt securities remained far from daily and much lower than the equity market turnover. However, compared with the first half of 2000 it swelled by more than 100 times (though it was smaller than trade in the second half of the year). Prices tended to rise. Several banks announced their intents to issue mortgage bonds. A municipal bond issue was accepted for trading on the BSE-Sofia *free market* in January (no secondary market transactions were reported by the end of the first half-year).

Payment System and Settlement

Payments through BISERA

Between January and June 2001 noncash bank settlements through the BISERA network numbered 11,247,175 (daily average 89,263), totaling BGN 30,194,732,824 (daily average BGN 239,640,737). Budget payments accounted for 73.2% of total settlements and 50.5% of total value. An increase of 16% in the number of settlements and 8.8% in value was reported between January and June 2001 compared with the previous year. By the end of June 2001 the number of direct participants in the interbank settlement system was 716, an increase of 30 on end-2000.

Payments through BORICA

In the January to June 2001 period transactions through the system for card payments numbered 6,253,673, totaling BGN 500,029,000. These payments accounted for 87% in number and 85% in value of total payments effected over 2000. This is indicative of an extensive development of this bank service.

Over the review period the number of issued bank cards rose by 36% to 764,862. Service infrastructure also enjoyed a dramatic development. By the end of June 2001 the number of ATMs increased by 30% on end-2000 to reach 548 (of them, 198 were in Sofia), and the number of POS-terminals reached 1,514 against 1,307 by end-2000.

In early 2001 the Ministry of Finance and Bankservice AD implemented successfully the System for Electronic Budget tRansfers (SEBRA). This system is an indispensable element of the Single Account System, enabling prime-rate budget entities to exercise full control over compliance with the limits and payments of budget organizations included in the system. Step-by-step incorporation of budget organizations into the system is underway.

The BNB held an international tender for contractors on the project for its system for Real Time Gross Settlement (RTGS). The US MONTRAN Company was the successful bidder, a contract was signed and project implementation began.

The Credit Register

According to the accounting methods laid down in BNB Regulation No. 22, by the end of June 2001 the performance of the banking system credit portfolio based on credit register data was as follows:

- the total number of operating commercial bank claims (including claims of less than BGN 10,000) was 442,183, with total balance sheet exposure amounting to BGN 6,059,962,500 and off-balance sheet exposure coming to BGN 1,324,279,550. Compared with end-2000 a significant increase was reported: by 39% in balance sheet exposure and 51% in off-balance sheet exposure;
- monitored balance sheet claims (over BGN 10,000) accounted for 88% of total balance sheet exposure of operating banks;

- in terms of maturity of the credit contract, the share of credits with a term of up to one year was greatest (60.53%), followed by credits with a term of up to three years (20.39%), and those with a term of over three years (19.08%);
- in terms of currency, credits in lev accounted for the largest share: 40.02% against 50% by end-2000), followed by those in US dollars (33.79%) and euro (21.46%);
- total balance sheet exposure to the real sector amounted to BGN 3,614,136,000. Of this credits to the processing industry occupied the largest portion (30%), totaling BGN 1,084,502,000;
- compared with end-2000 balance sheet exposure to the finance, credit and insurance sector increased most significantly: by 229.3%, totaling BGN 2,335,052,000.

V. Banking Sector and Banking Supervision

1. Development of the Banking Sector

Between January and June 2001 the banking sector continued developing stably. Year-on-year return on assets (ROA) in the banking sector was 3.9% (against 2.4% in 1999 and 2.8% in 2000). This significantly higher value reflects the positive effect of a sizable volume of reintegrated provisions (mostly by Bulbank) which impacted the final financial result reported for the review period. The same reason underpinned the increased return on equity (ROE): 31.7% on current data, against 20.9% in 1999 and 23.2% in 2000. Between January and June 2001 the bulk of commercial bank borrowed funds were again invested in foreign assets providing good income at minimum risk. Despite the sustainable growth of the banking sector (in absolute terms) lending to the national economy stayed relatively low, due primarily to the limited number of companies with growth potential and to banks' prudence.

Group I including the three largest Bulgarian banks²⁷ (Bulbank, DSK Bank and the United Bulgarian Bank) sustained its big shares in total banking sector assets: 47.5%, including 35% of lending, 57% of claims on banks and financial institutions and 77% of total banking sector securities in the investment portfolio. This group's share in placement of trading portfolio securities declined to 38% (against 56% by end-1999 and 44% by end-2000). These banks' capital and reserves accounted for 49% of the banking system total and attracted 52% of deposits from the nonfinancial sector and the public.

During the first half of 2001 First Investment Bank joined Group II: banks with assets ranging from BGN 300 to 800 million (Biochim, the Bulgarian Post Bank, Societe Generale Expressbank, Hebrosbank, and BNP – Paribas). As a result the market share of this group rose to some 25.6%. In addition, the amount of assets including credits and interest-bearing assets, increased at a higher than average pace in most Group II banks. Credits extended by Group II banks to nonfinancial institutions rose from 22% by end-2000 to 28%, while the shares of investment and trading portfolios stayed almost unchanged: at 21% and 27% of the banking system total respectively. Accumulated deposits comprised 26% of total commercial bank deposits.

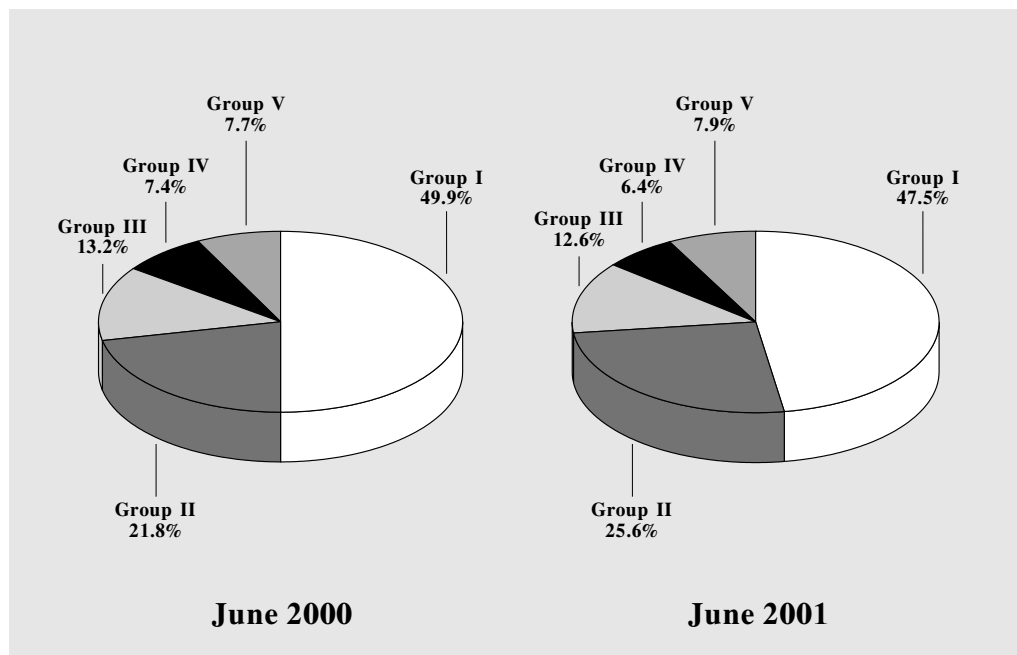
The share of Group III was less than 13%, reflecting mainly the deduction of First Investment Bank figures. Bulgaria Invest Commercial Bank was shifted to Group III because its assets consistently exceeded the limit of BGN 100 million. The market share of credits fell from 18% by end-2000 to 13% by end-June 2001, due mainly to the shift of First Investment Bank to Group II.

The market share of Group IV banks (with assets up to BGN 100 million) continued to fall, accounting by end-June for some 6.5% of total bank assets. The share of credits extended by the 12 smaller banks included in this Group comprised 9% of total credits extended to nonfinancial institutions and other clients. The share of Group IV deposits in total attracted funds by banks was relatively small: 3%.

During the first half of 2001 the Group of foreign banks' branches continued to raise its volume of transactions and the amount of its assets. As a result Group V market share exceeded the share of Group IV. The former autonomous branch of Societe Generale stopped operation, and transactions of the French bank have been entirely concentrated at the SG Expressbank subsidiary.

²⁷ To ensure precise monitoring of market share surveys, the nature of business profile and comparability in terms of supervisory regulations commercial banks were divided into four classification groups according to balance sheet size: Group I – over BGN 800 million; Group II – from BGN 300 million to BGN 800 million; Group III – between BGN 100 million and BGN 300 million; and Group IV – up to BGN 100 million. Group V comprises foreign banks' branches.

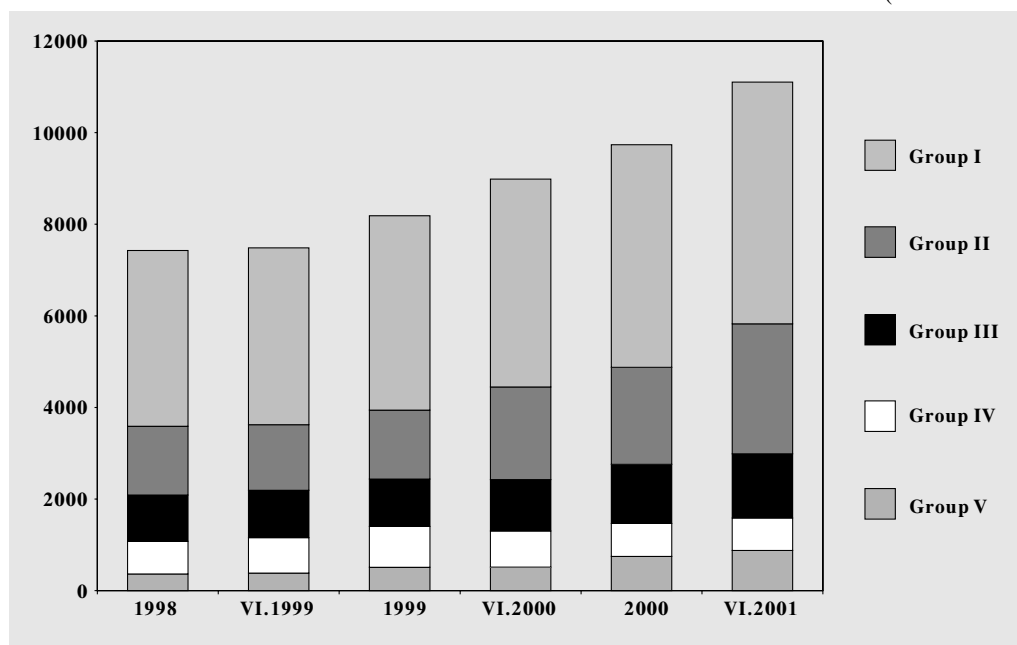
ASSETS BY BANK GROUP



Source: BNB.

ASSETS OF THE BANKING SYSTEM BY BANK GROUP

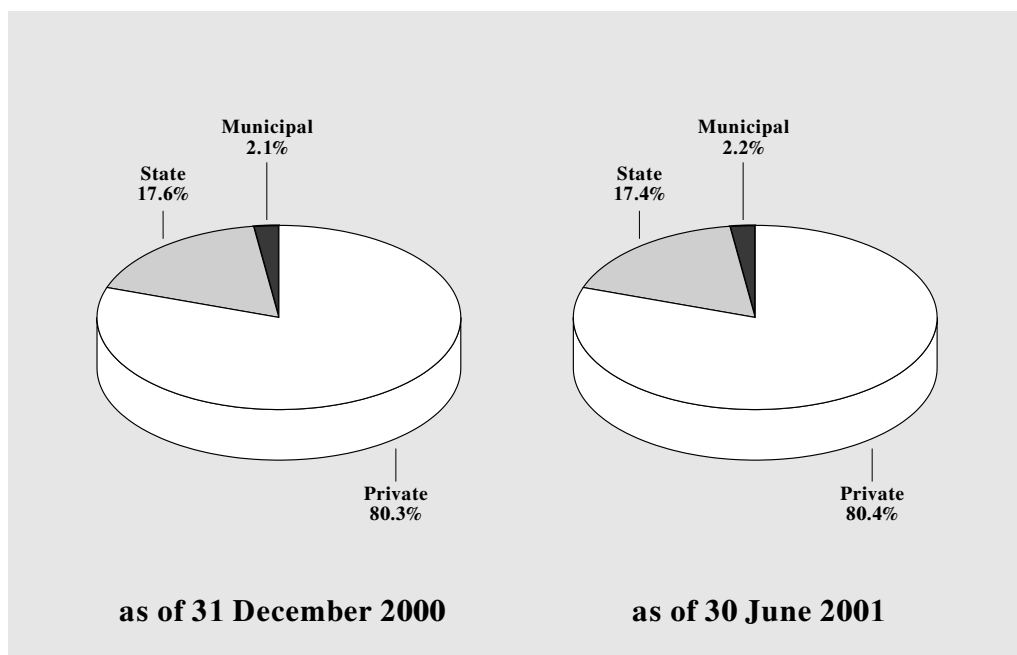
(million BGN)



Source: BNB.

Between January and June 2001 no significant changes occurred in bank ownership. State ownership in the banking system assets stayed at its previous year's level of 17.4% and municipal ownership was 2.2%. The share of private banks in total bank assets remained almost unchanged at 80.4% by the end of 2000. The share of bank assets owned by foreign banks and investors increased slightly to 76%, reflecting faster growth reported by bigger banks owned by foreign investors.

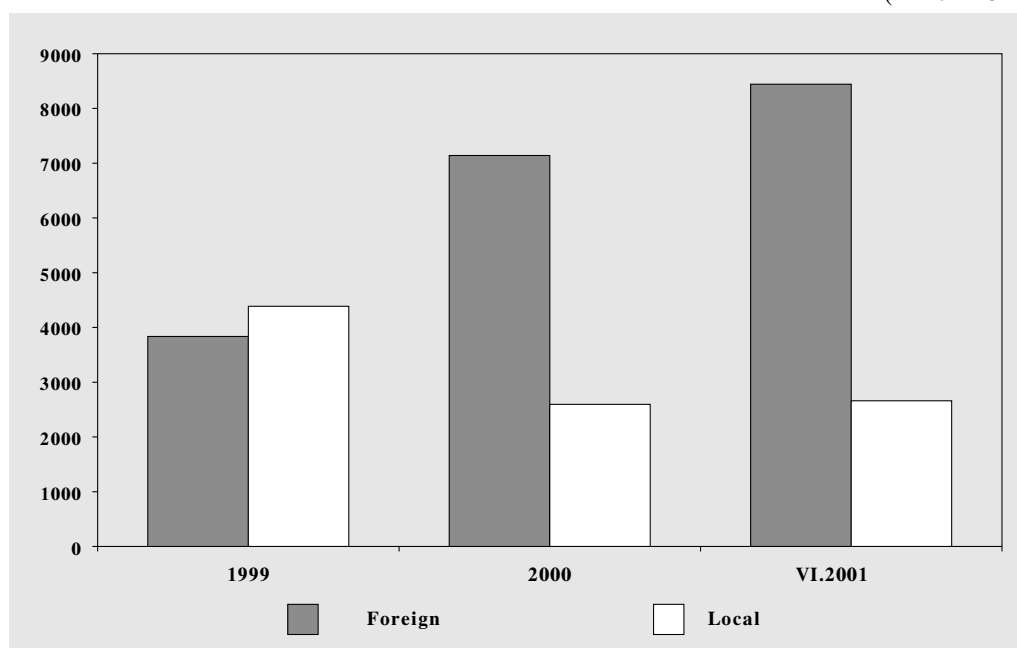
ASSETS BY OWNERSHIP



Source: BNB.

BANK ASSETS CONTROLLED BY LOCAL AND FOREIGN INVESTORS

(million BGN)



Source: BNB.

Over the review period no significant mergers or other bank transformations were reported in the Bulgarian market. Five of the ten biggest Bulgarian banks, comprising 48.7% of total bank assets, were owned by international bank and financial groups: Bulbank by UniCredito Italiano, the United Bulgarian Bank by the National Bank of Greece, Expressbank by Societe Generale, Hebros Commercial Bank by First Regent Group Ltd and BNB-Paribas (Bulgaria) by BNP-Paribas.

Bank Assets and Liabilities

Between January and June 2001 total banking system assets increased nominally by BGN 1,370 million on end-2000 to BGN 11,105 million, accounting for 14% and almost matching the previous year's growth. Over a comparatively short period (since 1999) total banking sector assets increased by 50% (BGN 3,680 million or 20% annual average). Maintaining banking sector growth rates faster than GDP growth would help achieve a higher degree of financial mediation in the economy and approach bank and financial assets to GDP ratios typical of countries with developed markets.

The lev and forex components of assets increased at different rates: the lev component by 10% on end-2000 and by over 30% since early 1999 (BGN 400 million and over BGN 1,000 million respectively). The forex component reported an increase of 6.4% and 20% respectively (USD 180 million and USD 500 million). The faster annual growth of lev assets (12%) compared with forex assets (8%) reflects decreasing dollarization in the economy and strengthening confidence in the national currency irrespective of the general appreciation of the US dollar (by approximately 38%) since early 1999.

Placements, mostly in foreign banks, indicated a new sizable rise of over USD 135 million in volume and 7.6% in weight in banking sector asset structure. Average annual weight of placements accounted for the largest share in assets: 36.6% and more than 41% in the first half of 2001. Total placements abroad rose by almost USD 500 million between January 1999 and June 2001, while foreign currency credits extended to the national economy amounted to just USD 210 million. Lev credits extended during the first half of 2001 increased by BGN 285 million, and those extended between January 1999 and June 2001 by BGN 900 million (68%). The amount of these credits proved insufficient to ensure economic growth. The weight of credits in total assets remained within 30% to 31%, the bulk of them to private companies.

Banks' assets restructuring continued. The annual average weight of securities in banks' investment and trading portfolios accounted for 18.1% (14.1% in the first half of 2001) of total assets. The manner of internal assets structuring between January 1999 and June 2001 clearly indicated that banks intended to increase their revenue without taking additional risks. The extremely conservative asset structure maintained by some of the biggest banks, that is low weights of credit portfolios (Bulbank, the United Bulgarian Bank, BNP-Paribas, Hebrosbank, and Biochim) and domination by assets with foreign banks (Bulbank, BNP-Paribas the United Bulgarian Bank and SG Expressbank), accounted for the bulk of unrealized banking sector credit potential.

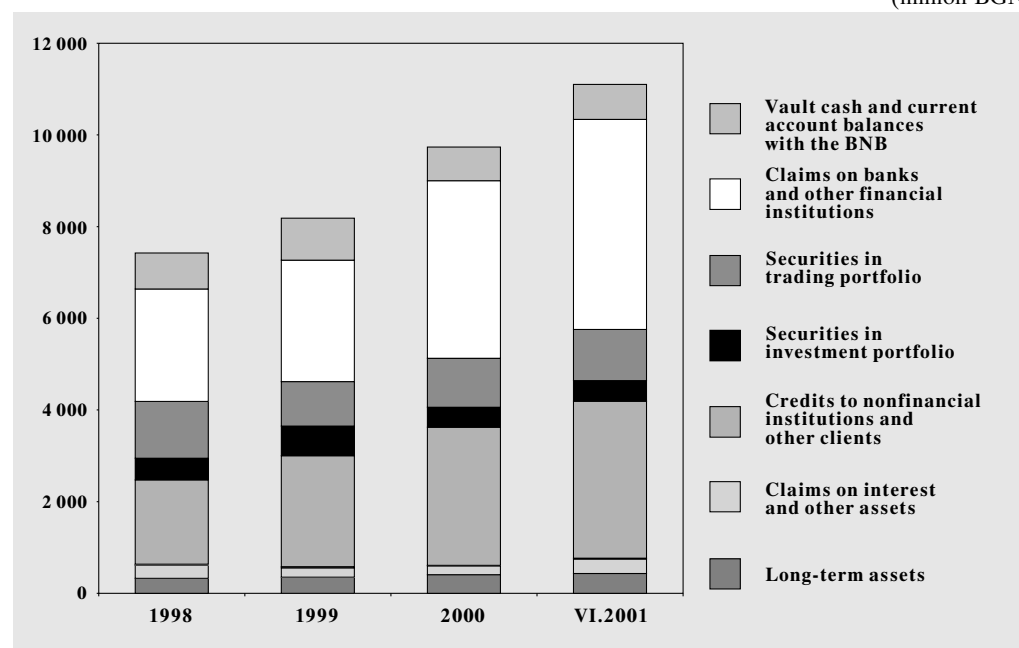
Between January and June 2001 banking system liabilities reported a nominal increase of BGN 1,360 million in borrowed funds and other liabilities to BGN 9,610 million (16.5%), matching 2000 annual growth. Accumulated deposits from nonfinancial institutions and the public grew by approximately USD 230 million (13.5%) on end-2000. Between January 1999 and June 2001 deposits from nonfinancial institutions and the public increased by USD 368 million (9.5% annual average). Deposits of nonfinancial institutions, organizations and individuals in national currency rose by BGN 420 million (14.6%). Between January 1999 and June 2001 total lev deposits of nonfinancial institutions and other clients grew by more than BGN 950 million (41%).

The proportion between forex and lev components of deposits stayed almost unchanged on previous years (2.8:2.2). As in the years following the 1996 – 1997 bank crisis, between January and June 2001 the maturity structure of borrowed funds remained unchanged: short-term deposits dominated. This reflects low public incomes which limit opportunities for long-term saving and investment.

The amount of long-term funds borrowed from foreign financial institutions remained small. This reflects the lack of motives for some of the bigger banks to attract long-term funds, consistent with the conservative policy pursued by them. In addition, insignificant financing of long-term projects determined banks' low interest in long-term refinancing from foreign private institutions. Moreover, a number of foreign creditors continued to require government guarantees on their claims.

VOLUME AND STRUCTURE OF BANKING SECTOR ASSETS

(million BGN)



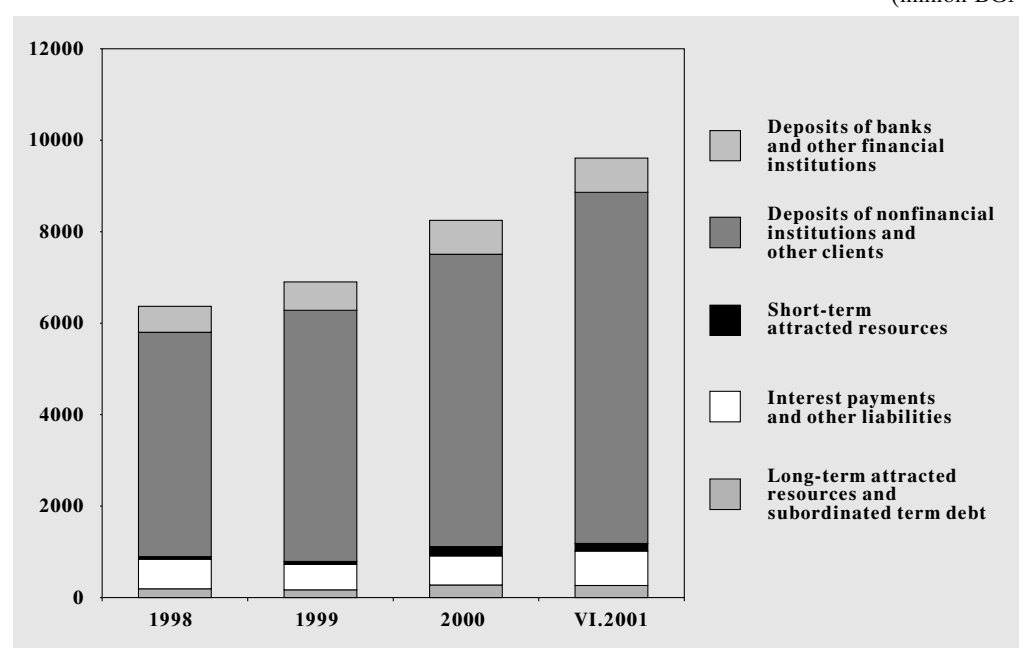
Source: BNB.

Between January and June 2001 no essential changes occurred in off-balance sheet liabilities in their part of credit substitutes in foreign currency (bank guarantees, documentary letters of credit and collections, acceptances, *etc.*) irrespective of increased Bulgaria's foreign trade. This is ascribable to the existing practice payments on the bulk of foreign trade volume to be effected by direct transfers and a smaller portion by rescheduled payments due to unfavorable position of Bulgarian traders in negotiating terms and conditions of foreign transactions.

Transactions in derivative products exhibited an increase of approximately USD 220 million (150%). This is associated mostly with the intent of banks, effecting extensive international payments, to hedge the risk of their transactions, following developments in the international forex and money markets.

VOLUME AND STRUCTURE OF BANKING SECTOR LIABILITIES*

(million BGN)



* Equity capital and off-balance liabilities excluded.

Source: BNB.

Revenue, Expenditure and Profit

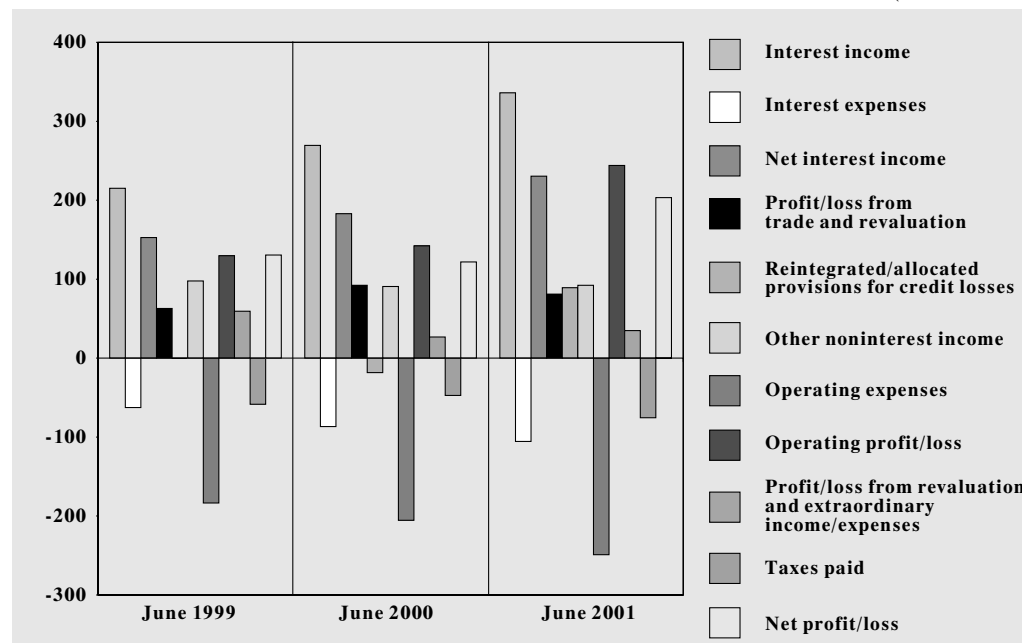
Between January and June 2001 the Bulgarian banking system reported a net profit of BGN 203 million, an increase of 67% on the first half of 2000 (BGN 122 million). This had a stronger effect on Bulbank, attributable to a greater extent to the reintegration of allocated provisions in previous years. As a result Group I banks reported 76% of total net profit. If this factor were disregarded, the net profit would almost match profit attained in previous years. Operating profit, direct result of operations and an indicator of the efficiency of major bank activity, reached BGN 244 million by end-June 2001 (or BGN 155 million if the positive effect of reintegrated provisions were disregarded). Banking system operating profit, a direct result of bank transactions, rose by 8.9% on the first half of 2000.

Despite the moderate growth of banks' credit portfolios and additional placements in foreign banks, reported under the Claims on Banks and Other Financial Institutions item, the net interest income matched the level of the 2000 first half period: 4.4%, computed as a quarterly value on an annual basis. The total amount of net interest income grew by BGN 48 million (26%), attributable to the reported growth in earning assets. The general banking system ratio of *net interest income to operating expenses* improved (92.6%) from the first half of 2000 (89%) which was an additional positive effect on banks. The *interest rate spread* by the end of June matched previous years' levels: 5.6%. *Net profit from earning assets* reached 7.7% (against 6% between January and June 2000 and 5.9% in 1999), attributable to the upward trend in earning assets which occurred in the second half of 2000.

Banking system net profit from trade and other noninterest income, mostly fees and commissions, repeated the amount of profit reported in the first half of 2000, and ranked second in significance in operating profit accounting for 43% prior to including operating expenses and excepting the net effect of reintegrated provisions. Interest-bearing transactions continued to be the major income source for banks. The amount of other bank services remained small, reflecting the more limited variety of supplied services in the market.

BANKING SECTOR INCOME AND EXPENSES

(million BGN)



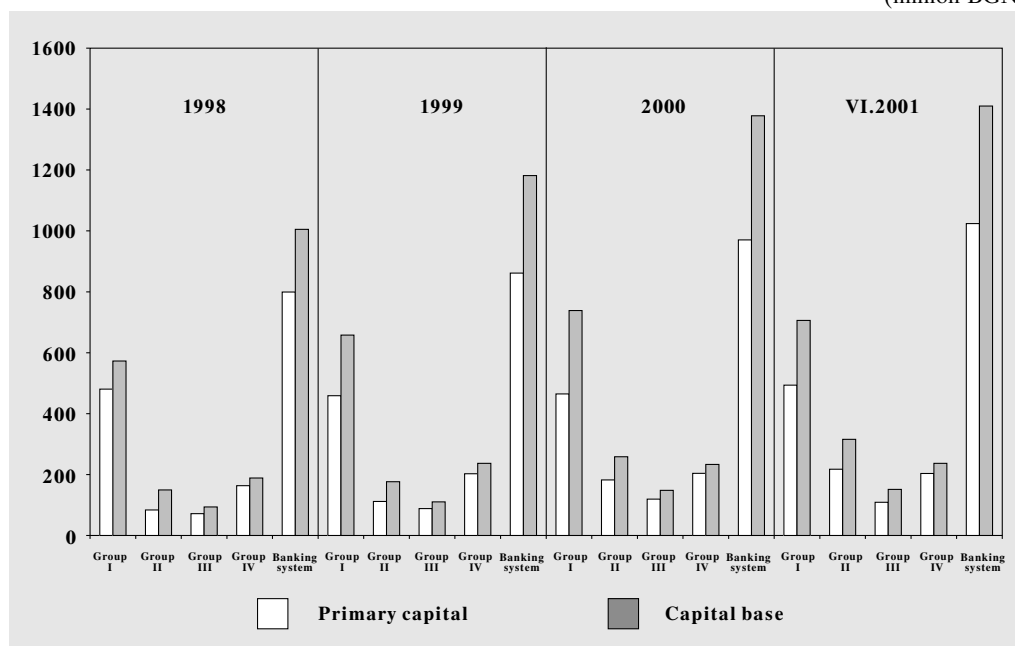
Source: BNB.

2. Compliance with Supervision Requirements

Between January and June 2001 the *capital adequacy ratio (solvency coefficient)* of the Bulgarian banking system stayed significantly above the minimum required 12%. Traditionally high values were sustained for this indicator, irrespective of the slight fall to 32.1%. Most banks had sufficient reserves to increase the lending and risk component of their assets further despite faster risk component growth compared with capital base growth. Own capital of banks of systemic importance (Group I and Group II) accounting for 73% of total assets is absolutely sufficient in view of their risk profile.

PRIMARY CAPITAL AND CAPITAL BASE

(million BGN)



Source: BNB.

Comparatively slower increase in the banking system capital base reflects payment of dividends to shareholders of the two biggest banks: Bulbank and the United Bulgarian Bank. The significant volume of reintegrated provisions had a compensatory effect on increased net current profit as an element of the total capital base.

CAPITAL RATIOS FOR TOTAL BANKING SYSTEM AND BY BANK GROUP

(%)

Commercial banks	Total capital adequacy			Primary capital adequacy			Degree of asset coverage		
	1999	2000	VI.2001	1999	2000	VI.2001	1999	2000	VI.2001
Group I	50.0	42.0	36.4	34.9	26.3	25.5	15.5	15.2	13.3
Group II	28.8	27.4	23.7	18.4	19.3	16.4	11.2	12.2	11.07
Group III	22.3	20.5	21.5	17.7	16.5	15.5	10.7	11.4	10.67
Group IV	52.8	51.3	55.3	45.6	44.8	47.5	26.0	31.7	33.73
Total	41.3	35.5	32.1	30.3	24.9	23.3	15.3	15.2	13.72

Note: Foreign bank branches comprising Group V are not subject to banking supervision regarding capital adequacy requirements.
Source: BNB.

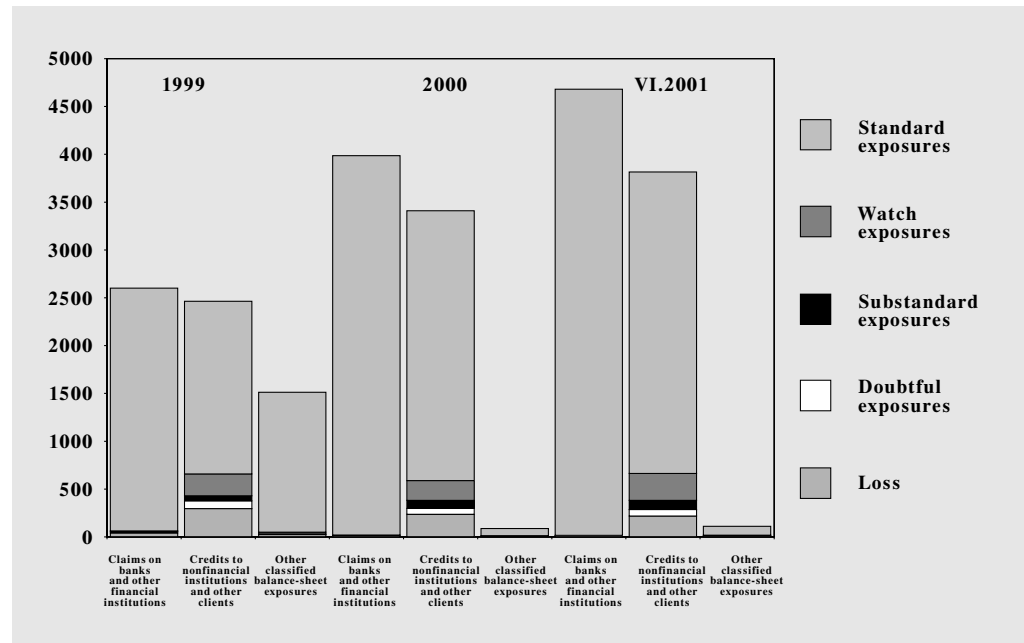
The high capital adequacy ratios of banks reflected the conservative policy of placing funds in low-risk investments pursued by commercial banks of systemic importance. The degree of asset risk stayed relatively constant irrespective of the increased absolute volume of credits. This was attributable to the unchanged weights

of risk assets in total assets and the *preserved credit portfolio quality*. The good quality of newly disbursed credits had a positive effect on the classification of claims. The ratio of total classified credits (the sum total of all credits to nonfinancial institutions at carrying value to the total amount of these credits after deducting provisions for credits classified as loss from the numerator and denominator of the ratio) matched the end-2000 level of 12.7%.

Characteristics and quality of claims on banks and other financial institutions, and portfolios of government securities in the investment and trading portfolios remained stable and did not run additional credit risk.

VOLUME AND STRUCTURE OF RISK EXPOSURES IN THE BANKING SYSTEM

(million BGN)



Note: The great reduction reported in the Other classified balance-sheet exposures group is due to a methodological change in banks' reports under BNB Regulation No. 9 providing for a more precise classification.

Source: BNB.

During the first half of 2001 there were no banks violating the requirement for limiting risk concentration. Total *big exposures* to the banking system capital base (58.3%) almost matched their levels by end-2000 and 1999 (62.4% and 60.3%) which was well below the admissible 800%. Nevertheless, deviations of over 25% of own funds occurred in the individual exposures of some banks. This problem seemed more significant for institutions with a small capital base as under this indicator the capital base is affected by individual big credit exposures. A possible worsening of the quality of individual big exposures may prompt occurrence of an immediate risk of losses.

Between January and June 2001 total banking system *currency risk* based on the ratio of the *net open foreign currency position to own capital* was minimized. It remained short: -4.4% of the capital base against -5.4% at end-1999 and -5.1% in 2000. The major characteristics of the net open foreign currency position stayed stable. This reflects banks' improved management of foreign currency positions and security against foreign exchange risk through hedging operations, consistent with international forex market developments. Between January and June 2001 most banks maintained long positions in euro. Due to the fixed exchange rate of the lev to the single European currency, positions in euro did not generate currency risk either for individual banks or for the whole banking sector. In addition, should market trends change, disposable funds in euro could be easily converted to US dollars dependent on banks' needs without significant additional expenses.

Over the first half of 2001 banks maintained *comparatively stable levels of pri-*

mary and secondary liquidity, consistent with the liabilities structure and risk profile. The average banking system primary liquidity ranged between 9.1% and 9.5%, with secondary liquidity ranging between 20% and 27%. Particular banks tended to decrease their primary liquidity from previous periods gradually with a view to placing more funds into earning assets. Banks authorized to act as government securities primary dealers maintained their primary and secondary liquidity within required levels. The state of bank liquidity was controlled on a monthly basis by type of maturity of assets and liabilities included in the net cumulative cash flow. Data suggests that banking system net cumulative cash flow was generally negative over time horizons of between six months and one year. Banks reporting similar values were paid special attention by banking supervision. The banking system indicated a positive net cumulative cash flow over all other time horizons. There were no queuing payments and banks with liquidity problems during the first six months of 2001.

3. Banking Supervision

Licensing and Permits

During the first half of 2001 the work on, *inter alia*, licensing and granting permits for bank capital increase, equity interest acquisition, bank cards, new branches, certificates continued, reflecting changes in the banking sector.

Of the two requests filed for obtaining a license for conducting banking operations under Article 11 of the Law on Banks, one was refused, and the other is being considered.

A number of permits for acquisition of qualified equity interest under Article 19 of the Law on Banks were granted.

Certificates of bank qualification and professional experience under Article 9, para. 2 of the Law on Banks and a number of other permits under the Law on Banks (branches abroad, change of name, bank cards, permits under Regulation No. 8) were issued during the review period.

Supervisory Regulators and Accounting Methodology

During the first half of 2001 the policy of harmonizing Bulgarian legislation with international standards and European law on prudent banking continued. Banking supervision improved its work in accordance with the resolutions and recommendations on effective banking supervision issued by the Basle Committee on Banking Supervision.

BNB Regulation No. 8 on the capital adequacy was amended, providing for less stringent restrictions on credit risk assessment by banks. Some supplements to the solvency ratio (capital adequacy) requirement and risk concentration compliance in relation to banking supervision on a consolidated basis were made. Changes are aimed at ensuring greater precision in calculating the capital base on an individual and consolidated basis; it introduces some new regulations, reliefs and requirements on the reporting of risk component assets and off-balance sheet commitments.

An amendment to BNB Regulation No. 4 on banks' foreign currency positions introduced a new method of calculating net foreign currency positions in compliance with EU principles. In addition, existing limits for single and net open foreign currency positions were changed to limit banks' currency risks. The provision on foreign currency positions of foreign banks' branches was repealed.

BNB Regulation No. 9 on the evaluation of risk exposures and the allocation of provisions to cover the risk of losses was amended. The amendment obliges banks to have sufficient information on borrower financial status, a more detailed description of general requirements for classification groups, and changes in supervisory regulations on the reclassification of risk exposures for restructured credits.

With a view to easing restrictions in credit risk assessment, BNB Regulation No. 7 on big exposures of banks was amended. Changes concern short-term inter-bank big exposures depending on counterparty credit risk, the values of exposures to counterparty credit risk in determining concentration being reduced to zero. An additional provision was introduced for reporting and treating a big exposure to a third

person who is a guarantor as open where the exposure is fully and unconditionally guaranteed by that person.

A new BNB Regulation No. 17 on determining the amount of bank deposits under Article 30 of the Law on Banks (State Gazette, issue 19 of 2 March 2001) was issued. It defines the scope of banks' investments in long-term tangible assets and financial assets, their accounting and regulation in accordance with the capital base to protect bank capital from the risk of excessive investment in low-liquid and unprofitable assets.

The amendment to Regulation No. 26 obliges financial houses to have disposable own capital of minimum BGN 100,000 at all times, and not only upon license issue.

In addition, work on updating commercial banks' Roll of Accounts and publishing a new Bank Accounting Manual continued. Rules and instructions on the accounting of particular bank operations were issued.

Off-site Supervision and Analyses

During the first half of 2001 off-site banking supervision continuously improved applying the risk-based approach in preparing analytical reports. The early warning system allowed regular monitoring of banks' supervisory and financial indicators and changes in them.

During the reporting period the Off-site Supervision Directorate concentrated its work in the following major directions:

- developing and improving risk-oriented supervision; significant changes were made in the scope and content of quarterly analytical reviews of commercial banks;
- introducing a new, sophisticated form of monthly and quarterly analytical reporting;
- improving coordination with the Inspections Directorate in assigning CAEL ratings, taking into account the supervisory profile and the values of individual components in the CAMELS rating within the supervisory cycle.

In all these directions, and with a view to improving the Early Warning System, the Off-site Supervision and Analyses Directorate was working under the Barenz Group consulting project.

A project for improving the methods of assessment under the CAEL set of indicators is being prepared and an Off-site Supervision Manual is being drafted together with the consultants.

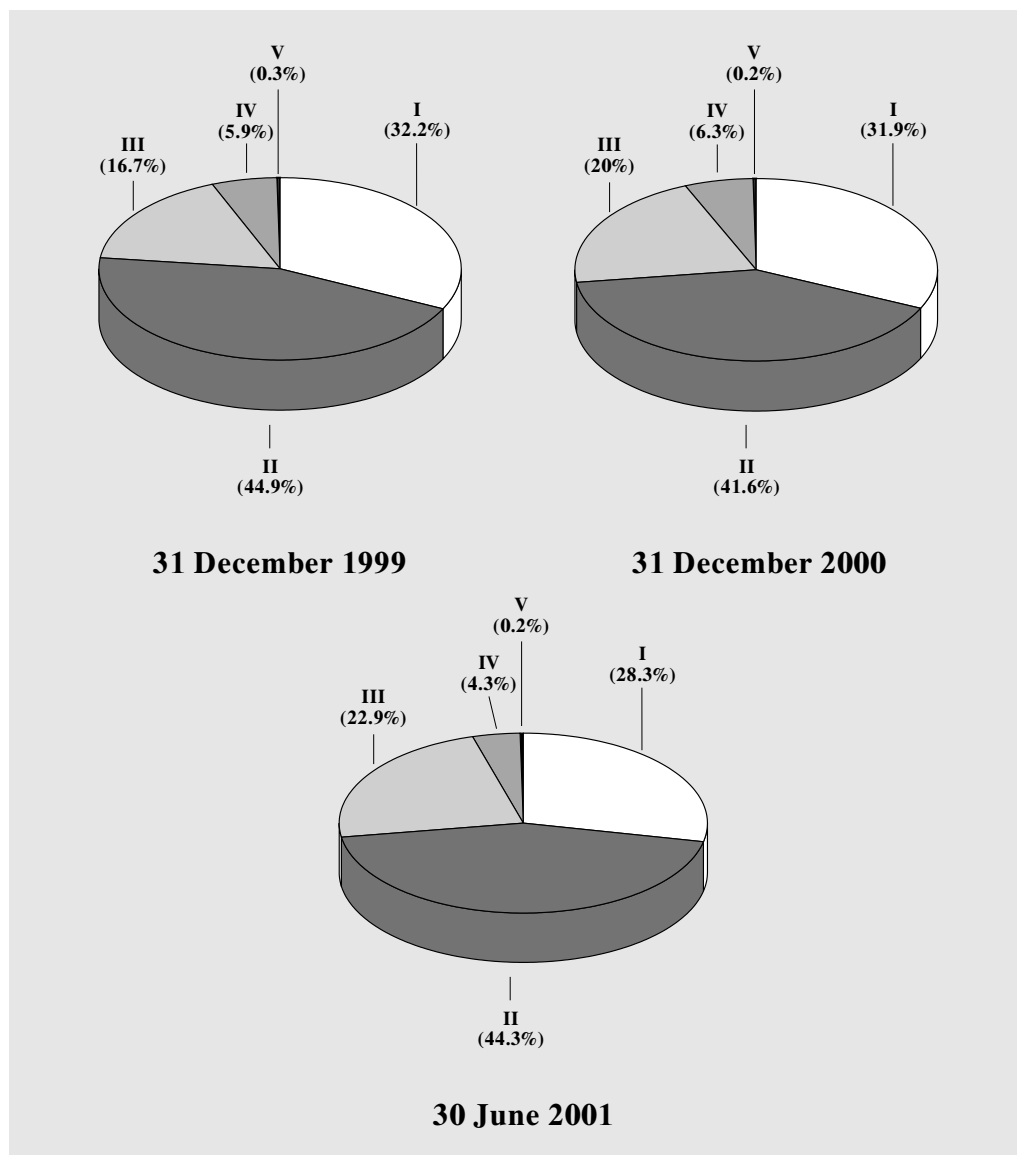
Preparation of monthly statistical information on banks and aggregated information on particular banking system indicators, which is published in BNB bulletins, is central in the Directorate's work.

Inspectors' opinions played an important role in the evaluation of commercial banks servicing external lines of credit guaranteed by the government and in the selection of primary dealers of government securities to warrant budget financing and liquidity.

On-site Supervision (Inspections)

During the first half of 2001 eight comprehensive inspections were carried out encompassing Group II through Group V banks, i.e. two Group II banks, one Group III bank, three Group IV banks, and two Group V banks. The frequency and scope of inspections was in compliance with the basic supervisory principle of a risk-based approach in evaluating banks and in applying the CAMELS system. As a result, two banks were assigned higher ratings, the ratings of two other banks were lowered and four preserved their ratings. Based on the inspections, proposals for taking formal and informal measures were tabled aimed at improving bank work or removing breaches and weaknesses found.

CAMELS/AIM BANKING SECTOR RATINGS BASED ON ASSETS



Source: BNB.

Overall, inspection findings reveal that bank assessment of borrower credit-worthiness has improved as banks applied more effectively general and internal regulations of risk identification, measurement, management and monitoring. Although some banks have a high level of classified assets their asset structure reveals a trend of transforming them into lower-risk assets. The reduced level of recommended additional provisioning on risk exposures reflects an improved structure and a generally reduced share of classified assets, as well as improved internal rules and procedures for credit risk assessment.

Findings from inspections in several banks which do not have key significance for the banking system, revealed concentrations of risk exposures. Supervisory measures prescribed in previous inspections were partially fulfilled.

In terms of bank management, some bank managements still could not assess risks taken adequately. In a number of banks the procedures for managing market risks were inconsistent with the complexity of their business and the market profile. This would affect more significantly their income and capital in the future. Breaches found are the lack of rules and procedures for monitoring and managing market risks, and an absence of analysis of the gap between assets and liabilities sensitive to interest risk.

Despite the high capital levels, capital growth in a number of banks was constrained by unprofitable operations. While the structure and quality improved, lower income was generated as a result of provision expenses and significant administrative costs. On the other hand, some banks' strategic programs for capital support by major shareholders remained unclear. A number of shareholders are registered in offshore zones which makes it difficult to gather information on their financial status and relatedness to other persons.

In accordance with changes in the legal framework steps were taken to update the On-site Banking Supervision Manual to meet the new requirements for effective bank evaluation. The Manual is being circulated among the banking community.

Special Supervision

During the first half of 2001 inspectors from the Special Supervision Directorate carried out a number of target supervisory inspections of commercial banks on compliance with the Foreign Exchange Law, the Law on the Measures against Money Laundering and relevant statutory instruments in accordance with the schedule or signals received. Most common breaches were: trade in foreign currency futures and options and securities on behalf of the bank and on behalf of clients; reporting dubious operations and recording them in the register; the lack of internal rules for currency transfers/payments to and from Bulgaria under BNB instructions on the enactment of BNB Regulation No. 28 on cross-border transfers and settlements.

Based on inspection findings reports to bank managements were prepared, including proposals to remove breaches found. In one of the cases guilty officers were dismissed and handed over to investigating authorities.

Target supervisory examinations of commercial banks were carried out along with the Ministry of Finance and the Fiscal Services Department on the application of BNB Regulation No. 5 on banks' operations as primary dealers.

Joint statements were issued with proposals regarding government securities registers kept by commercial banks.

Violations of Article 8 of BNB Regulation No. 3 on payments were found. Recommendations to the managers of the violating banks were issued and deadlines set for breach removal.

The work of the assignees in bankruptcy of two banks was examined for compliance with the Law on Commerce on cashing insolvent bank property. Based on findings statements were issued and forwarded to competent court and investigation authorities.

Examinations were carried out in nonbank institutions for compliance with the Law on Cooperatives and on signals of deposit-taking operations. The Sofia County Prosecutor's Office was notified of breaches and weaknesses found.

Documentary and on-site inspections were carried out in financial houses applying for a permit (license) for conducting foreign currency transactions under Regulation No. 26 on foreign exchange transactions of brokerage financial houses. They examined current business operations, accounts, off-balance sheet commitments, foreign currency transactions, and compliance with BNB instructions and recommendations.

Violations of the Law on the Accountancy, BNB Regulation No. 26, and the instructions on registration and reporting foreign currency transactions were found. Recommendations to the managements of defaulting financial houses were issued and deadlines set for breach removal.

The Special Supervision Directorate carries out joint inspections with relevant BNB departments, the Ministry of Finance, the Securities State Agency, the Financial Investigation Bureau and the Bank Deposit Insurance Fund, and exchanges official information with the Ministry of Justice, the Supreme Court of Cassation, the Sofia City Prosecutor's Office, the Sofia City Court, the National Office of Investigation, the National Office for Combating Organized Crime and the Special Investigations Service.

Supervisory Administration

During the review period 15 supervisory measures were enforced on 13 commercial banks. In 11 of them, the ground for enforcement was a supervisory inspection, and in the other four banks enforcement measures resulted from review or notification of violations found. Seven supervisory measures were of an informal nature, and in one case a memorandum on rectification was signed with the bank. Measures were enforced efficiently and deadlines for breach removal or developing relevant strategies were generally met.

During the review period 12 administrative penal proceedings were initiated for violations of the Law on Banks and relevant statutory instruments. One penal provision for a fine of BGN 20,000 was issued and two more are being considered; in three of the cases the proceedings ended with written warnings and in one case they were discontinued. Evidence is being gathered on the other cases.

During the review period the Banking Supervision Department issued legal opinions on the amended Articles of Association of 18 banks. Twelve of the banks were recommended to improve their Articles of Association; the rest were in compliance with legal provisions.

During the reporting period Banking Supervision Department officers took part in the drafting of the new Law on Bank Bankruptcy which was passed on first reading by the 38th National Assembly. The project is still high on the agenda and will be considered by the new Assembly after minor redrafting. Legal assistance was provided in amending BNB Regulations Nos. 7, 8 and 9 and on a draft Regulation on investment intermediaries' operations.

Banks issued formal opinions on some 50 claims of clients; based on these opinions claimants were advised of their right to protect their interests. In some cases, as a result of examinations some banks were forced to take measures for breach removal.

Control over Bankrupt Banks in Liquidation

Despite restricted banking supervision powers, the process of liquidation of bankrupt banks continued. The assets of one bank were sold to an operating bank. The assets of another bank are being transferred to the State Revenue Agency. The assets of five banks have been transferred to the Agency so far, the assets of one bank have been sold without preserving its activity, and two banks have been acquired by operating banks. Of the total 19 banks in liquidation, ten banks remain in the watch list.

VI. European Integration and International Activity

1. European Integration

BNB priorities in the preparatory stage for integration into the European structures between January and June 2001 were improvement of financial and banking legislation in the field of establishment law, credit activity institutions and supervision, liberalization of the free movement of capital, and development of the gross settlement system in real time.

During the first half of 2001 intensive negotiations were held, including in finances. The government declared its desire to complete negotiations on individual chapters of the Treaty on European Union by end-2004 and for Bulgaria to become a full member of the European Union in early 2007. BNB experts took part in the negotiations with the European Union on the following chapters: Freedom to Provide Services, Free Movement of Capital, Company Law, Economic and Monetary Union, and Statistics. Amendments to Regulation No. 7 of the BNB on big exposures and Regulation No. 8 on the capital adequacy of banks were intended to harmonize Bulgaria's banking legislation in line with internationally adopted standards and European Law and Practice in establishment law and freedom to provide services.

In March 2001 negotiations on the Freedom to Provide Services chapter started. The Republic of Bulgaria declared readiness to adopt EU Law in this field entirely by the date of Bulgarian accession to the Union. No transition periods or exceptions will be required in respect of the banking sector. Bulgaria will not demand exclusion of credit institutions from the scope of Directive 2000/12/EC of the European Parliament and the Commission relating to the taking up and pursuit of the business of credit institutions.

During the Swedish presidency the Company Law chapter was temporarily closed, and at the start of the Belgian presidency the Free Movement of Capital chapter was also closed. The common position of the Republic of Bulgaria and EU states that Bulgaria will entirely liberalize the movement of capital in the field of foreign exchange regime and payments, and enact requirements against money laundering by the date of Bulgarian accession to the Union.

In April Bulgarian experts went on working visits to the European Commission. Issues on adopting directives in the field of payment and settlement systems in Bulgarian law were discussed with representatives of the Internal Market Directorate General.

In the context of negotiations, a session of Subcommittee 4 Economic and Foreign Exchange Issues was held in March 2001 in Sofia. Issues of mutual interest were discussed at the session: structural reform in the financial sector, the macro-economic situation in Bulgaria, and legal and practical aspects of the movement of capital.

The BNB project on *Strengthening the Institutional Capacity of the Central Bank* was included in the preliminary cycle of the EU PHARE 2001 program. The project aims at preparing the BNB's successful accession to the European system of central banks. The project will be realized as twinning and will launch in early 2002.

2. Relationships with International Financial Institutions

In June 2001 the three-year extended financial facility concluded between the Republic of Bulgaria and the International Monetary Fund expired successfully. Under this agreement 12 tranches totaling SDR 627,620,000 were extended to Bulgaria.

3. Relationships with Central Banks

A priority in BNB relationships with central banks was cooperation with the central banks of EU member countries and the central banks of EU accession countries in the field of harmonizing legislation and adopting EU standards. BNB representatives took part in a number of seminars and meetings organized by the central banks of EU member countries. Various issues of the accession process to the EU were discussed at bilateral or multilateral meetings. BNB experts visited central banks which successfully implemented and operate real time gross settlement systems. These working visits were intended to exchange information and experience due to pending implementation of such a system at the BNB.

A memorandum on cooperation and information exchange was signed between the Central Bank of Indonesia and the Bulgarian National Bank in June 2001. Issues of mutual interest were discussed at the meetings held with representatives of the Central Bank of Indonesia.

VII. Financial Statements

1. Interim Financial Statements for the Six Months Ending 30 June 2001 with Independent Auditors' Review Report Thereon

Review Report to the Managing Board of the Bulgarian National Bank

We have reviewed the accompanying balance sheet of the Bulgarian National Bank (the bank) as of 30 June 2001 and the related statement of income and changes in equity for the six months period then ended. These financial statements are the responsibility of the bank's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit, and, accordingly, do not express an audit opinion.

As described in the accounting policies, the bank values its monetary gold in accordance with the Law on the Bulgarian National Bank at the lower of either market value or DEM 500 per troy ounce. At 30 June 2001, the value of monetary gold was in excess of DEM 500 per troy ounce. Under International Accounting Standards, monetary gold in the balance sheet should be carried at market value. The effect of doing so would be to increase its recorded value by BGN 124 million, increasing net income from ordinary activities and transfers to special reserves by the same amount.

Based on our review, except for the effects of the understatement of gold described in the previous paragraph, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view in accordance with International Accounting Standards.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
London
5 October 2001

KJNTJ Tomov

KPMG Bulgaria OOD
Chartered Accountants
Sofia
5 October 2001

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

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

The financial statements prepared by the Bulgarian National Bank are based on the accounting principles approved by the Managing Board in compliance with International Accounting Standards.

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



Svetoslav Gavriiski
Governor

Balance Sheet of the Bulgarian National Bank

	Note	30.VI. 2001	31.XII. 2000
		<u>BGN '000</u>	<u>BGN '000</u>
ASSETS			
Cash and deposits in foreign currencies	9	1,240,347	1,950,677
Gold and other precious metals	10	738,163	731,266
Debt securities	11	5,155,858	4,702,929
Equity investments and quota in IMF	13	1,841,915	1,756,047
Receivable from the Republic of Bulgaria	12	2,694,724	2,560,928
Interest receivable		75,383	61,456
Property and equipment	14	111,209	141,395
Other assets	15	29,180	28,494
Total Assets		<u>11,886,779</u>	<u>11,933,192</u>
LIABILITIES			
Notes and coins in circulation	21	2,552,589	2,504,693
Due to banks and other financial institutions	16	536,445	515,938
Liabilities to Government institutions	17	2,925,293	2,608,517
Borrowings against Republic of Bulgaria's IMF participation	18	1,740,610	1,659,202
Borrowings from general resources of IMF	19	2,906,462	2,778,646
Other borrowings	20	75,322	680,298
Accruals and other liabilities	22	101,810	193,177
Total Liabilities		<u>10,838,531</u>	<u>10,940,471</u>
EQUITY			
Capital	23	20,000	20,000
Reserves	24	1,028,248	972,721
Total equity		<u>1,048,248</u>	<u>992,721</u>
Total liabilities and equity		<u>11,886,779</u>	<u>11,933,192</u>

The accompanying notes on pages 74 to 87 form an integral part of these financial statements.

The Managing Board approved the financial statements set out on pages 69 to 90 on 4 October 2001.



Svetoslav Gavriiski
Governor of the BNB

Income Statement for the Six Months to 30 June 2001

	Note	30 June 2001	30 June 2000
		BGN '000	BGN '000
Interest and similar income	5	132,929	110,908
Interest expense and similar charges	5	(18,969)	(10,439)
Net interest income		113,960	100,469
Fee and commission income		965	1,250
Fee and commission expense		(477)	(756)
Net fee and commission income		488	494
Net trading income	6	70,458	7,342
Other operating income	7	8,364	7,634
Total income from banking operations		193,270	115,939
General administrative expenses	8	(19,687)	(17,715)
Net income from banking operations		173,583	98,224
Provision for transfer (to)/from special reserves		(51,094)	4,830
Net income after special reserve transfer		122,489	103,054
Provision for transfer of surplus to the budget of Republic of Bulgaria		(90,642)	(76,260)
Provision for transfer to other reserves		31,847	26,794

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 74 to 87.

Statement of Recognised Gains and Losses

	Note	30 June 2001	30 June 2000
		BGN '000	BGN '000
Impairment loss recognised against revaluation reserve	14, 24	(27,374)	-
Net gain/(loss) not recognised in the income statement	(27,374)	-	-
Transfer to other reserves	24	31,847	26,794
Total recognised gains and losses	4,473	26,794	26,794

The accompanying pages 74 – 87 form an integral part of these financial statements.

Statement of Cash Flows for the Period Ended 30 June 2001

	Note	30 June 2001	30 June 2000
		BGN '000	BGN '000
Net cash flow from operating activities			
Net income from ordinary activities		173,583	98,224
Adjustment for noncash and nonoperating items:			
Depreciation	8,14	5,925	5,398
Profit on disposal of noncurrent assets		(271)	(2)
Exchange losses/(gains) on working capital		47,474	(19,765)
Net cash flow from operating activities before changes in operating assets and liabilities		226,711	83,855
Change in operating assets			
(Increase) decrease in gold and other precious metals		(718)	(1,372)
(Increase) / decrease in securities		(440,614)	(113,908)
Increase in receivable from government		(133,796)	(124,765)
(Increase) in interest receivable and other assets		(14,612)	(2,449)
Change in operating liabilities			
Increase/(decrease) in due to banks and other financial institutions		22,494	(40,426)
Increase in government deposits and current accounts		316,643	(21,969)
Increase in borrowings from IMF		127,468	121,381
Increase in currency in circulation		47,896	143,404
Increase / (decrease) in other borrowings		(593,031)	231,162
Increase / (decrease) in accruals and other liabilities		(91,368)	15,146
Net cash flow from operating activities		(532,927)	290,059
Cash flow from investing activities			
Purchase of non current assets		(3,096)	(1,487)
Proceeds from sale of noncurrent assets		254	4,184
Net cash flow from investing activities		(2,842)	2,697
Cash flow from financing activities			
Payment to government		(174,561)	(136,669)
Other payment (from)/to reserves		-	118
Net cash flow from financing activities		(174,561)	(136,551)
Net (decrease) / increase in cash and cash equivalents		(710,330)	156,205
Cash and cash equivalents at beginning of period		1,950,677	1,251,736
Cash and cash equivalents at end of period	9	1,240,347	1,407,941

The accompanying notes on pages 74 to 87 form an integral part of these financial statements.

Notes to the Financial Statements

1. Statute and principal activities

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

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

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

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

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

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

2. Statement of compliance

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

3. Basis of preparation

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

The accounting policies applied by the Bank are consistent with those used in the previous period.

4. Summary of significant accounting policies

(a) Income recognition

Interest income and expense is recognized in the income statement as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes 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 arises on financial services provided by the Bank and is recognized when the corresponding service is provided.

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

(b) Financial instruments

(i) Classification

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

Trading instruments are those that the Bank principally holds for the purpose of short-term profit taking. These include investments that are not designated and effective hedging instruments, and liabilities from short sales of financial instruments. Trading deriva-

tives 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 and available-for-sale assets on the date it actually receives the assets. From the date it commits to purchase the assets any gains and losses arising from changes in fair value of the assets are recognised.

(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 nontrading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised 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 amortised 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 recognised in the income statement and then transferred to a special reserve account as required by the Law on BNB.

(vi) Derecognition

A financial asset is derecognised when 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 derecognised when it is extinguished.

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

(vii) Impairment

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

(c) Gold and other precious metals

In accordance with the Law on the Bulgarian National Bank, gold held as foreign reserves is valued at the lower of DEM 500 per troy ounce or market value. Gold held

as foreign reserves is classified as gold in standard form.

Gold in nonstandard form and other precious metals are valued at market value based on the official London Bullion Market price at the balance sheet date.

(d) Equity investments

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

The trading subsidiaries controlled by the Bank included in the financial statements are not consolidated, as the effect of nonconsolidation of these subsidiaries is not material in the context of the financial statements taken as a whole.

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

Details of investments held are set out in note 13.

(e) Property and equipment

Property and equipment are stated in the balance sheet at their purchase cost as modified by any revaluations, 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 capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

(ii) Depreciation

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

	(%)
Buildings	4
Equipment	4 – 20
Fixtures and fittings	15
Motor vehicles	15

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 amortisation, if no impairment loss had been recognised.

(f) Foreign currencies

Income and expenditure arising in foreign currencies is translated to BGN at the official rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the official exchange rate ruling on that day. Foreign exchange gains and losses are recognised 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 4 (j) below. Foreign currency denominated nonmonetary assets and liabilities are valued at the historical rate at acquisition.

Open forward foreign exchange contracts are valued at market value.
The exchange rates of major foreign currencies at 30 June 2001 and 31 December 2000 were:

Currency	30 June 2001	31 December 2000
US Dollar (USD)	1 : BGN 2.30640	1 : BGN 2.10191
Deutschemark (DEM)	1 : BGN 1.00000	1 : BGN 1.00000
Euro (EUR)	1 : BGN 1.95583	1 : BGN 1.95583
Special Drawing Rights (SDR)	1 : BGN 2.87297	1 : BGN 2.73860

(g) Taxation

The Bank is not subject to income tax on income from its main activities. It is required to contribute a portion of its net income to the Bulgarian State as described in note 4(i).

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

The borrowings from the IMF are denominated in Special Drawing Rights ('SDRs'). Any unrealized exchange gains or losses are accounted for in accordance with note 4(i).

(i) Capital and reserves

Capital represents nondistributable capital of the Bank.

In accordance with the Law on the Bulgarian National Bank, the Bank is required to transfer to reserves 25% of the annual excess of revenue over expenditure. Special reserves are established as follows: 1% of the annual excess of income over expenditure; the net gains and losses arising on the revaluation of assets and liabilities denominated in foreign currencies or gold; or on a decision of the Managing Board.

After transfers to reserves and special funds, the balance of the revenue over expenditure is credited to the account of the state budget.

(j) Cash and deposits in foreign currency

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

5. Interest income and expense

(BGN '000)

	30 June 2001	30 June 2000
Interest and similar income		
- in BGN	7	12
- in foreign currencies	<u>132,922</u>	<u>110,896</u>
	<u>132,929</u>	<u>110,908</u>
Interest and similar expense		
- in BGN	6,766	2,322
- in foreign currencies	<u>12,203</u>	<u>8,117</u>
	<u>18,969</u>	<u>10,439</u>

6. Net Trading income

(BGN '000)

	30 June 2001	30 June 2000
Net gains from trading in securities	20,776	9,289
Net gains from trading in foreign currency	2,208	2,883
Net revaluation of securities	12,316	(27,104)
Net revaluation of gold and precious metals	6,179	6,198
Net revaluation of foreign currency assets and liabilities	<u>28,979</u>	<u>16,076</u>
	<u>70,458</u>	<u>7,342</u>

7. Other operating income

(BGN '000)

	30 June 2001	30 June 2000
Disposal of noncurrent assets	278	33
Printing department income	3,158	3,995
Sale of coins	237	1,143
Income from bad debt recoveries	4,202	1,455
Other income	489	1,008
	<u>8,364</u>	<u>7,634</u>

8. General administrative expenses

(BGN '000)

	30 June 2001	30 June 2000
Personnel costs	5,763	6,195
Administration	4,539	2,776
Depreciation	5,925	5,398
Printing department expenses	1,539	1,412
Coins supply expenses	1,583	1,604
Other expenses	338	330
	<u>19,687</u>	<u>17,715</u>

Personnel costs include salaries, social and health security contributions to the unemployment fund under the provision of local legislation.

9. Cash and deposits in foreign currencies

(BGN '000)

	30 June 2001	31 Dec. 2000
Foreign currency cash	22,425	38,802
Current accounts with other banks	707,990	324,313
Deposits in foreign currency	509,932	1,587,562
	<u>1,240,347</u>	<u>1,950,677</u>

10. Gold and other precious metals

	30.VI.2001 Troy ounces '000	30.VI.2001 BGN '000	31.XII.2000 Troy ounces '000	31.XII.2000 BGN '000
Gold bullion in standard form	1,031	515,611	1,031	515,611
Gold deposits in standard form	252	126,895	252	126,157
Gold in other form	-	72,413	-	66,575
Other precious metals	-	23,244	-	22,923
		<u>738,163</u>		<u>731,266</u>

Gold deposits in standard form include gold held with correspondents. This gold earns interest at rates between 0.5% and 0.7% per annum.

11. Debt Securities

(BGN '000)

	30 June 2001	31 Dec. 2000
Securities held-for-trading		
Foreign treasury bills, notes and bonds	3,965,285	4,535,234
Securities held-to-maturity		
Foreign treasury bills	999,841	-
Securities available-for-sale		
Foreign treasury bills pledged as collateral	190,732	167,695
	<u>5,155,858</u>	<u>4,702,929</u>

Debt securities comprise both EURO- and USD-denominated coupon and discount securities. The EURO denominated securities earn interest between 3% and 8.75% and securities in USD earn between 5.37% and 6.75%.

Securities available-for-sale are US treasury bills and notes held with the Federal Reserve Bank of New York. These are held as collateral for the annual interest payments under the Front Loaded Interest Rate Bond ('FLIRB') portion of the Bulgarian Brady Bonds. The US treasury bills and notes are interest-bearing securities and have maturity within one year.

Securities held to maturity are EUR-denominated treasury bills with maturity within six months.

12. Receivable from the Republic of Bulgaria

The value of the receivable from the Government of the Republic of Bulgaria at 30 June 2001 is SDR 938 million (SDR 835 million in 2000).

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

(BGN '000)

Year	
2001	308 372
2002	455 067
2003	175 455
2004	203 125
2005	275 475
2006	300 522
2007	300 522
2008	300 522
2009	225 394
2010	125 222
2011	25 048
	<u>2 694 724</u>

13. Equity investments and quota in IMF

(BGN '000)

	30 June 2001	31 Dec. 2000
Republic of Bulgaria's quota in IMF	1,838,790	1,752,922
Equity investments in international financial institutions	832	832
Equity investments in Bulgarian institutions	2,293	2,293
	<u>1,841,915</u>	<u>1,756,047</u>

BGN 94,067 thousand of the Republic of Bulgaria's quota in IMF represents the

Reserve tranche held with the IMF. The Bank receives remuneration on this amount at 3% - 5% annual floating rate.

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

Name of institution	Holding %	Principal activity
<i>Subsidiaries</i>		
Borika	100	Interbank settlement for ATM transactions
Bulgarian State Mint	100	Minting coins
Bank for Agricultural Credit	52	Banking institution in process of liquidation
Agrobusinessbank	85	Banking institution in process of liquidation
<i>Associated companies</i>		
Bankservice	36	Interbank clearing
International Bank Institute	42	Financial training and research
Central depository	20	Agent for corporate securities

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

14. Property and equipment

(BGN '000)

	Land and buildings	Equipment	Motor vehicles	Fixtures and fittings	Assets in progress	Other	Total
Cost or valuation							
At 1 January 2000	61,337	93,378	2,345	4,114	2,087	2,316	165,577
Additions	-	15	-	1	3,465	4	3,485
Disposals	(336)	(281)	-	(18)	(19)	-	(654)
Transfers	-	942	-	134	(1,328)	252	-
At 30 June 2001	61,001	94,054	2,345	4,231	4,205	2,572	168,408
Depreciation and impairment							
At 1 January 2000	(2,861)	(17,767)	(1,445)	(1,267)	-	(842)	(24,182)
Charge for the period	(1,216)	(4,127)	(176)	(274)	-	(132)	(5,925)
On disposals	11	264	-	7	-	-	282
Impairment losses	(10,126)	(17,177)	(19)	(52)	-	-	(27,374)
At 30 June 2001	(14,192)	(38,807)	(1,640)	(1,586)	-	(974)	(57,199)
Net book value at 30 June 2001							
	46,809	55,247	705	2,645	4,205	1,598	111,209
Net book value at 31 December 2000							
	58,476	75,61	900	2,847	2,087	1,474	141,395

Impairment losses recognized in the financial statements during the period relate to BNB's printing department. The recoverable amount of the printing department identified, as a cash-generating unit has been determined based on its value in use. In estimating the recoverable amount a discount factor of 7% has been used together with management's best estimates of future cash flows expected to be derived from the continuing use of the asset.

The impairment losses of BGN 27,374 have been recognised directly in equity against the revaluation surplus of the assets of the cash generating unit.

The net book value of property, plant and equipment of the printing department of the Bank is BGN 66,726 thousand after impairment loss recognition.

15. Other assets

(BGN '000)

	30 June 2001	31 Dec. 2000
Balances with local banks	18	17
Precious metal commemorative coins for sale	18,297	17,974
Inventories	5,557	4,962
Spare parts for printing equipment	2,075	1,950
Accounts receivable	3,157	1,926
Prepaid expenses	15	907
Other	61	758
	<u>29,180</u>	<u>28,494</u>

16. Due to banks and other financial institutions

(BGN '000)

	30 June 2001	31 Dec. 2000
Demand deposits from banks and other financial institutions		
- in BGN	318,460	361,287
- in foreign currency	<u>217,985</u>	<u>154,651</u>
	<u>536,445</u>	<u>515,938</u>

The Bank does not pay interest on demand deposits from banks and other financial institutions. Included in demand deposits is BGN 441 million representing the required reserves which all local banks are required to maintain with the Bank as part of their current accounts.

17. Liabilities to government institutions

(BGN '000)

	30 June 2001	31 Dec. 2000
Current accounts:		
- in BGN	450,424	1,142,462
- in foreign currency	216,160	261,190
Deposit accounts:		
- in BGN	1,000,000	202,852
- in foreign currency	<u>1,258,709</u>	<u>1,002,013</u>
	<u>2,925,293</u>	<u>2,608,517</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 earn interest between 0.4% and 3%.

BGN 600 million of this amount are a deposit of the National Health Insurance Institute and BGN 132 million of other state-budget organizations which are autonomous as to management of these funds.

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

The borrowings against Bulgaria's IMF participation as at 30 June 2001 amount to SDR 605,857 thousand (31 December 2000: SDR 605,857).

19. Borrowings from general resources of IMF

(BGN '000)

	30 June 2001	31 Dec. 2000
Compensatory and contingency financing	91,935	131,453
Standby facilities	844,438	1,029,234
Extended fund facility	1,803,134	1,432,288
Systematic transformation facility	166,955	185,671
Total	<u>2,906,462</u>	<u>2,778,646</u>

Borrowings from the IMF are denominated in SDRs. Borrowings related to Bulgaria's IMF quota are noninterest-bearing with no stated maturity, while borrowings from the general resources of IMF bear interest at rates set by the IMF on a monthly basis and are repayable according to the repayment schedules of the agreements. The interest rate amounts to 4,22% as at 30 June 2001.

Borrowings from the IMF are guaranteed by promissory notes, which have been co-signed by the government and the bank. The total promissory notes outstanding as at 30 June 2001 were BGN 4,438 million (BGN 4,602 million by 31 December 2000) refer note 27.

20. Other borrowings

(BGN '000)

	30 June 2001	31 Dec. 2000
Guarantee fund	198	97
Other borrowings	75,124	680,201
	<u>75,322</u>	<u>680,298</u>

21. Banknotes and coins in circulation

30 June 2001			31 December 2000		
Notes in circulation:					
Face value	Quantity	Amount BGN'000	Face value	Quantity	Amount BGN'000
50 BGN	26,931,125	1,346,555	50 BGN	23,529,703	1,176,485
20 BGN	30,994,893	619,898	20 BGN	33,641,447	672,829
10 BGN	37,505,886	375,059	10 BGN	39,169,005	391,690
5 BGN	19,116,050	95,581	5 BGN	26,907,069	134,535
2 BGN	19,990,428	39,981	2 BGN	24,338,193	48,676
1 BGN	28,300,649	28,301	1 BGN	34,146,640	34,147
Total notes in circulation		2,505,375			2,458,362
Coins in circulation:					
0.50 BGN	18,766,460	9,383	0.50 BGN	18,200	9,100
0.20 BGN	38,663,542	7,733	0.20 BGN	37,748	7,550
0.10 BGN	54,497,161	5,450	0.10 BGN	48,898	4,890
0.05 BGN	43,141,209	2,157	0.05 BGN	37,737	1,886
0.02 BGN	55,485,943	1,110	0.02 BGN	45,192	904
0.01 BGN	72,397,996	724	0.01 BGN	56,770	568
Commemorative coins		994			756
Total coins in circulation	27,551	25,654			
Old banknotes		15,957			16,958
Old coins		3,706			3,719
Total coins and banknotes in circulation					2,504,693

Following the redenomination of the Bulgarian currency on 3 July 1999, when one thousand old leva were converted into one new lev, BNB started the withdrawal of all notes and coins issued before that date. From 1 January 2000 the old notes and coins are not a legal tender. However, BNB has the obligation to exchange them for new

banknotes and coins. No deadline for the exchange has been determined. Old bank notes and coins presented above comprise those coins and notes that are still held by other parties and have not yet been exchanged for new levs.

22. Accruals and other liabilities

(BGN '000)

	30 June 2001	31 Dec. 2000
Provision for contribution payable to government	90,642	178,159
Accrued interest payable	5,850	7,080
Salaries and social security payable	21	841
Prepayments	61	138
Other payables	5,236	6,959
	<u>101,810</u>	<u>193,177</u>

23. Capital

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

24. Reserves

Table of movements in reserves for the six months ended 30 June 2001

(BGN '000)

	Noncurrent asset revaluation reserve	Monetary asset revaluation reserve	Commemo- rative coin revaluation reserve	Other reserves	Total
Balance at 1 January	44,057	600,464	17,974	310,226	972,721
Impairment of assets	(27,374)	-	-	-	(27,374)
Transfer of unrealized gold revaluation gain	-	6,179	-	-	6,179
Transfer of net foreign exchange gain	-	28,979	-	-	28,979
Transfer of net revaluation of securities	-	12,315	-	-	12,315
Other transfers	(363)	-	-	3,621	3,258
Revaluation of commemorative coins	-	-	323	-	323
Profit for the period	-	-	-	31,847	31,847
Balance at 30 June 2001	16,320	647,937	18,297	345,694	1,028,248

Table of movements in reserves for the year ended 31 December 2000

(BGN '000)

	Noncurrent asset revaluation reserve	Monetary asset revaluation reserve	Commemo- rative coin revaluation reserve	Other reserves	Total
Balance at 1 January	44,492	677,648	-	143,398	865,538
Transfer of unrealized gold revaluation gain	-	5,370	-	-	5,370
Transfer of net foreign exchange gain	-	19,193	-	-	19,193
Other transfers	(435)	-	-	347	(88)
Transfer of banknotes not legal tender	-	-	-	2,137	2,137
Revaluation of commemorative coins	-	-	17,974	-	17,974
Transfers	-	(101,747)	-	101,747	-
Profit for the year	-	-	-	62,597	62,597
Balance at 31 December 2000	44,057	600,464	17,974	310,226	972,721

25. Related party transactions

(a) Bulgarian Government

International Monetary Fund

The Bank and the government of the Republic of Bulgaria have borrowings with the IMF, both of 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 to eliminate any exchange rate movements, the government receivable is denominated in SDR's.

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

The IMF quota is supported by promissory notes jointly signed by the bank and the Government. See note 19.

Government bank accounts

Government budget organizations and other government organizations have current accounts and time deposits with the bank. See note 17.

Equity investments

The bank has participations in a number of international financial institutions, including the Bank for International Settlements. See note 13.

26. Risk management disclosures

The Bank maintains active trading positions in nonderivative financial instruments. For the purpose of its activities the bank carries an inventory of capital market instruments and maintains access to market liquidity by trading with other market makers. As trading strategies depend on its specific function of a central bank its positions are managed in concert to maximize net trading income by defining acceptable risk levels and maximizing income at these levels.

The Bank manages its trading activities by type of risk involved and on the basis of the categories of trading instruments held.

Below is a discussion of the various risks the Bank is exposed to as a result of its trading and nontrading activities and the approach taken to manage those risks. Further details of the steps taken to measure and control risk are set out in the Risk measurement and control section.

(a) Credit risk

The bank is subject to credit risk through its trading, lending, and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees.

Credit risk associated with trading and investing activities is managed through the Bank's market risk management process.

The risk that counterparties to both derivative and other instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the bank deals with counterparties of good credit standing.

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for banks of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The risk that counterparties to trading instruments might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments. To manage the level of credit risk, the bank deals with counterparties of good credit standing. Debt instruments are valued at one of the two highest quotations of two internationally acknowledged credit rating agencies.

(b) Liquidity risk

Liquidity risk arises in the general funding of the bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The bank usually has access to a diverse funding base. Funds are raised using a range of instruments including deposits, other liabilities regulated by law and other credit facilities. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. 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 strat-

egy. In addition the bank holds a portfolio of liquid assets as part of its 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 June 2001	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and deposits in foreign currencies	1,240,347	-	-	-	-	1,240,347
Gold and other precious metals	6,988	215,564	-	-	515,611	738,163
Debt securities	499,625	177,866	2,857,979	1,591,056	29,332	5,155,858
Equity investments and quota in IMF	96,929	-	-	-	1,744,986	1,841,915
Receivable from the government	87,626	67,012	433,376	979,740	1,126,970	2,694,724
Interest receivable	75,383	-	-	-	-	75,383
Property and equipment	-	-	-	-	111,209	111,209
Other assets	-	-	29,180	-	-	29,180
Total assets	2,006,898	460,442	3,320,535	2,570,796	3,528,108	11,886,779
Liabilities						
Due to banks and other financial institutions	536,445	-	-	-	-	536,445
Government deposits and current accounts	1,458,552	-	1,466,741	-	-	2,925,293
Borrowings against Bulgaria's IMF participation	-	-	-	-	1,740,610	1,740,610
Borrowings from general resources of IMF	95,957	89,313	525,276	1,068,946	1,126,970	2,906,462
Other borrowings	69,833	5,489	-	-	-	75,322
Currency in circulation	-	-	-	-	2,552,589	2,552,589
Accruals and other liabilities	11,168	-	90,642	-	-	101,810
Total liabilities	2,171,955	94,802	2,082,659	1,068,946	5,420,169	10,838,531
Maturity surplus / (shortfall)	(165,057)	365,640	1,237,876	1,501,850	(1,892,061)	1,048,248

(BGN '000)

As at 31 December 2000	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and amounts due from banks	1,950,677	-	-	-	-	1,950,677
Gold and other precious metals	126,157	-	-	-	605,109	731,266
Securities	4,535,234	167,695	-	-	-	4,702,929
Equity investments and quota in IMF	89,667	-	-	-	1,666,380	1,756,047
Interest receivable	61,456	-	-	-	-	61,456
Receivable from government	83,527	42,585	446,586	1,033,371	954,859	2,560,928
Property, plant and equipment	-	-	-	-	141,395	141,395
Other assets	17	-	28,477	-	-	28,494
Total assets	6,846,735	210,280	475,063	1,033,371	3,367,743	11,933,192
Liabilities						
Due to banks and other financial institutions	515,938	-	-	-	-	515,938
Government deposits and current accounts	2,327,853	-	280,664	-	-	2,608,517
Borrowings against Bulgaria's IMF participation	-	-	-	-	1,659,202	1,659,202
Borrowings from general resources of IMF	91,469	42,585	512,929	1,176,805	954,858	2,778,646
Other borrowings	680,298	-	-	-	-	680,298
Currency in circulation	-	-	-	-	2,504,693	2,504,693
Accruals and other liabilities	191,878	-	1,299	-	-	193,177
Total liabilities	3,807,436	42,585	794,892	1,176,805	5,118,753	10,940,471
Maturity surplus / (shortfall)	3,039,299	167,695	(319,829)	(143,434)	(1,751,010)	992,721

(c) Market risk

Market risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instru-

ments are recognised at fair value, and all changes in market conditions directly affect net trading income.

The bank manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments or entering into offsetting positions.

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 differing amounts. In the case of floating rate assets and liabilities the bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the savings rate and six months LIBOR and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the bank's strategies.

Asset-liability risk management activities are conducted in the context of the bank's sensitivity to interest rate changes. The actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

The following table indicates the periods in which financial assets and liabilities reprice. The maximum repricing period for the assets and liabilities is one year.

(BGN '000)

As at 30 June 2001	Total	Floating rate instruments	Fixed rate instruments		
			Less than 1 month	Between 1 and 3 months	Between 3 moths and 1 year
Assets					
Cash and deposits in foreign currencies	1,219,331	707,990	511,341	-	-
Gold and other precious metals	126,895	-	6,549	120,346	-
Debt securities	5,154,448	24,894	3,939,024	1,190,530	-
Equity investments and quota in IMF	94,067	94,067	-	-	-
Receivable from government	2,694,724	2,694,724	-	-	-
Noninterest bearing assets	2,597,314	-	-	-	-
Total	11,886,779	3,521,675	4,456,914	120,346	1,190,530
Liabilities					
Notes and coins in circulation	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-
Due to banks and other financial institutions	602,732	602,732	-	-	-
Liabilities to government institutions	1,304,627	-	304,627	-	1,000,000
Borrowings from general resources of IMF	2,906,462	2,906,462	-	-	-
Other borrowings	5,229	5,229	-	-	-
Noninterest bearing liabilities	6,019,481	-	-	-	-
Total	10,838,531	3,514,423	304,627	-	1,000,000
Asset-liability gap	1,048,248	7,252	4,152,287	120,346	190,530

(d) Currency risk

The bank is exposed to currency risk through transactions in foreign currencies. It does not make investments in foreign operations.

As a result of the currency board in place 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 effected by movements in the exchange rates between the currencies outside the eurozone and the lev.

The bank's transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement and then transferred to special reserves. These exposures comprise the monetary assets and monetary liabilities of the bank that are not denominated in the measurement currency of the bank.

The foreign currency exposures are as follows:

(BGN '000)

	30 June 2001	31 Dec. 2000
Assets		
Bulgarian levs and eurozone currencies	5,354,646	5,889,461
US dollars	873,580	767,808
Japanese yen	292	21,395
Pound sterling	442	1,324
SDR	4,819,708	4,457,281
XAU	738,210	731,328
Other	99,901	64,595
	<u>11,886,779</u>	<u>11,933,192</u>
Liabilities and equity		
Bulgarian levs and eurozone currencies	6,538,026	6,892,631
US dollars	454,132	356,393
Japanese yen	34	21,400
Pound sterling	9	8
SDR	4,794,856	4,598,341
XAU	-	-
Other	99,722	64,419
	<u>11,886,779</u>	<u>11,933,192</u>
Net position		
Bulgarian levs and eurozone currencies	(1,183,380)	(1,003,170)
US dollars	419,448	411,415
Japanese yen	258	(5)
Pound sterling	433	1,316
SDR	24,852	(141,060)
XAU	738,210	731,328
Other	179	176

(e) Risk measurement and control

All risks are actively managed by independent risk control division to ensure compliance with the bank's risk limits. The bank's risk limits are assessed regularly to ensure their appropriateness given the bank's objectives and strategies and current market conditions. A variety of techniques are used by the bank in measuring the risks inherent in its trading and nontrading positions, including both derivative and nonderivative instruments.

(i) Interest rate sensitivity

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

27. Commitments and contingencies

The bank holds 8,000 shares of 2500 gold francs each in the capital of the Bank of International Settlements, of which 25% paid up.

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 4,438 million (2000: BGN 4,602 million).

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

28. Events subsequent to the balance sheet date

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

2. Report on the Execution of BNB Budget

BNB operating expenditure between January and June 2001 totaled BGN 19,686,000, accounting for 35.2% of annual budgeted expenditure and 68.5% of projected expenditure for the first half of 2001.

Expenditure on Currency in Circulation Service

Between January and June 2001 cost incurred on currency in circulation totaled BGN 1,910,000 or 46% of projected expenses for the first half-year, and 23% of annual budgeted expenses. Of this, banknote printing amounted at BGN 131,000 and coin minting at BGN 1,583,000.

Expenditure on Materials, Services and Depreciation

Expenditure on materials, services and depreciation totaled BGN 1,686,000, or 49% of six-month projections and 24.5% of annual projected expenditure. Expenses on materials for external orders placed with the BNB Printing Works, including materials for health books, identity documents, excise labels, *et alia*, totaling BGN 950,000, comprised the biggest share in this expenditure group. Significant expenses were also made on electricity, stationary materials, fuel and spare parts for the BNB transport fleet, overhauls, *et cetera*.

Hired services totaled BGN 4,065,000, accounting for 66.7% of the six-month projections and 36.1% of budgeted funds for 2001. More significant expenses were made on Bloomberg, Telerate R, Reuters and other systems.

Depreciation expenses amounted at BGN 5,925,000, accounting for 87.1% of projected costs for the first half-year and 43.6% of annual projections. Depreciation costs of the BNB Printing Works comprised BGN 3,376,000.

Expenses on Salaries and Employee Benefits

Expenses on salaries and employee benefits totaled BGN 4,953,000: 76.6% of six-month projections, or 38.3% of budgeted expenses for 2001.

Social Activity Expenditure

Expenses on social activity amounted to BGN 809,000, accounting for 65.8% of semiannual and 42.9% of annual projected expenditure. By end-June 2001 no expenses were made on voluntary pension insurance.

Other Administrative Expenses

Other administrative expenses reported in the January to June 2001 period totaled BGN 338,000, or 61% of the six-month projections and 30.5% of projected costs for 2001. BNB spent money on travel in Bulgaria and abroad, on staff training at the bank and regional centers, on labor safety at the BNB and its Printing Works. Representative and protocol costs of the bank were also reported under this indicator.

Investment Expenses

Over the review period investment expenses totaled BGN 3,466,000, comprising 47.7% of projected expenses for the January to June period, and 23.8% of budgeted funds for 2001.

Investment expenses were made primarily on reconstruction of the BNB staff rest home in Varna, purchase of hardware and software, air conditioning plant, office furniture, and equipment for the Printing Works.

Budgeted funds for the purchase of special automobiles were not spent in the first half of 2001.

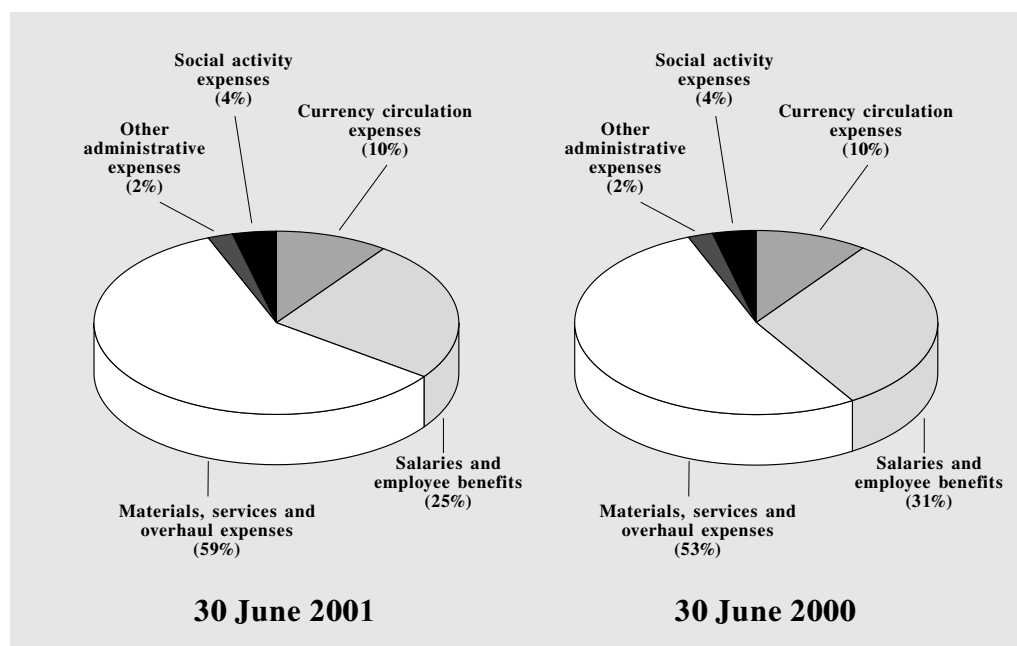
EXECUTION OF BNB BUDGET

(thousand BGN)

Indicators	30.VI.2001	30.VI.2000
Section I. BNB OPERATING EXPENSES	19,686	17,714
1. Currency circulation expenses	1,910	1,709
2. Materials, services and depreciation expenses	11,676	9,481
3. Salaries and employee benefits	4,953	5,509
4. Social activity expenses	809	685
5. Other administrative expenses	338	330
Section II. INVESTMENT PROGRAM	3,466	1,284
1. Expenses on construction, reconstruction and modernization	2,450	197
2. Expenses on currency in circulation equipment	4	0
3. Expenses on BNB Printing Works	135	371
4. Expenses on BNB security equipment	6	2
5. Expenses on special automobiles and other vehicles	0	0
6. Expenses on BNB computerization	755	539
7. Office furniture and equipment	116	175

Source: BNB.

STRUCTURE OF BNB OVERHEAD EXPENSES



Source: BNB.

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The methodology and scope of the respective indicators are comprehensively presented in BNB 2001 Monthly Bulletin issues.

GROSS DOMESTIC PRODUCT
(at current prices)

	2000, BGN'000	2001, BGN'000			Physical volume indices (%)
	January – June	I quarter	II quarter	January – June	
Gross value added	9345439	4978200	5725740	10703940	105.4
By economic sector					
Agriculture and forestry	978239	425491	696242	1121733	91.9
Industry	2889332	1564068	1583711	3147779	109.2
Services	5477868	2988641	3445787	6434428	106.0
By type of ownership					
Private	6144179	3297487	4057098	7354585	109.8
Public	3201260	1680713	1668642	3349355	96.9
Adjustments	1443412	910060	665751	1575811	100.7
GROSS DOMESTIC PRODUCT	10788851	5888260	6391491	12279751	104.8
By component of final demand					
Final consumption	10167260	5419412	5781460	11200873	101.2
Individual	911187	4800458	5074748	9875207	100.2
Collective	1056073	618954	706712	1325666	108.7
Gross capital formation	1531969	798546	1282612	2081158	
In fixed capital	1504034	637277	1258963	1896240	120.0
Reserve change	27926	161269	23649	184918	
Balance (exports – imports)	-839722	-137449	-664742	-802191	
Exports of goods and services	6448518	3921979	4077683	7999662	115.5
Imports of goods and services	7288240	4059428	4742425	8801853	111.9
Statistical discrepancy	-70656	-192249	-7839	-200089	

Source: NSI.

CHAIN CONSUMER PRICE INDICES BY MAJOR CONSUMER GROUP
(previous month = 100)

Goods and services groups	2000	2001					
	Share (%)	I	II	III	IV	V	VI
Total	100.0	100.6	100.3	100.1	99.8	100.1	99.9
Food and soft drinks	42.2	100.7	99.7	99.7	99.2	99.5	99.7
Alcoholic drinks and tobacco products	4.4	99.9	100.0	100.3	100.1	99.8	99.9
Clothing and footwear	5.4	100.3	99.6	99.9	99.9	99.7	99.7
Housing (rents, repair and maintenance), water, electricity, gas and other fuels	16.3	100.8	100.7	100.6	100.1	100.2	100.3
Home furniture, household appliances and accessories	3.8	100.5	100.4	100.1	100.3	100.2	100.1
Health care	4.9	101.0	100.7	100.2	100.0	100.2	101.7
Transport	6.9	99.1	102.6	100.0	103.6	102.0	99.1
Communications	3.4	102.4	101.2	100.0	96.8	103.3	100.0
Leisure, entertainment and recreation	3.7	101.0	101.4	100.8	99.4	100.0	99.9
Education	0.6	100.1	100.1	100.1	100.1	100.0	100.0
Restaurants and hotels	4.2	100.5	100.4	100.3	100.2	100.0	99.9
Miscellaneous goods and services	4.1	100.5	100.5	100.1	100.6	100.0	100.1

Source: NSI.

BASIC CONSUMER PRICE INDICES BY MAJOR CONSUMER GROUP
(2000 = 100)

Goods and services groups	2000	2001					
	Share (%)	I	II	III	IV	V	VI
Total	100.0	105.9	106.3	106.3	106.14	106.21	106.12
Food and soft drinks	42.24	107.7	107.4	107.1	106.18	105.62	105.29
Alcoholic drinks and tobacco products	4.44	100.2	100.1	100.5	100.55	100.40	100.28
Clothing and footwear	5.38	101.0	100.5	100.4	100.32	100.06	99.77
Housing (rents, repair and maintenance), water, electricity, gas and other fuels	16.32	104.2	105.0	105.6	105.77	105.94	106.21
Home furniture, household appliances and accessories	3.80	101.3	101.7	101.8	102.17	102.36	102.44
Health care	4.86	115.1	115.9	116.1	116.18	116.40	118.33
Transport	6.87	102.4	105.1	105.1	108.89	111.12	110.17
Communications	3.41	108.9	110.2	110.2	106.66	110.16	110.19
Leisure, entertainment and recreation	3.74	105.3	106.7	107.6	106.96	106.95	106.87
Education	0.60	122.1	122.2	122.3	122.41	122.43	122.46
Restaurants and hotels	4.21	105.6	106.0	106.3	106.57	106.60	106.51
Miscellaneous goods and services	4.14	102.9	103.4	103.5	104.17	104.21	104.27

Source: NSI.

EXPORTS BY COMMODITY GROUP *

	I quarter				II quarter				January – June				Change on same period of previous year	
	million USD		change		million USD		change		2000		2001		million USD	share %
	2000	2001	million USD	%	2000	2001	million USD	%	million USD	share %	million USD	share %	million USD	share %
Textile, leather materials, clothing, footwear and other consumer goods, including:	257.5	345.9	88.4	34.3	268.7	335.4	66.7	24.8	526.1	23.0	681.2	27.4	155.1	29.5
Chapter 62. Clothing and accessories to clothing other than knitwear	98.5	138.2	39.6	40.2	90.2	115.6	25.4	28.1	188.8	8.3	253.8	10.2	65.0	34.4
Chapter 61. Clothing and accessories to clothing from knitwear	67.6	86.4	18.8	27.8	72.5	97.2	24.8	34.2	140.1	6.1	183.7	7.4	43.5	31.1
Chapter 64. Shoes, gaiters and similar articles; their components	25.5	39.8	14.3	56.0	28.3	35.7	7.4	26.1	53.8	2.4	75.5	3.0	21.7	40.2
Chapter 94. Furniture; medical furniture; sleeping accessories and similar articles	15.3	16.6	1.3	8.6	16.5	18.5	2.1	12.5	31.8	1.4	35.2	1.4	3.4	10.6
Base metals and their products, including:	249.1	238.8	-10.3	-4.1	256.6	245.0	-11.6	-4.5	505.7	22.1	483.8	19.5	-21.9	-4.3
Chapter 74. Copper and its products	89.0	90.5	1.4	1.6	91.9	91.8	-0.1	-0.1	180.9	7.9	182.2	7.3	1.3	0.7
Chapter 72. Cast-iron, iron and steel	100.5	80.7	-19.8	-19.7	104.9	88.3	-16.5	-15.8	205.4	9.0	169.0	6.8	-36.4	-17.7
Chapter 79. Zinc and its products	21.7	20.7	-1.0	-4.4	20.0	16.9	-3.1	-15.5	41.6	1.8	37.6	1.5	-4.0	-9.7
Chapter 73. Cast-iron, iron and steel products	14.6	16.4	1.7	11.8	17.1	19.2	2.1	12.4	31.7	1.4	35.6	1.4	3.8	12.1
Chapter 76. Aluminium and its products	7.3	14.8	7.5	102.2	10.6	14.5	3.9	36.2	18.0	0.8	29.3	1.2	11.3	63.1
Mineral products and fuels, including:	158.5	214.9	56.5	35.6	202.5	166.1	-36.4	-18.0	361.0	15.8	381.1	15.3	20.1	5.6
Chapter 27. Mineral fuels, mineral oils and distilled products	128.3	194.8	66.5	51.8	172.0	145.0	-27.0	-15.7	300.3	13.1	339.8	13.7	39.5	13.2
Chemical products, plastics and rubber, including:	161.1	173.9	12.8	7.9	144.8	156.4	11.6	8.0	305.9	13.4	330.3	13.3	24.4	8.0
Chapter 28. Inorganic chemical products	19.4	31.7	12.3	63.2	22.8	30.7	7.9	34.8	42.2	1.8	62.4	2.5	20.2	47.9
Chapter 39. Plastics and plastic products	30.9	28.3	-2.6	-8.4	20.9	26.6	5.7	27.2	51.8	2.3	54.9	2.2	3.1	6.0
Chapter 29. Organic chemical products	35.4	25.2	-10.2	-28.9	28.0	25.8	-2.2	-7.9	63.4	2.8	51.0	2.1	-12.4	-19.6
Chapter 31. Fertilizers	16.2	32.2	16.0	98.6	18.9	14.3	-4.6	-24.2	35.1	1.5	46.5	1.9	11.4	32.5
Chapter 33. Essential oils, perfumes and toiletries	22.7	17.2	-5.5	-24.2	22.1	20.3	-1.8	-8.2	44.8	2.0	37.5	1.5	-7.3	-16.3
Chapter 30. Pharmaceuticals	17.6	18.8	1.3	7.2	13.4	15.7	2.4	17.7	30.9	1.4	34.6	1.4	3.6	11.8
Machines, transport facilities, appliances, tools and weapons, including:	132.9	152.4	19.5	14.7	140.2	149.1	8.9	6.3	273.1	12.0	301.4	12.1	28.4	10.4
Chapter 84. Nuclear reactors, boilers, machines, appliances and machinery; spare parts	66.5	80.9	14.4	21.7	72.1	79.8	7.7	10.7	138.5	6.1	160.7	6.5	22.2	16.0
Chapter 85. Electrical machines and appliances	36.7	43.3	6.6	18.0	38.3	47.0	8.7	22.6	75.0	3.3	90.3	3.6	15.3	20.3
Animal and vegetable products, food, drink and tobacco, including:	98.2	95.9	-2.3	-2.3	102.5	95.1	-7.4	-7.2	200.7	8.8	191.0	7.7	-9.7	-4.8
Chapter 22. Soft and alcoholic drinks and vinegars	18.2	14.9	-3.3	-18.1	19.9	16.5	-3.4	-17.1	38.1	1.7	31.4	1.3	-6.7	-17.6
Chapter 02. Meat and edible offal	7.5	12.9	5.4	71.4	14.0	17.2	3.2	22.6	21.5	0.9	30.0	1.2	8.5	39.6
Wood, paper, earthenware and glass products, including:	54.4	57.5	3.1	5.7	56.8	60.8	4.0	7.0	111.2	4.9	118.3	4.8	7.1	6.4
Chapter 44. Wood and wood products; wood coal	21.4	19.5	-1.9	-9.0	23.0	22.5	-0.5	-2.1	44.4	1.9	42.0	1.7	-2.4	-5.4
EXPORTS, TOTAL (FOB)	1111.6	1279.3	167.7	15.1	1172.1	1207.8	35.7	3.0	2283.7	100.0	2487.1	100.0	203.4	8.9

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

Source: Customs declarations data received from the Computing Center Directorate to the Information Service Ltd., supplemented by the NSI and processed by the BNB according to the date of customs declaration clearance. Data is coordinated with the NSI. For 2000 – final data; for 2001 – preliminary data as of 27 August 2001.

IMPORTS BY COMMODITY GROUP*

	I quarter				II quarter				January – June				Change on same period of previous year	
	million USD		change		million USD		change		2000		2001		million USD	share %
	2000	2001	million USD	%	2000	2001	million USD	%	million USD	share %	million USD	share %	million USD	share %
Mineral products and fuels, including: Chapter 27. Mineral fuels, mineral oils and distilled products Chapter 26. Ores, slags and ashes	507.8 446.7 42.5	487.4 423.8 43.3	-20.4 -22.9 0.8	-4.0 -5.1 2.0	418.1 339.1 55.5	468.8 362.5 89.4	50.8 23.4 34.0	12.1 6.9 61.2	925.9 785.8 98.0	30.2 25.7 3.2	956.2 786.3 132.8	27.7 22.8 3.8	30.4 0.5 34.8	3.3 0.1 35.5
Machines, transport facilities, appliances, tools and weapons, including: Chapter 84. Nuclear reactors, boilers, machines, appliances and machinery; spare parts Chapter 85. Electrical machines and appliances Chapter 87. Automobile transport Chapter 90. Optical instruments and appliances	436.2	414.6	-21.6	-5.0	425.6	514.1	88.5	20.8	861.9	28.1	928.7	26.9	66.9	7.8
Textile, leather materials, clothing, footwear and other consumer goods, including: Chapter 61. Clothing and accessories to clothing from knitwear Chapter 52. Cotton Chapter 55. Staple synthetic and artificial fibres Chapter 54. Synthetic and artificial fibres Chapter 51. Wool, shear and coarse filaments; yarns and fabrics Chapter 41. Hides (other than leather)	22.9	30.0	7.1	31.2	26.2	30.5	4.3	16.2	49.1	1.6	60.5	1.8	11.4	23.2
Chemical products, plastics and rubber, including: Chapter 39. Plastics and plastic products Chapter 30. Pharmaceuticals Chapter 38. Miscellaneous products of chemical industry Chapter 29. Organic chemical products Chapter 33. Essential oils, perfumes and toiletries Chapter 40. Rubber and rubber products	188.0 30.1 24.3 17.0	256.8 44.4 37.0 23.0	68.8 14.4 12.7 6.0	36.6 47.8 52.3 35.6	258.8 36.5 30.1 23.1	329.1 44.6 41.9 32.4	70.2 8.2 11.9 9.3	27.1 22.4 39.5 40.1	446.8 66.5 54.3 40.1	14.6 2.2 1.8 1.3	585.9 89.0 78.9 55.4	17.0 2.6 2.3 1.6	139.1 22.5 24.6 15.3	31.1 33.9 45.2 38.2
Base metals and their products, including: Chapter 72. Cast-iron, iron and steel Chapter 73. Cast-iron, iron and steel products Chapter 76. Aluminium and aluminium products	78.1 26.3 16.8 17.6	95.3 33.4 17.7 21.4	17.2 7.1 1.0 3.8	22.1 26.8 5.8 21.4	89.4 29.2 23.7 18.7	111.9 35.7 29.3 22.0	22.6 6.5 5.6 3.3	25.2 22.2 23.6 17.7	167.5 55.5 40.5 36.3	5.5 1.8 1.3 1.2	207.3 69.0 47.1 43.4	6.0 2.0 1.4 1.3	39.8 13.5 6.6 7.1	23.8 24.4 16.2 19.5
Animal and vegetable products, food, drink and tobacco, including: Chapter 17. Sugar and sugar products	91.9 11.3	108.0 12.7	16.1 1.4	17.5 12.6	82.5 8.3	89.7 8.7	7.2 0.4	8.7 5.0	174.4 19.6	5.7 0.6	197.7 21.4	5.7 0.6	23.2 1.8	13.3 9.4
Wood, paper, earthenware and glass products, including: Chapter 48. Paper and cardboard; products of cellulose, paper and cardboard	60.3 33.5	68.7 39.0	8.3 5.5	13.8 16.4	63.7 36.5	79.3 43.3	15.6 6.8	24.4 18.6	124.1 70.1	4.1 2.3	148.0 82.3	4.3 2.4	23.9 12.3	19.3 17.5
IMPORTS, TOTAL (CIF) (-) Freight expenditures IMPORTS, TOTAL (FOB)	1536.0 119.5 1416.6	1631.8 126.5 1505.3	95.8 88.7	6.2 6.3	1526.8 119.4 1407.3	1818.3 142.3 1676.0	291.6 268.7	19.1 19.1	3062.8 238.9 2823.9	100.0 2.3 82.3	3450.2 268.9 3181.3	100.0 2.4 4.3	387.3 12.3 357.4	12.6 17.5 12.7

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

Source: Customs declarations data received from the Computing Center Directorate to the Information Service Ltd., supplemented by the NSI and processed by the BNB according to the date of customs declaration clearance. Data is coordinated with the NSI. For 2000 – final data; for 2001 – preliminary data as of 27 August 2001.

EXPORTS BY USE

Commodity groups	I quarter				II quarter				January – June				Change on same period of previous year	
	million USD		change		million USD		change		2000		2001		million USD	share %
	2000	2001	million USD	%	2000	2001	million USD	%	million USD	share %	million USD	share %	million USD	share %
Consumer goods	343.7	406.3	62.6	18.2	343.5	397.5	53.9	15.7	687.2	30.1	803.8	32.0	116.6	17.0
Food	31.3	39.5	8.1	26.0	40.7	47.6	6.9	17.0	72.0	3.2	87.0	3.5	15.1	2.2
Cigarettes	7.9	4.1	-3.8	-47.7	7.2	3.4	-3.7	-52.3	15.0	0.7	7.5	0.3	-7.5	-1.1
Drink	18.1	14.6	-3.5	-19.3	19.9	16.8	-3.1	-15.6	38.0	1.7	31.4	1.3	-6.6	-1.0
Clothing and footwear	188.9	252.3	63.4	33.6	181.9	231.1	49.2	27.0	370.8	16.2	483.4	19.3	112.6	16.4
Medical goods and cosmetics	45.7	39.6	-6.1	-13.3	39.1	39.3	0.2	0.6	84.7	3.7	78.9	3.1	-5.8	-0.8
Housing and home furniture	25.0	29.1	4.2	16.8	25.9	32.9	7.0	26.9	50.8	2.2	62.0	2.5	11.2	1.6
Other	26.9	27.1	0.2	0.7	28.9	26.4	-2.5	-8.6	55.8	2.4	53.5	2.1	-2.3	-0.3
Raw material feedstocks	504.6	526.9	22.2	4.4	513.7	529.0	15.2	3.0	1018.4	44.6	1055.8	42.0	37.4	5.4
Cast-iron, iron and steel	100.5	80.7	-19.8	-19.7	104.9	101.2	-3.7	-3.5	205.4	9.0	181.9	7.2	-23.5	-3.4
Nonferrous metals	122.6	125.6	2.9	2.4	124.9	122.0	-2.9	-2.3	247.5	10.8	247.5	9.9	0.0	0.0
Chemical products	50.2	54.4	4.2	8.4	48.5	54.2	5.7	11.8	98.6	4.3	108.6	4.3	9.9	1.4
Plastics, rubber	39.2	37.1	-2.2	-5.5	28.6	35.0	6.4	22.3	67.9	3.0	72.1	2.9	4.2	0.6
Fertilizers	16.2	32.2	16.0	98.6	18.9	14.3	-4.6	-24.2	35.1	1.5	46.5	1.9	11.4	1.7
Textile materials	28.4	44.1	15.7	55.1	35.8	46.5	10.7	29.8	64.2	2.8	90.6	3.6	26.3	3.8
Food feedstocks	16.6	21.4	4.8	28.9	19.0	19.2	0.2	0.8	35.6	1.6	40.6	1.6	5.0	0.7
Wood and paper, cardboard	32.3	33.4	1.1	3.5	31.7	32.2	0.5	1.5	64.0	2.8	65.6	2.6	1.6	0.2
Cement	9.1	7.5	-1.7	-18.5	10.2	6.0	-4.2	-40.8	19.3	0.8	13.5	0.5	-5.8	-0.9
Tobacco	10.9	8.3	-2.6	-24.1	6.6	6.9	0.3	4.9	17.5	0.8	15.2	0.6	-2.3	-0.3
Other	78.5	82.3	3.8	4.8	84.7	91.5	6.8	8.0	163.3	7.1	173.8	6.9	10.6	1.5
Investment goods	137.3	151.8	14.5	10.5	145.4	147.1	1.7	1.2	282.7	12.4	298.9	11.9	16.2	2.4
Machines, tools and appliances	53.1	58.6	5.5	10.4	55.0	57.9	3.0	5.4	108.0	4.7	116.5	4.6	8.5	1.2
Electrical machines	14.9	16.6	1.7	11.7	15.5	18.0	2.4	15.7	30.4	1.3	34.6	1.4	4.2	0.6
Transportation facilities	10.4	14.0	3.6	34.5	4.7	4.2	-0.6	-12.2	15.2	0.7	18.2	0.7	3.0	0.4
Spare parts and equipment	26.2	33.8	7.6	29.0	30.7	35.0	4.3	13.9	56.9	2.5	68.8	2.7	11.9	1.7
Other	32.7	28.7	-4.0	-12.4	39.5	32.1	-7.4	-18.7	72.2	3.2	60.8	2.4	-11.4	-1.7
Nonenergy goods, total	985.6	1084.9	99.3	10.1	1002.7	1073.6	70.9	7.1	1988.3	87.1	2158.5	86.0	170.2	24.8
Energy commodities	126.0	194.4	68.4	54.2	169.4	158.1	-11.3	-6.7	295.4	12.9	352.4	14.0	57.0	8.3
Petroleum products	95.6	128.4	32.8	34.3	142.2	119.1	-23.1	-16.2	237.8	10.4	247.5	9.9	9.7	1.4
Other	30.4	66.0	35.6	116.9	27.2	38.9	11.7	43.2	57.6	2.5	104.9	4.2	47.3	6.9
EXPORTS, TOTAL (FOB)	1111.6	1279.3	167.7	15.1	1172.1	1231.6	59.6	5.1	2283.7	100.0	2510.9	100.0	227.2	33.1

Source: Customs declarations data received from the Computing Center Directorate to the Information Service Ltd., supplemented by the NSI and processed by the BNB according to the date of customs declaration clearance. Data is coordinated with the NSI. For 2000 – final data; for 2001 – preliminary data as of 27 August 2001.

IMPORTS BY USE

Commodity groups	I quarter				II quarter				January – June				Change on same period of previous year	
	million USD		change		million USD		change		2000		2001		million USD	share %
	2000	2001	million USD	%	2000	2001	million USD	%	million USD	share %	million USD	share %	million USD	share %
Consumer goods	237.6	282.1	44.5	18.7	250.2	310.0	59.8	23.9	487.8	15.9	592.0	17.1	104.2	21.4
Food, drink and cigarettes	44.6	51.5	6.9	15.4	40.0	42.6	2.6	6.4	84.6	2.8	94.0	2.7	9.4	11.2
Housing and home furniture	31.9	39.9	8.0	24.9	32.4	43.8	11.4	35.2	64.3	2.1	83.7	2.4	19.4	30.1
Medical goods and cosmetics	53.1	57.9	4.8	9.0	52.1	71.0	18.9	36.2	105.2	3.4	128.8	3.7	23.6	22.4
Clothing and footwear	43.5	61.5	18.0	41.3	52.7	63.9	11.1	21.1	96.3	3.1	125.3	3.6	29.1	30.2
Automobiles	31.2	34.3	3.1	9.8	36.6	43.6	7.1	19.4	67.7	2.2	77.9	2.3	10.2	15.0
Other	33.3	37.1	3.8	11.5	36.4	45.1	8.7	24.0	69.7	2.3	82.2	2.4	12.6	18.0
Raw material feedstocks	455.2	570.2	115.0	25.3	551.8	695.1	143.3	26.0	1007.0	32.9	1265.4	36.6	258.3	25.7
Ores	42.5	43.3	0.8	2.0	55.5	89.4	34.0	61.2	98.0	3.2	132.8	3.8	34.8	35.5
Cast-iron, iron and steel	26.3	33.4	7.1	26.8	29.2	35.7	6.5	22.2	55.5	1.8	69.0	2.0	13.5	24.4
Nonferrous metals	11.1	21.7	10.6	96.2	12.5	20.8	8.3	66.6	23.5	0.8	42.5	1.2	18.9	80.5
Textile materials	117.6	159.1	41.5	35.3	167.7	217.8	50.1	29.9	285.3	9.3	376.9	10.9	91.7	32.1
Wood and paper, cardboard	36.0	39.7	3.7	10.3	37.5	44.5	7.0	18.5	73.5	2.4	84.1	2.4	10.7	14.5
Chemical products	47.2	52.1	4.9	10.3	41.7	44.8	3.0	7.2	88.9	2.9	96.8	2.8	7.9	8.9
Plastics, rubber	47.3	60.9	13.6	28.8	60.8	72.0	11.2	18.5	108.2	3.5	133.0	3.8	24.8	23.0
Food feedstocks	32.2	37.8	5.6	17.4	28.0	31.9	3.9	13.8	60.3	2.0	69.8	2.0	9.5	15.7
Leather and furs	8.8	16.2	7.4	84.0	16.8	24.3	7.5	44.4	25.7	0.8	40.6	1.2	14.9	58.0
Tobacco	8.3	8.7	0.3	3.8	8.0	6.7	-1.3	-15.9	16.3	0.5	15.4	0.4	-0.9	-5.8
Other	77.9	97.3	19.4	24.9	94.1	107.3	13.2	14.0	171.9	5.6	204.5	5.9	32.6	19.0
Investment goods	387.9	352.6	-35.2	-9.1	376.3	447.3	71.0	18.9	764.2	24.9	799.9	23.2	35.8	4.7
Machines, tools and appliances	120.5	127.5	7.0	5.8	159.1	157.3	-1.8	-1.1	279.7	9.1	284.8	8.2	5.2	1.9
Electrical machines	43.4	54.9	11.5	26.4	56.7	95.6	39.0	68.8	100.1	3.3	150.5	4.4	50.4	50.4
Transportation facilities	62.6	62.6	0.0	0.1	64.0	83.8	19.8	30.9	126.5	4.1	146.4	4.2	19.8	15.7
Spare parts and equipment	49.3	59.2	10.0	20.2	50.8	51.7	0.9	1.8	100.1	3.3	111.0	3.2	10.9	10.8
Other	112.1	48.4	-63.7	-56.8	45.7	58.8	13.1	28.8	157.8	5.2	107.2	3.1	-50.6	-32.0
Nonenergy goods, total	1080.7	1205.0	124.2	11.5	1178.3	1452.4	274.1	23.3	2259.0	73.8	2657.4	76.9	398.3	17.6
Energy commodities	455.3	426.9	-28.5	-6.3	348.5	370.8	22.4	6.4	803.8	26.2	797.7	23.1	-6.1	-0.8
Crude oil and natural gas	430.4	394.6	-35.7	-8.3	305.5	328.3	22.8	7.5	735.9	24.0	722.9	20.9	-12.9	-1.8
Coal	381.1	349.2	-31.9	-8.4	263.1	265.2	2.0	0.8	644.3	21.0	614.4	17.8	-29.9	-4.6
Other fuels	36.8	33.4	-3.4	-9.3	28.3	51.4	23.1	81.6	65.1	2.1	84.7	2.5	19.7	30.3
Other	12.4	12.0	-0.4	-3.3	14.1	11.8	-2.3	-16.5	26.5	0.9	23.8	0.7	-2.7	-10.3
Oils	25.0	32.2	7.3	29.1	43.0	42.5	-0.4	-1.0	67.9	2.2	74.8	2.2	6.9	10.1
Electricity	25.0	32.2	7.3	29.1	43.0	42.5	-0.4	-1.0	67.9	2.2	74.8	2.2	6.9	10.1
IMPORTS, TOTAL (CIF)	1536.0	1631.8	95.8	6.2	1526.8	1823.3	296.5	19.4	3062.8	100.0	3455.1	100.0	392.2	12.8

Source: Customs declarations data received from the Computing Center Directorate to the Information Service Ltd., supplemented by the NSI and processed by the BNB according to the date of customs declaration clearance. Data is coordinated with the NSI. For 2000 – final data; for 2001 – preliminary data as of 27 August 2001.

EXPORTS BY MAJOR TRADING PARTNER AND REGION

Countries	I quarter				II quarter				January – June				Change on same period of previous year	
	million USD		change		million USD		change		2000		2001		million USD	share %
	2000	2001	million USD	%	2000	2001	million USD	%	million USD	share %	million USD	share %	million USD	share %
European Union, incl.:	627.7	701.1	73.3	11.7	613.0	703.0	90.0	14.7	1240.7	54.3	1404.1	55.9	163.4	13.2
Italy	174.6	198.9	24.3	13.9	186.5	181.9	-4.6	-2.4	361.1	15.8	380.9	15.2	19.7	5.5
Germany	111.1	127.2	16.1	14.5	102.6	113.6	11.0	10.7	213.7	9.4	240.8	9.6	27.1	12.7
Greece	89.9	112.6	22.7	25.2	103.5	122.0	18.5	17.9	193.4	8.5	234.6	9.3	41.2	21.3
Belgium	88.5	76.2	-12.3	-13.9	66.5	69.3	2.8	4.3	155.0	6.8	145.5	5.8	-9.5	-6.1
France	48.5	64.5	16.0	33.1	55.9	74.1	18.2	32.7	104.3	4.6	138.6	5.5	34.3	32.9
United Kingdom	26.3	27.3	1.0	3.9	25.5	37.5	12.0	47.3	51.7	2.3	85.6	3.4	33.8	65.4
Spain	26.9	36.7	9.8	36.5	26.0	48.8	22.8	87.7	52.9	2.3	64.8	2.6	11.8	22.4
Netherlands	26.6	19.3	-7.4	-27.6	16.0	17.5	1.6	9.8	42.6	1.9	39.4	1.6	-3.2	-7.6
Austria	15.7	19.3	3.6	23.2	15.8	20.1	4.3	27.3	31.5	1.4	36.8	1.5	5.4	17.1
EFTA, incl.:	11.5	15.3	3.8	33.3	18.9	15.9	-3.0	-15.7	30.3	1.3	31.2	1.2	0.9	2.9
Switzerland	8.9	13.9	4.9	55.2	17.6	14.1	-3.5	-19.9	26.5	1.2	27.9	1.1	1.4	5.4
Other OECD countries, incl.:	147.8	174.4	26.7	18.0	187.5	175.7	-11.8	-6.3	335.2	14.7	350.1	13.9	14.9	4.4
Turkey	104.4	104.1	-0.3	-0.3	114.5	95.0	-19.6	-17.1	218.9	9.6	199.1	7.9	-19.8	-9.1
USA	34.7	63.4	28.7	82.8	53.2	73.5	20.2	38.0	87.9	3.8	136.9	5.5	49.0	55.7
Japan	2.4	1.6	-0.8	-31.9	5.0	2.1	-3.0	-59.0	7.4	0.3	3.7	0.1	-3.7	-50.2
Balkan countries, incl.:	112.1	125.3	13.1	11.7	113.3	65.7	-47.7	-42.1	225.4	9.9	190.9	7.6	-34.5	-15.3
Yugoslavia	69.7	86.1	16.5	23.6	83.5	33.5	-50.0	-59.9	153.2	6.7	119.6	4.8	-33.6	-21.9
Macedonia	33.1	31.6	-1.5	-4.6	21.9	24.3	2.4	11.0	55.0	2.4	55.9	2.2	0.9	1.6
CEFTA, incl.:	41.4	58.4	16.9	40.9	33.6	65.9	32.3	96.0	75.1	3.3	124.3	5.0	49.2	65.6
Romania	15.1	33.1	17.9	118.5	14.8	29.8	14.9	100.7	30.0	1.3	62.9	2.5	32.9	109.7
Hungary	7.2	9.1	1.9	26.3	6.2	8.2	2.0	32.2	13.4	0.6	17.3	0.7	3.9	29.0
Poland	6.3	7.4	1.1	18.1	5.6	7.1	1.5	27.1	11.9	0.5	14.5	0.6	2.7	22.3
Slovenia	7.2	2.4	-4.7	-66.3	1.9	13.0	11.1	585.7	9.0	0.4	15.4	0.6	6.4	70.3
Czech Republic	4.2	4.2	0.0	0.3	3.9	5.3	1.4	34.5	8.1	0.4	9.5	0.4	1.4	16.8
Slovakia	1.4	2.1	0.7	47.5	1.2	2.6	1.4	116.9	2.6	0.1	4.7	0.2	2.1	79.6
CIS and Baltic countries, incl.:	69.1	72.0	2.9	4.3	64.7	75.7	11.1	17.1	133.8	5.9	147.7	5.9	14.0	10.5
Russia	32.8	28.3	-4.5	-13.7	26.8	29.0	2.2	8.2	59.6	2.6	57.3	2.3	-2.3	-3.9
Ukraine	13.2	14.6	1.5	11.1	16.2	17.1	0.9	5.6	29.4	1.3	31.7	1.3	2.4	8.1
Other countries, incl.:	102.0	132.9	30.8	30.2	141.1	129.7	-11.5	-8.1	243.2	10.6	262.6	10.5	19.4	8.0
Southeast Asian countries ³	3.0	3.3	0.3	10.8	4.1	2.7	-1.4	-34.0	7.1	0.3	6.0	0.2	-1.1	-15.2
EXPORTS, TOTAL (FOB)	1111.6	1279.3	167.7	15.1	1172.1	1231.6	59.6	5.1	2283.7	100.0	2510.9	100	227.2	9.9

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

² Albania, Bosnia and Herzegovina, Macedonia, Croatia and Yugoslavia are included.

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

Source: Customs declarations data received from the Computing Center Directorate to the Information Service Ltd., supplemented by the NSI and processed by the BNB according to the date of customs declaration clearance. Data is coordinated with the NSI. For 2000 – final data; for 2001 – preliminary data as of 27 August 2001.

IMPORTS BY MAJOR TRADING PARTNER AND REGION

Countries	I quarter				II quarter				January – June				Change on same period of previous year	
	million USD		change		million USD		change		2000		2001		million USD	share %
	2000	2001	million USD	%	2000	2001	million USD	%	million USD	share %	million USD	share %	million USD	share %
European Union, incl.:	632.8	760.3	127.5	20.2	732.0	925.8	193.8	26.5	1364.8	44.6	1686.2	48.8	321.4	23.5
Germany	189.4	220.1	30.7	16.2	227.3	276.1	48.7	21.4	416.7	8.7	496.2	14.4	79.5	19.1
Italy	115.7	151.8	36.1	31.2	150.3	201.6	51.3	34.2	266.0	8.6	353.4	10.2	87.4	32.9
Greece	77.9	100.6	22.7	29.1	83.0	102.0	19.0	22.9	160.9	5.3	202.6	5.9	41.7	25.9
France	71.9	87.2	15.3	21.3	80.5	103.6	23.0	28.6	152.4	5.0	190.8	5.5	38.4	25.2
Austria	37.7	34.0	-3.8	-10.0	32.6	31.7	-0.8	-2.6	70.3	2.3	65.7	1.9	-4.6	-6.6
United Kingdom	30.3	38.5	8.1	26.8	33.4	46.7	13.3	39.8	63.8	2.1	85.2	2.5	21.4	33.6
Netherlands	23.5	29.3	5.8	24.5	27.0	35.4	8.4	31.2	50.5	1.6	64.7	1.9	14.2	28.1
Spain	19.5	26.7	7.2	36.7	25.8	32.1	6.2	24.1	45.3	1.5	58.7	1.7	13.4	29.5
Belgium	20.0	24.1	4.1	20.6	20.0	29.8	9.8	49.1	39.9	1.3	53.9	1.6	13.9	34.9
EFTA	22.4	23.1	0.6	2.9	25.5	21.7	-3.8	-14.8	47.9	1.6	44.8	1.3	-3.1	-6.5
Switzerland	20.6	21.7	1.1	5.1	24.3	20.6	-3.7	-15.2	44.9	1.5	42.3	1.2	-2.6	-5.9
Other OECD countries, incl.: ¹	108.2	121.5	13.3	12.3	115.5	164.0	48.5	42.0	223.7	7.3	285.6	8.3	61.8	27.6
Turkey	47.6	49.1	1.5	3.1	53.9	64.8	10.9	20.2	101.5	3.3	113.9	3.3	12.4	12.2
USA	44.2	48.9	4.7	10.7	42.0	70.4	28.4	67.6	86.2	2.8	119.3	3.5	33.1	38.4
Japan	14.1	17.4	3.3	23.2	14.7	17.3	2.6	17.7	28.8	0.9	34.7	1.0	5.9	20.4
Balkan countries, incl.: ²	14.1	8.8	-5.3	-37.3	15.1	10.4	-4.7	-31.2	29.2	1.0	19.2	0.6	-10.0	-34.2
Yugoslavia	7.0	5.0	-2.0	-28.4	6.0	4.8	-1.2	-20.7	13.0	0.4	9.8	0.3	-3.2	-24.8
Macedonia	6.2	3.1	-3.1	-49.7	8.1	4.8	-3.2	-40.2	14.3	0.5	7.9	0.2	-6.3	-44.3
CEFTA, incl.:	113.6	135.4	21.9	19.2	134.7	141.4	6.7	5.0	248.3	8.1	276.8	8.0	28.6	11.5
Romania	38.8	51.6	12.8	32.9	57.5	46.2	-11.3	-19.6	96.3	3.1	97.9	2.8	1.5	1.6
Czech Republic	26.6	26.5	-0.2	-0.6	25.5	28.5	3.0	11.8	52.2	1.7	55.0	1.6	2.9	5.5
Poland	19.1	20.8	1.7	9.2	20.0	29.2	9.2	45.8	39.1	1.3	50.0	1.4	10.9	27.9
Hungary	16.2	20.7	4.5	27.5	14.4	19.9	5.6	38.8	30.6	1.0	40.6	1.2	10.0	32.8
Slovakia	7.3	8.6	1.3	17.5	10.8	8.9	-1.9	-17.6	18.1	0.6	17.5	0.5	-0.6	-3.4
Slovenia	5.4	7.2	1.7	32.0	6.5	8.6	2.1	32.4	11.9	0.4	15.8	0.5	3.8	32.2
CIS and Baltic countries, incl.:	450.4	424.7	-25.8	-5.7	361.3	361.5	0.2	0.1	811.8	26.5	786.2	22.8	-25.6	-3.2
Russia	408.3	373.0	-35.3	-8.6	320.3	303.1	-17.2	-5.4	728.6	23.8	676.1	19.6	-52.5	-7.2
Ukraine	37.9	45.6	7.7	20.3	36.9	51.0	14.1	38.2	74.9	2.4	96.7	2.8	21.8	29.2
Other countries, incl.:	194.5	158.0	-36.5	-18.8	142.6	198.3	55.7	39.1	337.1	11.0	356.3	10.3	19.2	5.7
Southeast Asian countries ³	14.1	32.2	18.1	128.6	22.9	52.6	29.7	129.9	36.9	1.2	84.8	2.5	47.8	129.4
IMPORTS, TOTAL (CIF)	1536.0	1631.8	95.8	6.2	1526.8	1823.3	296.5	19.4	3062.8	100.0	3455.1	100.0	392.2	12.8

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

² Albania, Bosnia and Herzegovina, Macedonia, Croatia and Yugoslavia are included.

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

Source: Customs declarations data received from the Computing Center Directorate to the Information Service Ltd., supplemented by the NSI and processed by the BNB according to the date of customs declaration clearance. Data is coordinated with the NSI. For 2000 – final data; for 2001 – preliminary data as of 27 August 2001.

BALANCE OF PAYMENTS FOR 2001*

(million USD)

	I	II	III	I quarter	IV	V	VI	II quarter	Jan.–June
A. Current account ¹	-4.1	-42.5	-51.7	-98.3	-78.8	-90.7	-16.5	-185.9	-284.2
Goods: credit (FOB)	397.0	427.9	454.4	1279.3	412.0	390.7	405.2	1207.8	2487.1
Goods: debit (FOB)	-476.8	-474.3	-554.1	-1505.3	-530.4	-553.8	-591.8	-1676.0	-3181.3
Trade balance ²	-79.8	-46.4	-99.7	-226.0	-118.5	-163.2	-186.6	-468.2	-694.2
Services: credit	287.0	134.7	142.1	563.8	131.7	180.1	278.8	590.7	1154.5
Transportation ³	44.4	45.3	47.9	137.6	43.0	53.8	71.5	168.3	305.9
Travel ⁴	48.2	49.7	54.2	152.0	50.9	94.7	158.8	304.4	456.4
Other services ⁵	194.4	39.7	40.0	274.2	37.8	31.6	48.6	118.0	392.1
Services: debit	-127.9	-138.5	-132.8	-399.2	-134.6	-141.8	-162.3	-438.6	-837.8
Transportation ³	-54.8	-52.1	-61.6	-168.5	-60.8	-65.7	-72.1	-198.6	-367.1
Travel ⁴	-35.6	-29.5	-34.8	-99.9	-38.1	-44.3	-51.7	-134.1	-233.9
Other services	-37.6	-56.9	-36.4	-130.9	-35.7	-31.8	-38.4	-105.9	-236.8
Services, net	159.0	-3.8	9.3	164.6	-2.8	38.3	116.6	152.1	316.7
Goods and nonfactor services, net	79.2	-50.2	-90.4	-61.4	-121.3	-124.8	-70.0	-316.1	-377.5
Income: credit	56.7	34.8	30.7	122.2	21.1	21.4	24.2	66.7	188.9
Income: debit	-177.3	-42.0	-33.2	-252.5	-12.2	-32.6	-33.9	-78.8	-331.3
Income, net	-120.6	-7.2	-2.5	-130.3	8.9	-11.3	-9.7	-12.1	-142.4
Goods, nonfactor services and income, net	-41.4	-57.4	-92.9	-191.7	-112.4	-136.1	-79.7	-328.2	-519.9
Current transfers, net ⁶	37.3	15.0	41.2	93.4	33.7	45.4	63.2	142.3	235.7
Current transfers, credit	45.0	24.1	47.9	117.0	43.0	58.0	75.0	176.1	293.0
Current transfers, debit	-7.8	-9.1	-6.7	-23.6	-9.3	-12.6	-11.8	-33.7	-57.3
B. Capital account ^{1,7}	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital transfers, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Groups A and B, total	-4.1	-42.5	-51.7	-98.3	-78.8	-90.7	-16.5	-185.9	-284.3
C. Financial account ^{1,7}	-71.2	46.8	-70.9	-95.3	207.8	12.2	19.0	239.0	143.7
Direct investment abroad	0.0	-0.4	0.1	-0.3	-0.1	-1.2	-1.6	-3.0	-3.2
Direct investment in Bulgaria ^{8,9}	68.1	58.6	56.9	183.7	36.3	-3.6	58.2	90.9	274.6
Portfolio investment – assets	-50.4	-50.4	-3.2	-104.0	-13.1	17.6	42.4	46.9	-57.1
Shares	1.1	-7.5	1.3	-5.1	-1.4	0.7	1.1	0.4	-4.8
Bonds	-51.5	-42.9	-4.5	-98.8	-11.6	16.9	41.2	46.5	-52.3
Portfolio investment – liabilities	-9.0	-2.0	-10.6	-21.6	-0.5	-4.9	4.0	-1.4	-23.0
Shares	0.0	-1.2	1.3	0.1	-0.1	1.0	0.0	0.9	1.1
Bonds	-9.0	-0.8	-11.9	-21.8	-0.4	-6.0	4.1	-2.3	-24.1
Other investment – assets	-71.3	63.8	-136.3	-143.7	190.5	-47.4	-101.1	42.0	-101.7
Trade credits, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.6	2.2	1.9	4.7	-0.3	0.1	-0.2	-0.3	4.4
Commercial banks	0.0	0.0	-0.1	-0.1	-0.3	-0.1	-0.2	-0.6	-0.7
Other sectors	0.5	2.2	2.1	4.9	0.0	0.2	0.0	0.2	5.1
Currency and deposits	-81.6	26.0	-145.6	-201.3	166.8	-71.3	-129.9	-34.4	-235.7
Commercial banks	-82.9	25.7	-147.6	-204.8	169.0	-71.7	-132.5	-35.2	-240.0
Other sectors ¹⁰	1.2	0.3	2.0	3.5	-2.2	0.4	2.6	0.9	4.3
Other currency and deposits ¹¹	28.7	17.0	15.8	61.6	21.5	23.8	27.0	72.3	133.9
Other assets	-18.9	18.6	-8.4	-8.7	2.5	0.0	2.0	4.5	-4.3
Other investment – liabilities	-8.7	-22.9	22.2	-9.4	-5.2	51.7	17.1	63.5	54.1
Trade credits, net ¹²	-0.2	6.9	-6.9	-0.2	0.0	0.0	0.0	0.0	-0.2
Loans	-0.5	-30.2	-76.2	-106.8	66.2	32.2	15.7	114.1	7.3
General government	0.0	-30.7	-86.8	-117.5	-2.6	-12.7	-2.6	-17.8	-135.3
Commercial banks	-1.5	3.7	-0.7	1.5	2.5	0.6	1.7	4.7	6.3
Other sectors ⁹	1.1	-3.2	11.3	9.2	66.3	44.3	16.6	127.2	136.4
Nonresidents' deposits	-4.7	1.2	91.6	88.0	-86.1	-4.5	4.3	-86.3	1.7
Other liabilities	-3.3	-0.8	13.6	9.5	14.7	23.9	-2.9	35.7	45.2

(continued)

(continued)

(million USD)

	I	II	III	I quarter	IV	V	VI	II quarter	Jan.–June
Groups A, B and C, total	-75.3	4.3	-122.6	-193.6	129.0	-78.5	2.5	53.1	-140.5
D. Errors and omissions	-64.8	-28.4	49.6	-43.5	-47.1	99.1	-26.3	25.7	-17.9
OVERALL BALANCE (groups A, B, C and D)	-140.2	-24.0	-73.0	-237.2	81.9	20.6	-23.8	78.8	-158.4
E. Reserves and other financing	140.2	24.0	73.0	237.2	-81.9	-20.6	23.8	-78.8	158.4
BNB forex reserves ¹³	183.7	34.1	16.0	233.7	-27.3	-10.8	-31.9	-70.0	163.7
Use of Fund credits, net	-43.5	-10.1	57.0	3.4	-54.6	-9.8	55.7	-8.7	-5.3
Exceptional financing, net ¹⁴	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in BNB forex reserves, including valuation changes:	186.8	48.6	145.2	380.5	-86.2	157.3	-31.0	40.1	420.6

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

¹ Preliminary data.

² Customs declarations data received from the Computing Center Directorate to the Information Service Ltd., supplemented by the NSI and processed by the BNB according to the date of customs declaration clearance. Data is coordinated with NSI. Preliminary data as of 27 August 2001.

³ BNB estimates.

⁴ Data of the Ministry of Internal Affairs and estimates of the Ministry of Economy and the BNB.

⁵ Revenue from the sale of the license for the second GSM mobile telephone operator, reported under credit in the *Other services* item, is subject to reclassification.

⁶ Including data provided by the Agency for Foreign Aid and the Bulgarian Red Cross.

⁷ A minus sign denotes flight of capital (increase in assets or decrease in liabilities).

⁸ Data provided by the companies with foreign interest, the Privatization Agency, specialized ministries, the NSI, the Central Depository and commercial banks. The *Direct investment in Bulgaria* item includes nonresidents' investment in real estate.

⁹ Data revised on the basis of reports on residents' obligations on financial credits to foreign persons received at the BNB. Data is subject to additional revision due to quarterly reporting.

¹⁰ BNB data.

¹¹ Including changes in households' forex deposits with local banks, net of valuation adjustments. A minus sign denotes a decrease of deposits and a positive sign an increase of deposits.

¹² Bulgaria's external obligations on trade credits (advances received and payables to suppliers) are being processed by the BNB and will be included subsequently.

¹³ Excluding changes in BNB forex reserves due to valuation adjustments. A minus sign denotes an increase of forex reserves and a positive sign a decrease.

¹⁴ Including loans extended for balance of payments support (incl. the EU, the World Bank, etc.).

BALANCE OF PAYMENTS FOR 2001*

(million BGN)

	I	II	III	I quarter	IV	V	VI	II quarter	Jan.–June
A. Current account ¹	-12.6	-88.9	-108.9	-210.4	-169.6	-198.4	-43.8	-411.8	-622.2
Goods: credit (FOB)	855.3	900.9	972.5	2728.6	896.5	871.0	923.5	2690.9	5419.6
Goods: debit (FOB)	-1026.0	-998.9	-1185.4	-3210.3	-1154.6	-1234.1	-1348.4	-3737.1	-6947.4
Trade balance ²	-170.7	-98.1	-212.9	-481.7	-258.1	-363.1	-425.0	-1046.2	-1527.9
Services: credit	601.3	285.4	306.6	1193.4	288.2	402.4	639.1	1329.8	2523.1
Transportation ³	93.9	95.8	102.9	292.6	93.9	120.0	163.6	377.6	670.2
Travel ⁴	100.4	105.4	116.6	322.4	111.5	211.7	364.1	687.2	1009.7
Other services ⁵	406.9	84.2	87.1	578.3	82.7	70.7	111.4	264.9	843.2
Services: debit	-270.1	-292.7	-286.3	-849.1	-294.0	-316.7	-381.9	-992.6	-1841.7
Transportation ³	-117.0	-110.0	-131.9	-358.9	-132.6	-146.5	-164.6	-443.7	-802.6
Travel ⁴	-74.2	-62.5	-75.0	-211.7	-83.5	-98.9	-118.5	-300.9	-512.7
Other services	-78.9	-120.2	-79.5	-278.5	-77.9	-71.3	-98.7	-247.9	-526.5
Services, net	331.2	-7.3	20.3	344.2	-5.8	85.8	257.3	337.2	681.4
Goods and nonfactor services, net	160.5	-105.3	-192.6	-137.4	-263.9	-277.4	-167.7	-709.0	-846.4
Income: credit	118.6	74.0	67.3	260.0	47.5	49.5	57.5	154.5	414.5
Income: debit	-369.8	-89.3	-74.3	-533.5	-26.8	-73.0	-78.4	-178.1	-711.6
Income, net	-251.2	-15.3	-7.0	-273.5	20.7	-23.4	-20.9	-23.6	-297.1
Goods, nonfactor services and income, net	-90.8	-120.6	-199.6	-411.0	-243.2	-300.8	-188.6	-732.6	-1143.6
Current transfers, net ⁶	78.2	31.7	90.7	200.6	73.6	102.4	144.8	320.8	521.4
Current transfers, credit	94.5	51.0	105.4	250.8	94.1	130.6	171.8	396.5	647.3
Current transfers, debit	-16.3	-19.3	-14.7	-50.2	-20.4	-28.2	-27.0	-75.7	-125.9
B. Capital account ^{1,7}	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1
Capital transfers, net	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1
Groups A and B, total	-12.6	-88.9	-108.8	-210.3	-169.6	-198.4	-43.7	-411.7	-622.1
C. Financial account ^{1,7}	-148.5	100.5	-149.9	-197.9	519.0	33.3	43.9	596.2	398.3
Direct investment abroad	0.1	-0.8	0.2	-0.6	-0.3	-2.7	-3.7	-6.8	-7.3
Direct investment in Bulgaria ^{8,9}	141.9	124.5	122.5	388.9	79.5	-7.9	132.1	203.7	592.5
Portfolio investment – assets	-105.1	-107.1	-11.9	-224.1	37.4	32.1	98.0	167.6	-56.5
Shares	2.3	-16.2	-0.6	-14.5	-1.6	-2.9	2.6	-1.9	-16.4
Bonds	-107.4	-91.0	-11.3	-209.6	39.1	35.0	95.4	169.5	-40.1
Portfolio investment – liabilities	-18.8	-4.3	-22.9	-46.0	-1.1	-11.0	9.3	-2.9	-48.9
Shares	0.0	-2.5	2.8	0.3	-0.2	2.3	0.0	2.1	2.4
Bonds	-18.8	-1.8	-25.8	-46.4	-0.9	-13.3	9.3	-4.9	-51.3
Other investment – assets	-148.6	136.1	-292.4	-304.9	418.8	-105.9	-230.8	82.1	-222.7
Trade credits, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	1.2	4.8	4.3	10.2	-0.6	0.2	-0.4	-0.8	9.4
Commercial banks	0.0	0.0	-0.3	-0.3	-0.7	-0.2	-0.4	-1.2	-1.5
Other sectors	1.1	4.8	4.6	10.5	0.0	0.4	0.0	0.5	11.0
Currency and deposits	-170.2	55.1	-313.1	-428.2	365.6	-159.2	-297.8	-91.4	-519.6
Commercial banks	-172.7	54.6	-317.4	-435.6	370.4	-160.2	-303.8	-93.6	-529.2
Other sectors ¹⁰	2.5	0.5	4.3	7.4	-4.8	1.0	6.0	2.2	9.6
Other currency and deposits ¹¹	59.9	36.1	34.1	130.1	47.1	53.2	61.8	162.1	292.2
Other assets	-39.4	40.0	-17.6	-16.9	6.7	-0.2	5.6	12.2	-4.8
Other investment – liabilities	-18.0	-47.8	54.7	-11.2	-15.3	128.8	39.0	152.6	141.4
Trade credits, net ¹²	-0.4	14.7	-14.8	-0.5	0.0	0.0	0.0	0.0	-0.6
Loans	-1.1	-64.0	-163.9	-229.0	145.1	72.0	36.0	253.1	24.1
General government	0.0	-65.1	-186.7	-251.8	-5.6	-28.4	-5.9	-39.9	-291.7
Commercial banks	-3.3	7.9	-1.5	3.1	5.4	1.4	3.8	10.6	13.7
Other sectors ⁹	2.2	-6.8	24.3	19.7	145.3	99.0	38.1	282.4	302.1
Nonresidents' deposits	-9.9	2.5	197.0	189.6	-188.7	-10.0	9.8	-188.9	0.7
Other liabilities	-6.7	-1.0	36.5	28.7	28.3	66.8	-6.7	88.4	117.1

(continued)

(continued)

(million BGN)

	I	II	III	I quarter	IV	V	VI	II quarter	Jan.–June
Groups A, B and C, total	-161.1	11.5	-258.7	-408.2	349.4	-165.1	0.2	184.5	-223.7
D. Errors and omissions	-131.1	-62.5	101.7	-91.9	-169.9	211.2	-54.7	-13.4	-105.3
OVERALL BALANCE (groups A, B, C and D)	-292.2	-50.9	-157.0	-500.1	179.5	46.1	-54.5	171.1	-329.0
E. Reserves and other financing	292.2	50.9	157.0	500.1	-179.5	-46.1	54.5	-171.1	329.0
BNB forex reserves ¹³	382.8	72.3	34.4	489.5	-59.8	-24.2	-73.2	-157.2	332.4
Use of Fund credits, net	-90.7	-21.3	122.6	10.6	-119.7	-21.9	127.7	-14.0	-3.4
Exceptional financing, net ¹⁴	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

¹ Preliminary data.

² Customs declarations data received from the Computing Center Directorate to the Information Service Ltd., supplemented by the NSI and processed by the BNB according to the date of customs declaration clearance. Data is coordinated with NSI. Preliminary data as of 27 August 2001.

³ BNB estimates.

⁴ Data of the Ministry of Internal Affairs and estimates of the Ministry of Economy and the BNB.

⁵ Revenue from the sale of the license for the second GSM mobile telephone operator, reported under credit in the *Other services* item, is subject to reclassification.

⁶ Including data provided by the Agency for Foreign Aid and the Bulgarian Red Cross.

⁷ A minus sign denotes flight of capital (increase in assets or decrease in liabilities).

⁸ Data provided by the companies with foreign interest, the Privatization Agency, specialized ministries, the NSI, the Central Depository and commercial banks. The *Direct investment in Bulgaria* item includes nonresidents' investment in real estate.

⁹ Data revised on the basis of reports on residents' obligations on financial credits to foreign persons received at the BNB. Data is subject to additional revision due to quarterly reporting.

¹⁰ BNB data.

¹¹ Including changes in households' forex deposits with local banks, net of valuation adjustments. A minus sign denotes a decrease of deposits and a positive sign an increase of deposits.

¹² Bulgaria's external obligations on trade credits (advances received and payables to suppliers) are being processed by the BNB and will be included subsequently.

¹³ Excluding changes in BNB forex reserves due to valuation adjustments. A minus sign denotes an increase of forex reserves and a positive sign a decrease.

¹⁴ Including loans extended for balance of payments support (incl. the EU, the World Bank, etc.).

DOMESTIC GOVERNMENT DEBT

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

Structure	Amount as of 31 Dec. 2000	Change in 2001		Amount as of 30 June 2001
		Increase	Decrease	
I. DEBT ON GOVERNMENT SECURITIES ISSUED FOR BUDGET DEFICIT FINANCING				
1. Government securities issued in 1996	845.8		845.8	-
5-year	845.8		845.8	-
2. Government securities issued in 1997	20 000.0			20 000.0
5-year	20 000.0			20 000.0
3. Government securities issued in 1998	7 468.5			7 468.5
3-year	3 377.6			3 377.6
5-year	4 090.9			4 090.9
4. Government securities issued in 1999	304 538.3		187 284.1	117 254.2
2-year	301 878.6		187 284.1	114 594.5
5-year	2 659.7			2 659.7
5. Government securities issued in 2000	613 212.9		141 870.0	471 343.0
5.1. Short-term	178 275.5		140 283.8	37 991.7
incl. 3-month	64 286.4		64 286.4	
12-month	113 989.1		75 997.4	37 991.7
5.2. Medium-term	434 937.4		1 586.1	433 351.3
incl. 2-year	255 217.9		1 586.1	253 631.8
3-year	139 929.7			139 929.7
5-year	39 789.7			39 789.7
6. Government securities issued in 2001		384 885.1	59 515.9	325 369.2
6.1. Short-term		156 820.0	59 371.3	97 448.6
incl. 3-month		118 705.8	59 371.3	59 334.4
12-month		38 114.2		38 114.2
6.2. Medium-term		228 065.1	144.5	227 920.6
incl. 2-year		108 065.1	144.5	107 920.6
5-year		120 000.0		120 000.0
TOTAL (I)	946 065.5	384 885.1	389 515.7	941 434.9
II. DEBT ON GOVERNMENT SECURITIES ISSUED FOR STRUCTURAL REFORM				
A1. Long-term government bonds issued pursuant to CM Decree No. 244 of 1991	3 026.9		275.2	2 751.7
A2. Long-term government bonds issued pursuant to CM Decree No. 234 of 1992	2 174.0		11.9	2 162.1
A3. Long-term government bonds issued pursuant to Articles 4 and 5 of ZUNK of 1993				
in BGN	7 799.4		7.8	7 791.6
denominated in USD	331 260.7		20 091.2	311 169.5
lev equivalent	696 280.3			717 681.4
denominated in EUR	24 412.6		1 284.9	23 127.7
lev equivalent	470 746.9			45 233.9
A4. Long-term government bonds issued pursuant to CM Decree No. 3 of 1994	831.7			831.7
A5. Government bonds issued pursuant to Articles 2 of CM Decree No. 89 of 1995	4 660.1		1 553.4	3 106.8
TOTAL (A)	762 519.3			779 559.3
B1. Government securities in BGN issued pursuant to Articles 8 and 9 of LSPDACB of 1996	38 750.5			36 874.5
Government securities issued in 1996	5 627.9		1 876.0	3 751.9
Government securities issued in 1997	33 122.6			33 122.6
B2. Government securities issued in USD pursuant to Articles 8 and 9 of LSPDACB of 1996	4 705.7		4 705.7	
lev equivalent	9 891.0		7 823.2	
TOTAL (B)	48 641.5			36 874.5
TOTAL (II)	811 160.8			816 433.8
GOVERNMENT DEBT, TOTAL	1 757 226.3			1 757 868.7
III. DOMESTIC GOVERNMENT GUARANTEES	9 984.1			9 225.6
DOMESTIC DEBT, TOTAL	1 767 210.4			1 767 094.3

Notes: 1. Actual amount of the debt on government securities for deficit financing.
 2. The lev equivalent of the debt denominated in foreign currency is calculated on the basis of the exchange rate of the relevant currency against the lev at the end of month: for 31 December 2000 – USD 1/BGN 2.10191, EUR 1/BGN 1.95583
 for 29 June 2001 – USD 1/BGN 2.30640, EUR 1/BGN 1.95583
 3. Debt to the BNB is excluded from domestic debt structure.
 4. IMF credits are drawn by the central bank which lends them to the government subsequently. For this reason debt to the IMF has been reported in the structure of both foreign and domestic debts so far (as it was internal for the budget). Exclusion of the direct credit to the BNB from foreign debt aims to eliminate errors and double reporting in using debt data.

Source: MF.

CONSOLIDATED STATE BUDGET AS OF 30 JUNE 2001

	Consolidated fiscal program	Republican budget	Central republican budget	Ministries and agencies (total)	National Audit Chamber	Social Security	Law courts	Municipalities	(BGN'000)	
									Extrabudgetary accounts	Municipalities (total)
I. REVENUE AND GRANTS										
Current revenue	6062071.2	3358262.9	2849280.2	508982.8	0.0	1502046.5	18629.5	728628.9	353401.3	22813.5
Tax revenue	580279.8	3357207.3	2849266.5	507940.8	0.0	1502045.9	18629.5	728488.1	101056.4	17907.6
Nontax revenue	4630735.4	2607088.8	2425444.6	181644.2	0.0	1424576.4	0.0	570960.1	28108.8	1.3
Grants	1172044.4	750118.5	423821.9	326296.6	0.0	77469.5	18629.5	157528.0	72947.6	17906.3
	259291.4	1055.6	13.7	1042.0	0.0	0.7	0.0	140.8	252345.0	4905.9
II. EXPENDITURE										
Current expenditures	5895085.6	2506893.8	816791.9	1687417.1	2684.8	1856515.3	49478.5	951039.8	267580.2	58417.9
Capital expenditures	5273508.6	2116115.4	761055.8	1352398.0	2661.6	1849932.6	45006.0	903550.3	145976.2	19363.8
Growth of government reserves	533631.1	365534.4	32368.1	333143.1	23.2	6645.1	4472.5	47265.7	59408.7	38708.8
	821.1	821.1	0.0	821.1	0.0	0.0	0.0	0.0	0.0	0.0
III. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO REPUBLICAN BUDGET, BUDGETARY ACCOUNTS AND EXTRABUDGETARY FUNDS/ACCOUNTS, NET	0.0	-205870.7	-57095.1	-148775.6	0.0	-4422.7	-1053.3	82675.9	32567.2	3173.2
IV. TEMPORARY NONINTEREST-BEARING LOANS BETWEEN REPUBLICAN BUDGET, BUDGETARY AND EXTRABUDGETARY ACCOUNTS, NET	0.0	-256495.9	-336240.1	79744.2	0.0	251600.0	3850.0	2244.2	-2284.2	1085.9
V. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO REPUBLICAN BUDGET TO OTHER BUDGETS, NET	0.0	-555456.1	-1925923.1	1367777.9	2689.1	238413.3	33114.6	258946.3	0.0	0.0
VI. DEFICIT (-) / SURPLUS (+)	166985.5	-166453.7	-286770.1	120312.2	4.3	131121.8	5062.3	121455.5	116104.2	-31345.4
VII. FINANCING										
Foreign financing, net	-166985.5	166453.7	286770.1	-120312.2	-4.3	-131121.8	-5062.3	-121455.5	-116104.2	31345.4
Domestic financing, net	-223383.2	-285489.0	-271865.7	-13623.3	0.0	6602.4	0.0	0.0	55503.3	0.0
Bank, net	56397.7	451942.7	558635.8	-106688.8	-4.3	-137724.3	-5062.3	-121455.5	-171607.5	31345.4
BNB, net	-54360.8	374181.7	480874.8	-106688.8	-4.3	-137724.3	-5062.3	-121455.5	-175858.1	2598.3
credits under Art. 45 of LBNB	15286.5	15286.5	15286.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
repayments to the BNB	297574.2	297574.2	297574.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other banks and financial institutions, net	-282287.7	-282287.7	-282287.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operations in government securities, net	500.1	75.8	0.0	75.8	0.0	0.0	0.0	550.3	0.0	-126.0
Deposits and funds on accounts, net	-57446.4	-57446.4	-57446.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financing (+/-)	-690808.8	-322584.5	-204693.4	-117886.9	-4.3	-128427.8	-5037.9	-70134.0	-172462.5	549.6
	719554.2	727763.2	727763.6	59.6	0.0	-9287.4	-9.3	158.4	3.5	699.1
Privatization	110758.6	77761.0	77761.0	0.0	0.0	0.0	0.0	0.0	4250.5	28747.0

Source: MF.

GROSS FOREIGN DEBT

(million USD)

By creditor	1999	2000	2001					
	XII	XII	I	II	III	IV	V	VI
GROSS FOREIGN DEBT (A + B) ^{1,2}	10204.4	10364.3	10337.9	10302.4	10135.0	10110.8	9982.1	10056.0
A. Long-term debt	9609.2	9718.0	9656.6	9615.5	9470.9	9478.8	9393.0	9439.7
I. Official creditors	4044.8	3941.2	3889.2	3837.1	3695.1	3679.4	3580.7	3616.4
1. International financial institutions	2891.3	3011.6	2963.8	2940.2	2925.7	2899.8	2831.6	2878.2
IMF	1248.6	1322.0	1273.4	1258.2	1283.3	1234.0	1214.5	1260.2
World Bank ³	896.6	917.8	924.8	912.6	902.5	910.8	894.9	895.5
European Union	401.8	428.0	427.5	425.4	406.3	415.1	390.1	390.1
Other international financial institutions	344.3	343.8	338.2	344.0	333.5	340.0	332.1	332.4
2. Bilateral credits	1153.5	929.6	925.4	896.9	769.4	779.6	749.1	738.2
Paris Club and nonrescheduled debt	814.8	600.4	597.9	575.8	478.7	484.3	469.9	464.5
Other bilateral credits	338.7	329.2	327.5	321.1	290.7	295.4	279.3	273.7
II. Private creditors	5564.4	5776.7	5767.4	5778.4	5775.8	5799.4	5812.3	5823.3
1. Brady bonds	4977.4	4976.1	4976.1	4976.1	4976.1	4976.1	4976.1	4976.1
2. Other bonds	27.1	26.2	26.2	25.3	23.3	21.6	20.4	18.8
3. Government securities ⁴	78.7	91.5	84.9	84.1	72.8	73.3	66.9	72.9
4. Commercial banks	46.3	93.3	93.2	93.2	91.6	94.0	89.8	90.8
5. Other sectors ⁵	434.9	589.7	587.0	599.7	612.0	634.4	659.2	664.8
B. Short-term debt ⁶	595.2	646.4	681.3	686.9	664.1	632.0	589.1	616.3
I. Official creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
II. Private creditors	595.2	646.4	681.3	686.9	664.1	632.0	589.1	616.3
1. Commercial banks ⁷	302.1	283.3	275.7	271.3	257.9	170.5	155.5	160.5
2. Other private creditors ⁵	293.1	363.1	405.6	415.6	406.2	461.5	433.6	455.8
Analytical items ⁸								
1. Revolving credits	148.5	183.3	185.5	173.8	163.0	215.0	191.0	207.7
2. Call credits	63.5	134.5	137.1	138.0	136.4	142.8	141.3	143.9
incl. intra company	53.8	117.3	119.7	119.3	117.0	122.0	120.5	122.5

¹ Preliminary data as of 30 August 2001 calculated in US dollars at end of period exchange rates of respective currencies.

² Source: *Debt Registration, Service and Management System* of the Ministry of Finance and the Bulgarian National Bank, commercial banks and local physical and legal persons.

³ Including government and government guaranteed loans.

⁴ Including government securities (denominated in BGN and foreign currency) owned by nonresidents and excluding Brady bonds held by residents.

⁵ Including only credits registered with the BNB and on which information is available.

⁶ Including overdue principals and interest.

⁷ Including nonresidents' deposits with local commercial banks.

⁸ Foreign obligations on revolving credits and call credits are included in the country's gross foreign debt amount.

GROSS FOREIGN DEBT SERVICE

(million USD)

By creditor ¹	2000			2001								
	January – June			First quarter			Second quarter			January – June		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
GROSS FOREIGN DEBT (A + B) ²	260.6	251.8	512.4	251.0	233.2	484.2	228.1	52.4	280.5	479.1	285.6	764.7
A. Long-term debt	219.8	249.8	469.5	229.6	230.9	460.5	125.4	52.0	177.4	355.0	282.9	637.9
I. Official creditors	199.3	94.3	293.6	204.0	62.4	266.4	98.2	43.3	141.5	302.2	105.7	407.9
1. International financial institutions	83.0	67.9	150.9	95.3	40.0	135.4	83.0	38.7	121.7	178.3	78.7	257.0
IMF	45.4	28.0	73.4	63.5	17.8	81.3	74.2	13.7	87.9	137.7	31.5	169.2
World Bank ³	17.1	20.7	37.8	15.3	8.0	23.4	4.3	15.8	20.1	19.6	23.9	43.5
Other international financial institutions	20.5	19.2	39.7	16.5	14.2	30.7	4.5	9.2	13.7	21.0	23.4	44.4
2. Bilateral credits	116.3	26.4	142.7	108.6	22.4	131.0	15.2	4.6	19.8	123.9	27.0	150.8
Paris Club and nonrescheduled debt	80.0	21.5	101.5	90.7	20.9	111.5	2.6	1.3	3.9	93.2	22.1	115.4
Other	36.3	4.9	41.2	18.0	1.5	19.5	12.7	3.3	16.0	30.7	4.8	35.5
II. Private creditors	20.5	155.4	175.9	25.7	168.5	194.1	27.2	8.7	35.9	52.9	177.2	230.1
1. Brady bonds	0.0	136.1	136.1	0.0	160.7	160.7	0.0	0.0	0.0	0.0	160.7	160.7
2. Other bonds ⁴	0.0	8.0	8.0	5.3	3.4	8.6	0.0	2.0	2.0	5.3	5.4	10.6
3. Commercial banks	0.1	1.8	1.8	0.8	1.1	1.9	6.7	1.7	8.4	7.5	2.8	10.4
4. Companies ⁵	20.4	9.5	29.9	19.5	3.3	22.9	20.5	4.9	25.5	40.1	8.3	48.4
B. Short-term debt ^{5,6}	40.8	2.0	42.8	21.3	2.3	23.7	102.7	0.4	103.1	124.0	2.7	126.7
C. Payments on revolving credits extended to Bulgarian companies by nonresidents	179.4	2.7	182.1	178.5	2.0	180.5	198.6	2.2	200.9	377.1	4.3	381.4
TOTAL (A + B + C)	439.9	254.5	694.5	429.4	235.3	664.7	426.7	54.6	481.4	856.2	289.9	1146.0

¹ Source: *Debt Registration, Service and Management System* of the Ministry of Finance and Bulgarian National Bank, commercial banks and local physical and legal persons.

² Actual payments. Preliminary data as of 30 August 2001 calculated in US dollars at average monthly exchange rates of respective currencies.

³ Including payments on government and government guaranteed credits.

⁴ Including interest and principals payments on government securities bought by nonresidents.

⁵ Including principal and interest payments on credits (revolving excluded) registered with the BNB and on which there is available information.

⁶ Including payments on the debt of commercial banks and local physical and legal persons. Payments on revolving credits excluded.

GROSS FOREIGN DEBT

(million USD)

By debtor	1999	2000	2001					
	XII	XII	I	II	III	IV	V	VI
GROSS FOREIGN DEBT (A+B) ¹	10204.4	10364.3	10337.9	10302.4	10135.0	10110.8	9982.1	10056.0
A. Public sector (I + II + III + IV)	9402.9	9246.7	9187.8	9138.1	8885.0	8871.0	8799.8	8840.9
I. Government debt (1+2) ²	8369.6	8234.3	8184.9	8130.0	8001.4	7978.6	7892.5	7925.4
1. Loans ³	3392.2	3258.2	3208.8	3154.0	3025.4	3002.5	2916.4	2949.3
2. Bonds ⁴	4977.4	4976.1	4976.1	4976.1	4976.1	4976.1	4976.1	4976.1
II. Government guaranteed debt ²	581.6	632.4	634.2	638.3	628.3	639.4	661.7	671.2
1. Loans	581.6	632.4	634.2	638.3	628.3	639.4	661.7	671.2
III. BNB ²	116.9	103.6	99.4	99.0	96.6	93.3	92.6	91.8
IV. Other debtors	334.8	276.4	269.4	270.8	158.6	159.7	153.1	152.5
Municipalities (1+2)	27.1	26.2	26.2	25.3	23.3	21.6	20.4	18.8
1. Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Bonds	27.1	26.2	26.2	25.3	23.3	21.6	20.4	18.8
Commercial banks (1+2) ⁴	200.7	107.3	107.2	106.9	7.4	6.1	5.6	5.7
1. Loans	169.6	100.2	99.9	99.8	1.6	1.6	1.5	1.5
2. Nonresidents' deposits	31.1	7.1	7.3	7.0	5.8	4.4	4.1	4.1
Companies (1+2) ^{2,5}	28.3	51.4	51.1	54.5	55.2	58.7	60.2	55.1
1. Intra company loans	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
2. Other loans	28.1	51.2	51.0	54.4	55.0	58.6	60.1	55.0
Other ⁶	78.7	91.5	84.9	84.1	72.8	73.3	66.9	72.9
B. Private sector (I + II)	801.4	1117.6	1150.0	1164.2	1250.0	1239.8	1182.3	1215.0
I. Commercial banks (1+2+3) ⁴	147.7	269.2	261.7	257.7	342.1	258.5	239.7	245.6
1. Intra company loans	45.7	59.4	59.1	58.8	57.2	57.6	55.6	55.4
2. Other loans	3.4	42.5	42.6	43.0	42.3	44.4	41.7	42.9
3. Nonresidents' deposits	98.6	167.3	159.9	155.9	242.6	156.5	142.4	147.3
II. Companies (1+2) ⁵	653.7	848.4	888.3	906.5	907.9	981.3	942.6	969.4
1. Intra company loans	331.9	369.0	435.9	467.1	467.7	481.7	445.8	467.6
2. Other loans	321.8	479.5	452.4	439.4	440.2	499.6	496.9	501.8

¹ Preliminary data calculated in US dollars at end of period exchange rates of respective currencies.

² Source: *Debt Registration, Service and Management System* of the Ministry of Finance and the Bulgarian National Bank. Preliminary data as of 30 August 2001.

³ Including liabilities to the IMF. In the BOP tables these credits are received and serviced by the BNB.

⁴ Commercial bank data.

⁵ Including only credits registered with the BNB and on which there is available information.

⁶ Including government securities (denominated in levs and foreign currency) held by nonresidents and excluding Brady bonds held by residents.

GROSS FOREIGN DEBT SERVICE

(million USD)

By debtor ¹	2000			2001								
	January – June			First quarter			Second quarter			January – June		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Total (A + B) ¹	260.6	251.8	512.4	251.0	233.2	484.2	228.1	52.4	280.5	479.1	285.6	764.7
A. Public sector (I + II + III + IV)	215.0	239.5	454.5	211.5	226.4	437.9	106.9	46.2	153.1	318.4	272.6	591.0
I. Government debt (1+2) ²	172.4	212.2	384.6	177.2	209.4	386.5	88.3	35.2	123.6	265.5	244.6	510.1
1. Loans ³	172.4	76.1	248.5	177.2	48.7	225.9	88.3	35.2	123.6	265.5	83.9	349.4
2. Bonds ⁴	0.0	136.1	136.1	0.0	160.7	160.7	0.0	0.0	0.0	0.0	160.7	160.7
II. Government guaranteed debt ²	29.1	14.6	43.6	21.7	11.8	33.5	7.5	5.9	13.4	29.1	17.7	46.8
1. Loans	29.1	14.6	43.6	21.7	11.8	33.5	7.5	5.9	13.4	29.1	17.7	46.8
III. BNB ²	0.0	2.7	2.7	3.8	1.4	5.2	3.7	1.1	4.7	7.5	2.5	9.9
IV. Other debtors	13.6	10.0	23.6	8.9	3.8	12.7	7.5	4.0	11.5	16.3	7.8	24.1
Municipalities (1+2)	0.0	2.6	2.6	0.0	0.0	0.0	0.0	2.0	2.0	0.0	2.0	2.0
1. Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Bonds	0.0	2.6	2.6	0.0	0.0	0.0	0.0	2.0	2.0	0.0	2.0	2.0
Commercial banks (1+2) ⁴	10.4	0.0	10.5	1.1	0.0	1.1	2.0	0.0	2.0	3.1	0.0	3.1
1. Loans	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Nonresidents' deposits	10.3	0.0	10.3	1.1	0.0	1.1	2.0	0.0	2.0	3.1	0.0	3.1
Companies (1+2) ^{2,5}	3.2	2.0	5.1	2.5	0.4	2.9	5.5	2.0	7.5	8.0	2.4	10.4
1. Intra company loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Other loans	3.2	2.0	5.1	2.5	0.4	2.9	5.5	2.0	7.5	8.0	2.4	10.4
Other ⁶	0.0	5.4	5.4	5.3	3.4	8.6	0.0	0.0	0.0	5.3	3.4	8.6
B. Private sector (I + II)	45.5	12.3	57.9	39.4	6.9	46.3	121.2	6.2	127.4	160.6	13.0	173.7
I. Commercial banks (1+2+3) ⁴	18.4	1.8	20.2	9.6	1.1	10.7	95.5	1.7	97.3	105.2	2.8	108.0
1. Intra company loans	0.1	1.7	1.8	0.6	1.0	1.6	6.4	0.8	7.2	7.0	1.8	8.8
2. Other loans	0.0	0.1	0.1	0.3	0.1	0.4	0.3	1.0	1.2	0.5	1.1	1.6
3. Nonresidents' deposits	18.3	0.0	18.3	8.8	0.0	8.8	88.8	0.0	88.8	97.6	0.0	97.6
II. Companies (1+2) ⁵	27.2	10.5	37.7	29.8	5.8	35.6	25.7	4.4	30.1	55.5	10.2	65.7
1. Intra company loans	11.5	2.0	13.5	17.6	1.3	18.9	14.4	1.1	15.5	32.0	2.4	34.4
2. Other loans	15.7	8.5	24.3	12.2	4.5	16.7	11.3	3.3	14.6	23.5	7.8	31.3

¹ Preliminary data calculated in US dollars at average monthly exchange rates of respective currencies.

² Source: *Debt Registration, Service and Management System* of the Ministry of Finance and the Bulgarian National Bank. Preliminary data as of 30 August 2001.

³ Including liabilities to the IMF. In the BOP tables these credits are received and serviced by the BNB.

⁴ Commercial bank data.

⁵ Including only credits registered with the BNB and on which there is available information.

⁶ Including government securities (denominated in levs and foreign currency) held by nonresidents and excluding Brady bonds held by residents.

NEW CREDITS AND DEPOSITS

(million USD)

By creditor	2000	2001		
	January – June	I quarter	II quarter	January – June
CREDITS, TOTAL (A + B) ^{1,2}	452.3	330.5	204.6	535.1
A. Long-term credits	338.0	180.0	172.9	352.9
I. Official creditors	232.2	105.1	86.4	191.5
1. International financial institutions	232.2	105.1	86.4	191.5
IMF	139.6	66.9	65.4	132.4
World Bank ³	47.5	14.4	8.0	22.5
Other international financial institutions	45.1	23.7	13.0	36.7
2. Bilateral credits	0.0	0.0	0.0	0.0
Paris Club and nonrescheduled debt	0.0	0.0	0.0	0.0
Other bilateral credits	0.0	0.0	0.0	0.0
II. Private creditors	105.8	74.9	86.5	161.4
1. Commercial banks	16.1	2.3	8.3	10.6
2. Companies ⁴	89.7	72.6	78.2	150.8
B. Short-term credits ^{4,5}	114.3	150.5	31.7	182.1
C. Extended revolving credits	215.4	161.9	245.3	407.2
TOTAL (A + B + C)	667.7	492.4	449.9	942.3

¹ Preliminary data as of 30 August 2001. US dollar equivalent is calculated using average monthly exchange rates of respective currencies.

² Source: *Debt Registration, Service and Management System* of the Ministry of Finance and the Bulgarian National Bank, commercial banks and local physical and legal persons.

³ Including government and government guaranteed loans.

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

⁵ Including nonresidents' deposits with local commercial banks and funds received on short-term debt of local physical and legal persons.

NEW CREDITS AND DEPOSITS

(million USD)

By debtor	1999	2000		
	January – June	I quarter	II quarter	January – June
Total (A + B) ^{1,2}	452.3	330.5	204.6	535.1
A. Public sector (I + II + III + IV)	252.0	106.6	132.0	238.7
I. Government (1+2) ³	153.1	66.9	65.4	132.4
1. Loans ⁴	153.1	66.9	65.4	132.4
2. Bonds	0.0	0.0	0.0	0.0
II. Government guaranteed debt ³	68.3	31.4	60.5	91.9
1. Loans	68.3	31.4	60.5	91.9
III. BNB ³	0.0	0.0	0.0	0.0
IV. Other debtors	30.7	8.3	6.1	14.4
Municipalities (1+2)	0.0	0.0	0.0	0.0
1. Loans	0.0	0.0	0.0	0.0
2. Bonds	0.0	0.0	0.0	0.0
Commercial banks (1+2) ⁵	17.0	1.5	0.4	1.9
1. Loans	0.0	0.8	0.0	0.8
2. Nonresidents' deposits ⁶	17.0	0.7	0.4	1.1
Companies (1+2) ^{3,7}	13.7	6.8	5.7	12.5
1. Intra company loans	0.1	0.0	0.0	0.0
2. Other loans	13.6	6.8	5.7	12.5
B. Private sector (I + II)	200.3	223.8	72.6	296.4
I. Commercial banks (1+2+3) ⁵	54.4	100.2	12.4	112.5
1. Intra company loans	3.0	0.0	5.8	5.8
2. Other loans	13.2	2.0	2.4	4.5
3. Nonresidents' deposits ⁶	38.2	98.1	4.1	102.2
II. Companies (1+2) ⁷	145.9	123.7	60.2	183.9
1. Intra company loans	96.4	90.2	32.8	123.0
2. Other loans	49.5	33.5	27.4	60.9

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

² Including credits extended for BOP support.

³ Source: *Debt Registration, Service and Management System* of the Ministry of Finance and the Bulgarian National Bank. Preliminary data as of 30 August 2001.

⁴ Including liabilities to the IMF. In the BOP tables these credits are received and serviced by the BNB.

⁵ Commercial bank data.

⁶ Nonresidents' deposits with local commercial banks.

⁷ Including only credits (revolving excluded) registered with the BNB and on which there is available information.

BALANCE SHEET OF THE BULGARIAN NATIONAL BANK

ISSUE DEPARTMENT

(BGN'000)

	31.I.2001	28.II.2001	30.III.2001	28.IV.2001	31.V.2001	29.VI.2001
ASSETS	6889487	6820282	6820043	6862639	6939239	7010737
1. Cash and nostro accounts in foreign currency	1542835	1777872	2005500	1863065	929571	1241756
2. Monetary gold	641974	641999	642059	642139	642272	642506
3. Foreign securities	4639007	4341229	4108233	4284447	5290757	5055011
4. Accrued interest receivable	65671	59182	64251	72988	76639	71464
LIABILITIES	6889487	6820282	6820043	6862639	6939239	7010737
1. Currency in circulation	2323591	2338613	2348084	2427863	2476263	2552589
2. Bank deposits and current accounts	511843	534020	579921	616943	625709	532639
3. Government deposits and accounts	2388882	2260390	2329136	2878873	2863918	2925294
4. Other depositors' accounts	678591	679932	513210	72031	70013	70093
5. Accrued interest payable	2918	4516	3261	983	1331	4298
6. Banking Department deposit	983662	1002811	1046431	865946	902005	925824

Source: BNB.

BANKING DEPARTMENT

(BGN'000)

	31.I.2001	28.II.2001	30.III.2001	28.IV.2001	31.V.2001	29.VI.2001
ASSETS	5565217	5574627	5839660	5470394	5705013	5825967
1. Nonmonetary gold and other precious metals	88152	88356	89342	89713	96110	95658
2. Investments in securities	168764	176048	184481	180778	192169	190732
3. Loans and advances to banks, net of provisions	17	17	20	19	19	19
4. Receivables from government	2470860	2451471	2628012	2485809	2584428	2694724
5. Bulgaria's IMF quota and holdings in other international financial institutions	1659703	1660951	1696268	1676072	1757553	1745554
6. Accrued interest receivable	0	862	1854	2740	3919	3919
7. Equity investments in domestic entities	2294	2294	2294	2294	2294	2294
8. Fixed assets	140335	139619	139347	139203	138764	138582
9. Other assets	51430	52198	51611	27820	27752	28661
10. Deposit with Issue Department	983662	1002811	1046431	865946	902005	925824
LIABILITIES	5565217	5574627	5839660	5470394	5705013	5825967
1. Borrowings from IMF	2680083	2660852	2841855	2689100	2797624	2906462
2. Liabilities to other financial institutions	1659882	1661130	1696421	1676213	1757479	1745839
3. Accrued interest payable	2932	810	1702	2489	810	1551
4. Other liabilities	8988	11507	11310	10241	8456	9124
Obligations, total	4351885	4334299	4551288	4378043	4564369	4662976
5. Capital	20000	20000	20000	20000	20000	20000
6. Reserves	940945	936139	959920	985735	1012114	1020541
7. Retained profit	252387	284189	308452	86616	108530	122450
Equity, total	1213332	1240328	1288372	1092351	1140644	1162991

Source: BNB.

MONETARY SURVEY

(BGN'000)

	XII.1999	VI.2000	XII.2000	I.2001	II.2001	III.2001	IV.2001	V.2001	VI.2001
	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks
Exchange rate: BGN/1 USD									
BGN/1 EUR									
FOREIGN ASSETS (net)									
BGN	1.9469	2.0467	2.1019	2.1019	2.1149	2.1149	2.1149	2.1149	2.1149
Foreign currencies	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558
Foreign assets	61.50639	-339609	7861895	-144871	7875748	-145023	7877923	8090374	45019
BGN	-30961	-579	-34339	-251	-70013	-148	-69075	-99540	-147
Foreign currencies	6181600	-336736	6653593	-339358	7947789	-144875	7946998	8189914	45166
Foreign assets	9480119	122026	10370245	1241113	11614320	63417	11495234	63633	11905910
BGN	16	0	11188	0	12351	0	14579	0	14583
Foreign currencies	9480103	122026	10359057	1241113	11601969	63417	11480440	63633	11891327
BNB international reserves	6272081	0	6437162	0	6889487	0	6820282	0	6820044
Foreign currencies	6272081	0	6437162	0	6889487	0	6820282	0	6820044
Other foreign assets	3208038	122026	3933083	1241113	4341167	63417	4605747	63633	5085866
BGN	16	0	11188	0	12351	0	14579	0	14583
Commercial banks	16	0	11188	0	12351	0	14579	0	14583
Foreign currencies	3208022	122026	3921895	1241113	4328816	63417	4590953	63633	5071283
BNB	160353	0	163258	0	172580	0	181793	0	191243
Commercial banks	3047669	122026	3758637	1241113	4417307	63572	4463134	63633	4880040
Less: foreign liabilities	3329480	459341	3750991	463722	3752425	208288	3619486	208595	3601865
BGN	30977	579	45527	251	82364	148	83654	148	83654
BNB	3991	0	4545	0	4545	0	4545	0	4545
Commercial banks	26986	579	40982	251	77819	148	79109	148	109578
Foreign currencies	3298503	458762	3705464	463471	3670061	208140	3532651	208447	3701413
BNB	2432469	0	2689161	0	2780641	0	2661662	0	2843557
Commercial banks	866034	458762	1016303	463471	889420	208140	849636	208447	856549
NET DOMESTIC ASSETS	1200492	486674	958560	456049	1428850	226680	1449062	226945	1552059
DOMESTIC CREDIT	4237393	890745	4180215	881132	4654409	505635	4658070	503678	4809197
BGN	1075888	58231	620664	66525	1610436	91249	1636567	88021	1630809
Foreign currencies	3161505	832514	3559551	814607	3043973	414386	3021503	415657	3178388
CLAIMS ON GOVERNMENT SECTOR (net)									
BGN	156043	-300968	-116329	-328131	487748	-279879	476321	-280180	611694
Foreign currencies	-843632	-113747	-1513352	-130824	-719052	-53412	-732651	-53431	-745029
CLAIMS ON CENTRAL GOVERNMENT (net)	999675	-187221	1397023	-197307	1206800	-226467	1203054	-227608	1468725
BGN	186796	-300241	-50298	-327396	547261	-279144	558275	-279444	699491
Foreign currencies	-785040	-113377	-1434008	-130464	-637035	-53057	-629888	-53057	-636422
CLAIMS ON STATE BUDGET (net)	971836	-186864	1383710	-196932	1184296	-226087	1188163	-226387	1335913
BGN	561961	-296029	188680	-323616	686354	-275352	741787	-275647	829387
Foreign currencies	-550583	-113322	-1318881	-130329	-625837	-52891	-613831	-52891	-619451
NET DOMESTIC LIABILITIES	1112544	-183397	1507561	-193287	1312191	-222461	1355618	-222756	1448838

(continued)

(continued)

(BGN'000)

	XII,1999	VI,2000	XII,2000	I,2001	II,2001	III,2001	IV,2001	V,2001	VI,2001									
	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks									
Claims	3503928	50225	3674366	51646	3669745	1589	3546140	1520	3507724	1502	3742494	1388	3579952	1388	369080	1389	3820823	1389
BGN	752753	3817	797799	3714	826988	312	802195	312	786794	293	810876	272	810115	272	803573	273	830281	273
Foreign currencies	2751175	46408	2876567	47932	2842757	1277	2743945	1208	2720930	1209	2931618	1116	2769837	1116	2895507	1116	2990542	1116
Government securities	1247157	44596	1172260	45943	1068086	1560	1047047	1491	1023998	1473	1078708	1380	1072788	1380	1089230	1380	1097659	1380
Short-term	291145	0	215896	0	149444	0	116731	0	115130	0	112645	0	113918	0	126048	0	126681	0
BGN	291145	0	215967	0	149339	0	116735	0	115130	0	112643	0	113943	0	126048	0	126681	0
Commercial banks	291145	0	215967	0	149339	0	116735	0	115130	0	112643	0	113943	0	126048	0	126681	0
Medium-term	506725	0	608568	0	598000	0	614246	0	578434	0	594620	0	600463	0	581295	0	613863	0
BGN	350371	0	464843	0	578545	0	595858	0	566622	0	582891	0	599795	0	581295	0	613863	0
Commercial banks	350371	0	464843	0	578545	0	595858	0	566622	0	582891	0	599795	0	581295	0	613863	0
Foreign currencies	156354	0	143725	0	19455	0	18388	0	11812	0	11729	0	668	0	0	0	0	0
Commercial banks	156354	0	143725	0	19455	0	18388	0	11812	0	11729	0	668	0	0	0	0	0
Long-term	449287	44596	347796	45943	320642	1560	316070	1491	330434	1473	371443	1380	358407	1380	381887	1380	361115	1380
BGN	89471	1381	89805	1368	73924	283	75379	283	77009	264	77323	264	77323	264	74016	264	68837	264
Commercial banks	89471	1381	89805	1368	73924	283	75379	283	77009	264	77323	264	77323	264	74016	264	68837	264
Foreign currencies	359816	43215	257991	44575	246718	1277	240691	1208	243425	1209	277105	1116	281084	1116	307871	1116	292278	1116
Commercial banks	359816	43215	257991	44575	246718	1277	240691	1208	243425	1209	277105	1116	281084	1116	307871	1116	292278	1116
Credits	2203159	0	2453684	0	2560928	0	2470860	0	2451471	0	2628012	0	2485809	0	2584428	0	2694724	0
Foreign currencies	2203159	0	2453684	0	2560928	0	2470860	0	2451471	0	2628012	0	2485809	0	2584428	0	2694724	0
BNB	2203159	0	2453684	0	2560928	0	2470860	0	2451471	0	2628012	0	2485809	0	2584428	0	2694724	0
Other claims	53612	5629	48422	5703	40731	29	28233	29	32255	29	35774	8	21355	8	25422	9	28440	9
BGN	21766	2436	27184	2346	25180	29	14223	29	18033	29	21004	8	19054	8	22214	9	24900	9
Commercial banks	21766	2436	27184	2346	25180	29	14223	29	18033	29	21004	8	19054	8	22214	9	24900	9
Foreign currencies	31846	3193	21238	3357	15551	0	14010	0	14222	0	14770	0	2301	0	3208	0	3540	0
Commercial banks	31846	3193	21238	3357	15551	0	14010	0	14222	0	14770	0	2301	0	3208	0	3540	0
Less: deposits	-2941967	-346854	-3485686	-375262	-2983391	-276941	-2804533	-277167	-2678337	-277991	-2728090	-237828	-3299194	-234046	-3337481	-242107	-3440918	-242266
BGN	-1303336	-117049	-2116680	-134043	-1452825	-53203	-1416026	-53203	-1406245	-53203	-1399601	-53206	-1634215	-53206	-1680407	-53206	-1638177	-53205
BNB	-1087391	0	-1812687	0	-1308857	0	-1232915	0	-1209899	0	-1199579	0	-1424821	0	-1469903	0	-1454549	0
Commercial banks	-215945	-117049	-303993	-134043	-143968	-53203	-183111	-53203	-196346	-53203	-200022	-53206	-209394	-53206	-210504	-53206	-203628	-53205
Foreign currencies	-1638631	-229805	-1369006	-241219	-1530566	-223738	-1368327	-223964	-1272092	-224788	-1328489	-184622	-1664979	-180840	-1657074	-188901	-1782741	-189061
BNB	-1301167	0	-1011933	0	-1218785	0	-1077548	0	-973410	0	-1068433	0	-1383222	0	-1322562	0	-1406824	0
Commercial banks	-337464	-229805	-357073	-241219	-311781	-223738	-310779	-223964	-298682	-224788	-260056	-184622	-281757	-180840	-334512	-188901	-375917	-189061

CLAIMS ON STATE FUNDS AND

EXTRABUDGETARY ACCOUNTS (net)

BGN	-375165	-3612	-238978	-3780	-139093	-3792	-183512	-3797	-129896	-3813	-161142	-3973	-127596	-3897	-117209	-4119	-152797	-4119
Foreign currencies	-234457	-145	-115127	-135	-11198	-166	-16057	-166	-16971	-166	-17127	-166	-18272	-166	-12764	-166	-12760	-166
Claims	-140708	-3467	-123851	-3645	-127895	-3626	-167455	-3631	-112925	-3647	-144015	-3807	-109324	-3731	-104445	-3953	-140037	-3953
BGN	6	0	10	0	9	0	4	0	6	0	7	0	8	0	5	0	7	0
Commercial banks	6	0	10	0	9	0	4	0	6	0	7	0	8	0	5	0	7	0
Less: deposits	6	0	10	0	9	0	4	0	6	0	7	0	8	0	5	0	7	0
BGN	-375171	-3612	-238988	-3780	-139102	-3792	-183516	-3797	-129902	-3813	-161149	-3973	-127604	-3897	-117214	-4119	-152804	-4119
Commercial banks	-375171	-3612	-238988	-3780	-139102	-3792	-183516	-3797	-129902	-3813	-161149	-3973	-127604	-3897	-117214	-4119	-152804	-4119
BNB	-222119	0	-102176	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial banks	-222119	0	-102176	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: deposits	-12344	-145	-12961	-135	-11207	-166	-16061	-166	-16977	-166	-17134	-166	-18280	-166	-12769	-166	-12767	-166

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	XI, 1999	VI, 2000	XII, 2000	I, 2001	II, 2001	III, 2001	IV, 2001	V, 2001	VI, 2001									
	all banks incl. nonpe-rating banks	all banks incl. nonpe-rating banks	all banks incl. nonpe-rating banks	all banks incl. nonpe-rating banks	all banks incl. nonpe-rating banks	all banks incl. nonpe-rating banks	all banks incl. nonpe-rating banks	all banks incl. nonpe-rating banks	all banks incl. nonpe-rating banks									
Foreign currencies	-140708	-123851	-3645	-127895	-3626	-167455	-3631	-112925	-3647	-144015	-3807	-109324	-3731	-104445	-3953	-140037	-3953	
BNB	-82759	0	-75562	0	-82916	0	-80544	0	-79750	0	-64340	0	-71806	0	-72779	0	-68213	0
Commercial banks	-57949	-3467	-48289	-3645	-44979	-3626	-86911	-3631	-33175	-3647	-79675	-3807	-37518	-3731	-31666	-3953	-71824	-3953
CLAIMS ON LOCAL BUDGETS (net)																		
BGN	-30753	-727	-66031	-735	-59513	-735	-81954	-736	-87797	-737	-129566	-766	-132694	-758	-120396	-781	-130937	-781
Foreign currencies	-58592	-370	-79344	-360	-82017	-355	-96845	-355	-96229	-355	-139177	-354	-152794	-354	-137617	-354	-151464	-354
Claims	27839	-357	13313	-375	22504	-380	14891	-381	8432	-382	9611	-412	20100	-404	17221	-427	20527	-427
BGN of commercial banks	31750	0	30976	0	31791	0	31880	0	33786	0	33853	0	35345	0	32722	0	34255	0
Foreign currencies of commercial banks	29431	0	29335	0	30861	0	31059	0	33087	0	33127	0	35025	0	32535	0	34157	0
Securities of commercial banks	28013	0	29159	0	29828	0	29861	0	31653	0	31748	0	32968	0	30438	0	33956	0
Credits	28013	0	29159	0	29727	0	29760	0	31554	0	31651	0	32968	0	30438	0	33956	0
BGN of commercial banks	2318	0	1498	0	778	0	668	0	556	0	628	0	316	0	184	0	98	0
Other claims	2318	0	1498	0	778	0	668	0	556	0	628	0	316	0	184	0	98	0
BGN of commercial banks	1419	0	319	0	1185	0	1351	0	1577	0	1477	0	2061	0	2100	0	201	0
Foreign currencies of commercial banks	1	0	143	0	51	0	52	0	44	0	1	0	4	0	3	0	0	0
Less: deposits	1418	0	176	0	1134	0	1299	0	1533	0	1476	0	2057	0	2097	0	201	0
BGN of commercial banks	-62503	-727	-97007	-735	-91304	-735	-113834	-736	-121583	-737	-163419	-766	-168039	-758	-153118	-781	-165192	-781
Foreign currencies of commercial banks	-60911	-370	-80985	-360	-82947	-355	-97666	-355	-96928	-355	-139903	-354	-153114	-354	-137804	-354	-151562	-354
Foreign currencies of commercial banks	-1592	-357	-16022	-375	-8357	-380	-16168	-381	-24655	-382	-23516	-412	-14925	-404	-15314	-427	-13630	-427
CLAIMS ON NONGOVERNMENT SECTOR																		
BGN	4081350	1191713	4296544	1209263	4166661	785514	4181749	783858	4197503	791494	4141483	618020	4243380	613879	4345511	618120	4418231	616930
Foreign currencies	1919520	171978	2134016	197349	2329488	144661	2363300	141433	2369723	141343	2369723	74742	2490953	91379	2506776	79167	2561724	77485
Foreign currencies	2161830	1019735	2162528	1011914	1837173	640853	1818449	642425	1834043	650151	1771760	543278	1752427	522500	1838735	538953	1856507	539445
CLAIMS ON NONFINANCIAL STATE-OWNED ENTERPRISES																		
BGN	713078	312445	621055	329846	421914	235312	415014	235582	430536	236473	342120	141944	337962	139096	348779	146854	356113	146926
BNB	216071	70658	204898	82161	143824	53072	147105	53047	161443	53021	121659	6404	127452	6426	129988	6445	141474	6453
Commercial banks	2066	0	2066	0	2294	0	2294	0	2294	0	2294	0	2294	0	2294	0	2294	0
Foreign currencies	214005	70658	202832	82161	141530	53072	144811	53047	159149	53021	119365	6404	125158	6426	127694	6445	139180	6453
Commercial banks	497007	241787	416157	247685	278090	182240	267909	182535	269093	183452	220461	135540	210510	132670	218791	140409	214639	140473
Foreign currencies	497007	241787	416157	247685	278090	182240	267909	182535	269093	183452	220461	135540	210510	132670	218791	140409	214639	140473
CLAIMS ON PRIVATE ENTERPRISES																		
BGN	2788777	845801	3059843	854686	3116426	540944	3144446	539016	3137125	545744	3131474	466696	3201417	465474	3256019	461918	3286364	460627
BNB	1177078	99291	1359054	113310	1590973	90781	1627769	87579	1606625	87515	1616815	67556	1697959	84175	1677166	71945	1688509	70257
Commercial banks	1177078	99291	1359054	113310	1590973	90781	1627769	87579	1606625	87515	1616815	67556	1697959	84175	1677166	71945	1688509	70257
Foreign currencies	1611699	746510	1700789	741376	1525453	450163	1516677	451437	1530500	458229	1514659	399140	1503458	381299	1578853	389973	1597855	390370
Commercial banks	1611699	746510	1700789	741376	1525453	450163	1516677	451437	1530500	458229	1514659	399140	1503458	381299	1578853	389973	1597855	390370
CLAIMS ON THE PUBLIC																		
BGN of commercial banks	532456	3146	578601	3658	604007	3601	600467	3602	607085	3617	645465	3696	680521	3640	715336	3657	746256	3660
Foreign currencies of commercial banks	521593	210	563234	197	585480	147	581686	146	587748	146	624137	130	657932	126	690541	125	720140	123
Foreign currencies of commercial banks	10843	2936	15367	3461	18527	3454	18781	3456	19337	3471	21328	3566	22589	3514	24795	3532	26116	3537

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(BGN'000)

	XI,1999	VI,2000	XII,2000	I,2001	II,2001	III,2001	IV,2001	V,2001	VI,2001
	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks
CLAIMS ON NONBANK FINANCIAL INSTITUTIONS									
BGN	47059	30321	24314	21822	5658	22757	5660	22424	5684
Commercial banks	4778	1819	6830	661	661	7644	661	7112	652
Foreign currencies	4778	1819	6830	661	661	7644	661	7112	652
Commercial banks	42281	28502	30215	15103	4999	15113	4999	15312	5032
Foreign currencies	42281	28502	30215	15103	4999	15113	4999	15312	5032
OTHER ITEMS (net)									
BGN	-3036901	-404071	-3221655	-278955	-3209008	-276733	-3257138	-281137	-3473846
Foreign currencies	-3195099	-475928	-3429462	-483533	-349796	-3452043	-347995	-3705851	-454748
Foreign currencies	158198	71857	207807	58450	237101	70841	243395	66858	232005
Own funds	-1436949	864334	-1740705	708888	-2250015	433699	-2288804	433103	-2335451
Capital and reserves	-2126069	-191793	-2304819	-198992	-2292525	-129383	-2293142	-129374	-2289506
BNB	-834381	0	-925322	0	-960374	0	-960138	0	-956138
Commercial banks	-1291688	-191793	-1379497	-198992	-1332151	-129383	-1332197	-129374	-1333368
Financial result	689120	1056127	564114	907880	42510	563082	4338	562477	-45945
BNB	-185121	0	-99931	0	-230235	0	-252387	0	-284187
Commercial banks	874241	1056127	664045	907880	272745	563082	256725	562477	-184357
Other assets and liabilities (net)									
BGN	-1543916	-1001126	-1421567	-889126	-947802	-604509	-881101	-604431	-634599
Foreign currencies	-1712520	-1177628	-1642652	-1050655	-1165077	-717092	-1124280	-710487	-1105188
BNB	-84344	0	-36917	0	63304	0	58835	0	56515
Commercial banks	-1628176	-1177628	-1605735	-1050655	-1228381	-717092	-1183115	-710487	-1161703
Foreign currencies	168604	176502	221085	161529	217275	109633	222205	105978	224087
BNB	89497	0	88894	0	88006	0	86663	0	86866
Commercial banks	79107	176502	132191	161529	129269	109633	135542	105978	137221
Relations between the BNB and commercial banks									
BGN	-56036	-267279	-59383	-244845	-27742	-105195	-18129	-105327	-40586
Foreign currencies	-45630	-162634	-46105	-141766	-47568	-66403	-38959	-66410	-59894
Deposits of commercial banks with BNB	-10406	-104645	-13278	-103079	19826	-38792	20830	-38917	19308
BGN	-122379	0	-99586	0	-131084	0	-119840	0	-123927
Foreign currencies	-641938	0	-636898	0	-515937	0	-511913	0	-534021
BNB claims on commercial banks	-463341	0	-344655	0	-361286	0	-461713	0	-416950
Foreign currencies	-178597	0	-292243	0	-154651	0	-50200	0	-117071
BGN	228621	0	224697	0	124932	0	125003	0	124785
Foreign currencies	134813	0	130872	0	67447	0	67518	0	67300
Reserves of commercial banks with BNB	93808	0	93825	0	57485	0	57485	0	57485
BGN	753468	5717	704605	6739	601722	603	595530	609	600391
Foreign currencies	573628	5717	415769	6739	445552	603	542750	609	481641
Credits from BNB	179840	0	288836	0	156170	0	52780	0	193774
Foreign currencies	-273808	-272996	-252201	-251584	-107375	-105798	-106909	-105936	-107814
BGN	-168351	-168351	-148505	-148505	-68197	-67006	-67674	-67019	-67958
Foreign currencies	-105457	-104645	-103696	-103079	-39178	-38792	-39235	-38917	-39856

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(BGN'000)

	XII, 1999	VI, 2000	XII, 2000	I, 2001	II, 2001	III, 2001	IV, 2001	V, 2001	VI, 2001										
	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks	all banks incl. nonope- rating banks										
BROAD MONEY M3																			
BGN	7351114	7577770	116429	9290746	81798	9324813	81923	9429988	82715	9481733	51231	9143133	50797	9431168	51152	9678726	51119		
Foreign currencies	4475466	82770	4400997	47955	5174416	14569	5096117	14557	5155614	14566	5183844	14298	5301812	14272	5379996	14271	5502445	14272	
	2875648	66581	3176773	68474	4116330	67229	4228696	67366	4274374	68149	4297889	36933	3841321	36525	4051172	36881	4176281	36847	
MONEY M1																			
Money outside banks	2996636	0	2860663	0	3632240	0	3522256	0	3556637	0	3554952	0	3645697	0	3746270	0	3834005	0	3834005
Demand deposits (in BGN)	1957350	0	1874636	0	2373610	0	2203753	0	2214686	0	2225244	0	2307033	0	2343716	0	2427154	0	2427154
State-owned enterprises	1039286	0	1011427	0	1258630	0	1318503	0	1329708	0	1329708	0	1338664	0	1402554	0	1406851	0	1406851
Commercial banks	318194	0	286760	0	323050	0	362244	0	404626	0	387035	0	369748	0	382914	0	341184	0	341184
Private enterprises	318194	0	286760	0	323050	0	362244	0	404626	0	387035	0	369748	0	382914	0	341184	0	341184
Commercial banks	592415	0	580911	0	741345	0	758703	0	735290	0	742103	0	749562	0	799281	0	826261	0	826261
Public	592415	0	580911	0	741345	0	758703	0	735290	0	742103	0	749562	0	799281	0	826261	0	826261
Commercial banks	103972	0	120256	0	170221	0	170865	0	176812	0	181761	0	196417	0	199204	0	216447	0	216447
Nonbank financial institutions	103972	0	120256	0	170221	0	170865	0	176812	0	181761	0	196417	0	199204	0	216447	0	216447
BNB	24705	0	23500	0	24014	0	26691	0	25223	0	18809	0	22937	0	21155	0	22959	0	22959
Commercial banks	9	0	20	0	15	0	13	0	1349	0	65	0	39	0	85	0	11	0	11
	24696	0	23480	0	23999	0	26678	0	23874	0	18744	0	22898	0	21070	0	22948	0	22948
MONEY M2 (M1 + quasi-money)																			
Quasi-money	6914023	0	7225890	0	8905935	0	9026643	0	9123605	0	9203900	0	8864331	0	9129087	0	9371824	0	9371824
Time deposits (in BGN)	3917387	0	4339827	0	5273695	0	5504387	0	5566968	0	5648948	0	5218634	0	5382817	0	5537819	0	5537819
State-owned enterprises	924799	0	975877	0	960971	0	1016048	0	1031339	0	1054933	0	1070703	0	1037436	0	1056766	0	1056766
Commercial banks	118793	0	146624	0	104766	0	141248	0	147048	0	176825	0	178520	0	140154	0	135998	0	135998
Private enterprises	118793	0	146624	0	104766	0	141248	0	147048	0	176825	0	178520	0	140154	0	135998	0	135998
Commercial banks	69803	0	67671	0	89691	0	82542	0	90961	0	92217	0	98156	0	103755	0	116555	0	116555
Public	684626	0	701847	0	703554	0	718136	0	723261	0	724816	0	725354	0	728045	0	733726	0	733726
Commercial banks	684626	0	701847	0	703554	0	718136	0	723261	0	724816	0	725354	0	728045	0	733726	0	733726
Nonbank financial institutions	51577	0	59735	0	62960	0	74122	0	70069	0	61075	0	68673	0	65482	0	70487	0	70487
Commercial banks	51577	0	59735	0	62960	0	74122	0	70069	0	61075	0	68673	0	65482	0	70487	0	70487
Savings deposits (in BGN)	387856	0	409596	0	452241	0	461007	0	467312	0	472369	0	478520	0	482706	0	489452	0	489452
Foreign currency deposits	2604732	0	2954354	0	3860483	0	4027332	0	4068317	0	4121646	0	3669411	0	3862675	0	3991601	0	3991601
State-owned enterprises	273760	0	356021	0	995179	0	1016966	0	1033665	0	912515	0	450902	0	460848	0	494503	0	494503
BNB	328	0	335	0	678100	0	679341	0	680397	0	513078	0	69755	0	69802	0	69839	0	69839
Commercial banks	273432	0	355686	0	317079	0	337625	0	352268	0	399437	0	381147	0	391046	0	424664	0	424664
Private enterprises	526279	0	580650	0	565750	0	637753	0	616142	0	646106	0	638439	0	651901	0	686045	0	686045
Commercial banks	526279	0	580650	0	565750	0	637753	0	616142	0	646106	0	638439	0	651901	0	686045	0	686045
Public	1722474	0	1930715	0	2250529	0	2314755	0	2360832	0	2485763	0	2491358	0	2675476	0	2738121	0	2738121
Commercial banks	1722474	0	1930715	0	2250529	0	2314755	0	2360832	0	2485763	0	2491358	0	2675476	0	2738121	0	2738121
Nonbank financial institutions	82219	0	86968	0	49025	0	57858	0	57678	0	77262	0	88712	0	74450	0	72932	0	72932
Commercial banks	82219	0	86968	0	49025	0	57858	0	57678	0	77262	0	88712	0	74450	0	72932	0	72932
MONEY M3 (M2 + money market instruments, restricted deposits and deposits in nonoperating banks)																			
Money market instruments	7351114	149351	7577770	116429	9290746	81798	9324813	81923	9429988	82715	9481733	51231	9143133	50797	9431168	51152	9678726	51119	9678726
	56429	0	1210	0	65679	0	8160	0	6458	0	3359	0	9275	0	18553	0	16869	0	16869

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(BGN'000)

	XII,1999	VI,2000	XII,2000	I,2001	II,2001	III,2001	IV,2001	V,2001	VI,2001
	all banks incl. nonpe- rating banks	all banks incl. nonpe- rating banks	all banks incl. nonpe- rating banks	all banks incl. nonpe- rating banks	all banks incl. nonpe- rating banks	all banks incl. nonpe- rating banks	all banks incl. nonpe- rating banks	all banks incl. nonpe- rating banks	all banks incl. nonpe- rating banks
BGN	13921	0	20266	0	5049	0	7913	0	17378
Foreign currencies	42508	0	45413	0	1409	0	1362	0	1175
Import and restricted deposits	231311	0	237334	0	217210	0	218730	0	232376
BGN	60484	0	80902	0	80711	0	84707	0	81935
Foreign currencies	161827	0	153339	0	136499	0	134023	0	150441
State-owned enterprises	118605	0	102588	0	90642	0	89261	0	93196
BGN	33724	0	33048	0	23225	0	24700	0	25534
Commercial banks	33724	0	33048	0	23193	0	24446	0	25515
Foreign currencies	84881	0	69540	0	83451	0	65017	0	67642
Commercial banks	84881	0	69540	0	83451	0	65017	0	65434
Private enterprises	97780	0	116642	0	97068	0	103554	0	111976
BGN	29882	0	41276	0	45962	0	42798	0	43130
Commercial banks	29882	0	41276	0	45962	0	42798	0	43333
Foreign currencies	67898	0	75366	0	60752	0	60756	0	68846
Commercial banks	67898	0	75366	0	60752	0	60756	0	72098
Public	12182	0	11620	0	13589	0	17499	0	15128
BGN	5495	0	4973	0	5195	0	5824	0	5445
BNB	31	0	97	0	0	0	0	0	0
Commercial banks	5464	0	4923	0	5667	0	9219	0	5824
Foreign currencies	6687	0	6647	0	7805	0	8280	0	9304
Nonbank financial institutions	2744	0	3391	0	5765	0	8416	0	12076
BGN	383	0	1605	0	5998	0	7990	0	7427
Commercial banks	383	0	1605	0	5998	0	7990	0	11751
Foreign currencies	2361	0	1786	0	406	0	5999	0	11700
Commercial banks	2361	0	1786	0	406	0	5999	0	774
Deposits in nonoperating banks	149351	116429	116429	81798	82715	51231	50797	51152	51119
BGN	82770	47955	47955	14569	14566	14298	14272	14271	14272
Foreign currencies	66581	68474	68474	67366	68149	36933	36525	36881	36847
State-owned enterprises	86769	64762	64762	33724	33948	22366	22197	22295	22292
BGN	55510	34324	34324	6675	6672	6522	6503	6506	6508
Foreign currencies	31259	30438	30438	26939	27276	15844	15694	15789	15784
Private enterprises	41724	41724	32185	29280	29615	24670	24415	24677	24646
BGN	21017	21017	23032	25008	25200	20283	20033	20293	20264
Foreign currencies	4395	4395	4397	3480	3476	3327	3319	3314	3314
Public	3863	3863	3860	2928	2926	2928	2924	2919	2919
BGN	532	532	537	550	553	399	395	395	395
Foreign currencies	16463	16463	15085	15443	15673	868	866	866	867
Nonbank financial institutions	2690	2690	618	547	553	461	463	462	463
BGN	13773	13773	14467	14896	15120	407	403	404	404
Foreign currencies									

Source: BNB.

ANALYTICAL REPORTING OF THE BNB

(BGN'000)

	XII.1999	VI.2000	XII.2000	I.2001	II.2001	III.2001	IV.2001	V.2001	VI.2001
FOREIGN ASSETS	6432434	6600420	7445733	7063133	7002075	7011287	7051050	7140278	7210332
BNB international reserves	6272081	6437162	7273153	6889487	6820282	6820044	6862638	6939238	7010737
Foreign currencies	6272081	6437162	7273153	6889487	6820282	6820044	6862638	6939238	7010737
Monetary gold	515611	515611	515611	515611	515611	515611	515611	515611	515611
Reserve position with the IMF	87251	89499	89667	89430	89498	91405	90314	94715	94067
SDR	158887	158549	177920	86222	29165	203972	144756	155409	284751
Foreign banknotes and coins	33921	38264	38802	16028	14413	18942	20690	32614	22425
Foreign assets with foreign banks	5476411	5635239	6451153	6182196	6171595	5990114	6091267	6140889	6093883
Other foreign assets	160353	163258	172580	173646	181793	191243	188412	201040	199595
Foreign currencies	160353	163258	172580	173646	181793	191243	188412	201040	199595
L/C	5	0	0	0	0	0	0	0	0
Partnerships and investment	160348	163258	172580	173646	180931	189389	185672	197121	195676
Other	0	0	0	0	862	1854	2740	3919	3919
CLAIMS ON STATE BUDGET	2203159	2453684	2560928	2470860	2451471	2628012	2485809	2584428	2694725
Foreign currencies	2203159	2453684	2560928	2470860	2451471	2628012	2485809	2584428	2694725
Credits	2203159	2453684	2560928	2470860	2451471	2628012	2485809	2584428	2694725
CLAIMS ON NONFINANCIAL STATE-OWNED ENTERPRISES	2066	2066	2294	2294	2294	2294	2294	2294	2294
BGN	2066	2066	2294	2294	2294	2294	2294	2294	2294
CLAIMS ON COMMERCIAL BANKS	228621	224697	124932	125003	124785	124788	124787	99286	99286
BGN	134813	130872	67447	67518	67300	67300	67300	62778	62778
Deposits	0	0	0	0	0	0	0	0	0
Credits	46948	45494	23758	23758	23758	23758	23758	22054	22054
Overdue credits	46948	45494	23758	23758	23758	23758	23758	22054	22054
Other claims	87865	85378	43689	43760	43542	43542	43542	40724	40724
Foreign currencies	93808	93825	57485	57485	57485	57488	57487	36508	36508
Deposits	1696	1714	17	17	17	20	19	19	19
Credits	77283	77283	49361	49361	49361	49361	49361	31596	31596
Overdue credits	77283	77283	49361	49361	49361	49361	49361	31596	31596
Other claims	14829	14828	8107	8107	8107	8107	8107	4893	4893
OTHER ASSETS	1878896	1968015	1967710	1959833	1962184	1998563	1955797	2044080	2033350
BGN	170873	219390	219010	216860	217759	217861	194905	195369	197081
Long-term assets	162905	167372	166316	165411	165555	166243	167081	167613	168406
Other unclassified assets	7968	52018	52694	51449	52204	51618	27824	27756	28675
Foreign currencies	1708023	1748625	1748700	1742973	1744425	1780702	1760892	1848711	1836269
Other unclassified assets	1708023	1748625	1748700	1742973	1744425	1780702	1760892	1848711	1836269
RESERVE MONEY	2721676	2611140	3020646	2835519	2873983	2928071	3044845	3102056	3085239
Currency outside banks	1957350	1874636	2373610	2203753	2214686	2225244	2307033	2343716	2427154
Issue	5389486	5318535	5533956	5393725	5227532	5042157	4777383	4664820	4636071
Less:	3432136	3443899	3160346	3189972	3012846	2816913	2470350	2321104	2208917
Jubilee	3188	0	0	0	0	0	0	0	0
BNB cash	8747	6417	5998	7104	6866	6932	6099	6450	6698
BNB reserve cash	3297822	3337896	3023264	3063028	2882053	2687141	2343420	2182108	2076783
Commercial banks' cash	122379	99586	131084	119840	123927	122840	120831	132546	125436
Bank reserves	764317	736484	647021	631753	657948	702762	737773	758255	658074
BGN	585720	444241	492370	581553	540877	511135	489134	479315	440089
Minimum required reserves	387815	312308	341236	444340	388043	348444	263682	255720	345224
Excess reserves	75526	32347	20050	17373	28907	39851	104621	91049	-30571
Settlement accounts	65828	20439	-14398	10508	12372	5887	61752	74538	-49076
Other deposits	3942	4473	901	1440	1752	1969	1969	2212	2212
Other liabilities	5756	7435	33547	5425	14783	31995	40900	14299	16293
Commercial banks' cash	122379	99586	131084	119840	123927	122840	120831	132546	125436
Foreign currencies	178597	292243	154651	50200	117071	191627	248639	278940	217985
Minimum required reserves	178597	292243	154651	50200	117071	191627	248639	278940	217985
Other deposits of nonbank institutions and public in BGN	9	20	15	13	1349	65	39	85	11

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(BGN'000)

	XII.1999	VI.2000	XII.2000	I.2001	II.2001	III.2001	IV.2001	V.2001	VI.2001
TIME, SAVINGS AND FOREIGN CURRENCY DEPOSITS	328	335	678100	679341	680397	513078	69755	69802	69839
Foreign currency deposits	328	335	678100	679341	680397	513078	69755	69802	69839
State-owned enterprises	328	335	678100	679341	680397	513078	69755	69802	69839
MONEY MARKET INSTRUMENTS AND RESTRICTED DEPOSITS	31	50	97	29	32	114	2245	130	249
Import and restricted deposits	31	50	97	29	32	114	2245	130	249
BGN	31	50	97	29	32	114	2245	130	249
Public	31	50	97	0	0	0	0	0	0
FOREIGN LIABILITIES	2436460	2693706	2785186	2687560	2666207	2848102	2696134	2802825	2912404
BGN	3991	4545	4545	4545	4545	4545	4545	4391	4391
Liabilities to IMF	3991	4545	4545	4545	4545	4545	4545	4391	4391
Foreign currencies	2432469	2689161	2780641	2683015	2661662	2843557	2691589	2798434	2908013
Liabilities to IMF	2432469	2689161	2780641	2683015	2661662	2843557	2691589	2798434	2908013
DEPOSITS OF THE STATE BUDGET	2388558	2824620	2527642	2310463	2183309	2268012	2808043	2792465	2861373
BGN	1087391	1812687	1308857	1232915	1209899	1199579	1424821	1469903	1454549
Foreign currencies	1301167	1011933	1218785	1077548	973410	1068433	1383222	1322562	1406824
DEPOSITS OF STATE FUNDS AND EXTRABUDGETARY ACCOUNTS	304878	177738	82916	80544	79750	64340	71806	72779	68213
BGN	222119	102176	0	0	0	0	0	0	0
Extrabudgetary accounts	222119	102176	0	0	0	0	0	0	0
Foreign currencies	82759	75562	82916	80544	79750	64340	71806	72779	68213
State funds	5873	6135	6950	8849	8905	8938	9160	9221	9257
Extrabudgetary accounts	76886	69427	75966	71695	70845	55402	62646	63558	58956
OWN FUNDS	1019502	1025253	1190609	1213332	1240325	1288373	1092353	1140645	1162991
Authorized capital	20000	20000	20000	20000	20000	20000	20000	20000	20000
Reserves	814381	905322	940374	940945	936138	959920	985735	1012114	1020541
Financial result	185121	99931	230235	252387	284187	308453	86618	108531	122450
Profit (loss)	0	0	0	231751	240600	240756	0	0	0
Financial revenue	256730	134140	308968	27149	57495	88041	113292	141738	165528
less financial expenses	-26258	-16494	-39112	-2956	-7082	-10626	-13158	-16938	-23392
less operating expenses	-45351	-17715	-39621	-3557	-6826	-9718	-13516	-16269	-19686
OTHER LIABILITIES	1873743	1916038	1816400	1814335	1818803	1854857	1834560	1889665	1879676
BGN	255217	256307	155706	158025	161244	161974	161877	135487	137499
Settlements with international institutions	77	373	539	515	515	515	489	487	837
Intrabank accounts	0	1876	0	2749	4442	4982	4154	3085	3806
Other unclassified liabilities	11647	6585	5317	4768	5581	4814	4588	3798	3764
Depreciations and provisions	243493	247473	149850	149993	150706	151663	152646	128117	129092
Foreign currencies	1618526	1659731	1660694	1656310	1657559	1692883	1672683	1754178	1742177
Settlements with international institutions	1618526	1659731	1660694	1656310	1657559	1692883	1672683	1754178	1742177
Other unclassified liabilities	0	0	0	0	0	0	0	0	0

Source: BNB.

ANALYTICAL REPORTING OF COMMERCIAL BANKS

	(BGN'000)																	
	XI.1.1999	VI.2000	XII.2000	I.2001	II.2001	III.2001	IV.2001	V.2001	V.2001	VI.2001								
	all banks	incl. nonope-	incl. nonope-	incl. nonope-	all banks	incl. nonope-	incl. nonope-	all banks	incl. nonope-	all banks	incl. nonope-	incl. nonope-						
	rating banks	rating banks	rating banks	rating banks	rating banks	rating banks	rating banks	rating banks	rating banks	rating banks	rating banks	rating banks						
RESERVES	753468	5717	704605	6739	601722	603	595530	609	600391	392	610313	312	667989	772	697465	493	593426	420
FOREIGN ASSETS	3047685	122026	3769825	124113	4168587	63417	4432101	63572	4477713	63633	4894623	46311	4417387	44244	4678212	45953	4879440	46712
CLAIMS ON STATE BUDGET	1300769	50225	1220682	51646	1108817	1589	1075280	1520	1056253	1502	1114482	1388	1094143	1388	1114652	1389	1126099	1389
BGN	752753	3817	797799	3714	826988	312	802195	312	786794	293	810876	272	810115	272	803573	273	830281	273
Foreign currencies	548016	46408	422883	47932	281829	1277	273085	1208	269459	1209	303606	1116	284028	1116	311079	1116	295818	1116
CLAIMS ON STATE FUNDS AND EXTRABUDGETARY ACCOUNTS	6	0	0	0	9	0	4	0	6	0	7	0	8	0	5	0	7	0
BGN	6	0	0	0	9	0	4	0	6	0	7	0	8	0	5	0	7	0
CLAIMS ON LOCAL BUDGETS	31750	0	30976	0	31791	0	31880	0	33786	0	33853	0	35345	0	32722	0	34255	0
BGN	2319	0	1641	0	930	0	821	0	699	0	726	0	320	0	187	0	98	0
Foreign currencies	29431	0	29335	0	30861	0	31059	0	33087	0	33127	0	35025	0	32535	0	34157	0
CLAIMS ON NONFINANCIAL STATE-OWNED ENTERPRISES	711012	312445	618989	329846	419620	235312	412720	235582	428242	236473	339826	141944	335668	139096	346485	146854	353819	146926
BGN	214005	70658	202832	82161	141530	53072	144811	53047	159149	53021	119365	6404	125158	6426	127694	6445	139180	6453
Foreign currencies	497007	241787	416157	247685	278090	182240	267909	182535	269093	183452	220461	135540	210510	132670	218791	140409	214639	140473
CLAIMS ON PRIVATE ENTERPRISES	2788777	845801	3059843	854686	3116426	540944	3144446	539016	3137125	545744	3131474	466696	3201417	465474	3256019	461918	3286364	460627
BGN	1177078	99291	1359054	113310	1590973	90781	1627769	87579	1606625	87515	1616815	67556	1697959	84175	1677166	71945	1688509	70257
Foreign currencies	1611699	746510	1700789	741376	1525453	450163	1516677	451437	1530500	458229	1514659	399140	1503458	381299	1578853	389973	1597855	390370
CLAIMS ON THE PUBLIC	532436	3146	578601	3658	604007	3601	600467	3602	607085	3617	645465	3696	680521	3640	715336	3657	746256	3660
BGN	521593	210	563234	197	585480	147	581686	146	587748	146	624137	130	657932	126	690541	125	720140	123
Foreign currencies	10843	2936	15367	3461	18527	3454	18781	3456	19337	3471	21328	3566	22589	3514	24795	3532	26116	3537
CLAIMS ON NONBANK FINANCIAL INSTITUTIONS	47059	30321	37045	21073	24314	5657	21822	5658	22757	5660	22424	5684	23480	5669	25377	5691	29498	5717
BGN	4778	1819	6830	1681	9211	661	6740	661	7644	661	7112	652	7610	652	9081	652	11601	652
Foreign currencies	42281	28502	30215	19392	15103	4996	15082	4997	15113	4999	15312	5032	15870	5017	16296	5039	17897	5065
OTHER ASSETS	41271914	2436182	1496655	448207	1479798	248085	1493235	248383	1441662	249317	1600208	227752	1542047	224143	1708692	230453	1698772	226254
BGN	37535958	1779538	1031944	235397	1011242	117510	1109015	121537	1068806	121768	1172685	106745	1135638	105306	1205913	106248	1187181	101943
Foreign currencies	3735956	656644	464711	212810	468556	130575	384220	126846	372856	127549	427523	121007	406409	118837	502779	124205	511591	124311
DEMAND DEPOSITS (in BGN)	1039277	0	1011407	0	1258615	0	1318490	0	1340602	0	1329643	0	1338625	0	1402469	0	1406840	0
State-owned enterprises	318194	0	286760	0	323050	0	362244	0	404626	0	387035	0	369748	0	382914	0	341184	0
Private enterprises	592415	0	580911	0	741345	0	758703	0	735290	0	742103	0	749562	0	799281	0	826261	0
Public	103972	0	120256	0	170221	0	170865	0	176812	0	181761	0	196417	0	199204	0	216447	0
Nonbank financial institutions	24696	0	23480	0	23999	0	26678	0	23874	0	18744	0	22898	0	21070	0	22948	0

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(BGN'000)

	XII,1999	VI,2000	XII,2000	I,2001	II,2001	III,2001	IV,2001	V,2001	VI,2001
	all banks incl. nonoperating banks	all banks incl. nonoperating banks	all banks incl. nonoperating banks	all banks incl. nonoperating banks	all banks incl. nonoperating banks	all banks incl. nonoperating banks	all banks incl. nonoperating banks	all banks incl. nonoperating banks	all banks incl. nonoperating banks
DEPOSITS IN NONOPERATING BANKS									
BGN	149351	116429	81798	81923	82715	51231	50797	51152	51119
State-owned enterprises	82770	47955	14569	14557	14566	14298	14272	14271	14272
Private enterprises	55510	34324	6675	6672	6672	6522	6503	6506	6508
Public	20707	9153	4413	4412	4415	4387	4382	4384	4382
Nonbank financial institutions	3863	3860	3860	2928	2926	2928	2924	2919	2919
Foreign currencies	2690	618	553	547	553	461	463	462	463
State-owned enterprises	66581	68474	67229	67366	68149	36933	36525	36881	36847
Private enterprises	31259	30438	26939	27052	27276	15844	15694	15789	15784
Public	21017	23032	25008	24868	25200	20283	20033	20293	20264
Nonbank financial institutions	532	537	552	550	553	399	395	395	395
	13773	14467	14730	14896	15120	407	403	404	404
FOREIGN LIABILITIES									
BGN	893020	459341	1057285	463722	967239	208288	931926	208595	935658
Foreign currencies	26986	579	40982	251	77819	148	82290	148	79109
	866034	458762	1016303	463471	889420	208140	849636	208447	856549
DEPOSITS OF THE STATE BUDGET									
BGN	553409	346854	661066	375262	455749	276941	493890	277167	495028
Foreign currencies	215945	117049	303993	134043	143968	53203	183111	53203	196346
	337464	229805	357073	241219	311781	223738	310779	223964	298682
DEPOSITS OF STATE FUNDS AND EXTRABUDGETARY ACCOUNTS									
BGN	70293	3612	61250	3780	56186	3792	102972	3797	50152
Foreign currencies	12344	145	12961	135	11207	166	16061	166	16977
	57949	3467	48289	3645	44979	3626	86911	3631	33175
DEPOSITS OF LOCAL BUDGETS									
BGN	62503	727	97007	735	91304	735	113834	736	121583
Foreign currencies	60911	370	80985	360	82947	355	97666	355	96928
	1592	357	16022	375	8357	380	16168	381	24655
LIABILITIES TO BNB									
BGN	273808	272996	252201	251584	107375	105798	106909	105936	107814
Foreign currencies	168351	168351	148505	148505	68197	67006	67674	67019	67958
	105457	104645	103696	103079	39178	38792	39235	38917	39856
OWN FUNDS									
Capital and reserves	417447	-864334	715452	-708888	1059406	-433699	1075472	-433103	1095126
Financial result	1291688	191793	1379497	198992	1332151	129383	1332197	129374	1333368
	-874241	-1056127	-664045	-907880	-272745	-563082	-256725	-562477	-238242
OTHER LIABILITIES									
BGN	42820983	3437308	2970199	1337333	2578910	855544	2540808	852892	2466144
incl. provisions	39164134	2957166	2637679	1286052	2239623	834602	2292130	832024	2230509
Foreign currencies	1807067	1150221	1704659	1016567	1274768	682645	1276217	680081	1277641
	3656849	480142	332520	51281	339287	20942	248678	20868	235635

Source: BNB.

MONTHLY INTEREST RATES *

	Nominal		Real**	
	short-term credits	one-month deposits	short-term credits	one-month deposits
2000				
January	0.99	0.27	-2.09	-2.79
February	0.94	0.21	0.39	-0.34
March	0.76	0.24	1.35	0.82
April	1.07	0.24	1.95	1.11
May	1.10	0.23	0.87	0.00
June	0.99	0.27	0.86	0.14
July	0.87	0.23	0.35	-0.29
August	1.00	0.27	-1.98	-2.69
September	0.93	0.25	-1.42	-2.08
October	1.05	0.26	-0.13	-0.91
November	0.89	0.29	1.07	0.47
December	0.96	0.24	-0.43	-1.14
2001				
January	1.11	0.24	0.48	-0.39
February	0.99	0.25	0.66	-0.08
March	0.84	0.25	0.79	0.20
April	0.77	0.26	0.95	0.44
May	0.85	0.25	0.79	0.19
June	0.97	0.26	1.05	0.19

* On lev credits and deposits.

** Interest rates are deflated by the consumer price index.

Source: BNB.

MONTHLY BALANCE SHEET OF THE BANKING SYSTEM AS OF DECEMBER 2000

(BGN'000)

	Total	Including	
		BGN	Foreign currency
ASSETS			
VAULT CASH AND CURRENT ACCOUNTS WITH THE BNB	736 961	449 384	287 577
Claims on banks and other financial institutions	3 895 202	182 265	3 712 937
Securities in trading portfolio	1 061 816	701 869	359 947
Securities in investment portfolio	436 999	162 425	274 574
Credits to the budget	3 445	3 445	0
Credits to public enterprises	117 034	54 400	62 634
Credits to private enterprises	2 332 882	1 326 054	1 006 828
Credits to individuals and households	568 893	556 407	12 486
Credits to nonfinancial institutions and other clients	3 022 254	1 940 306	1 081 948
EARNING ASSETS	8 416 271	2 986 865	5 429 406
Assets for resale	8 483	8 483	0
Claims on interest and other assets	205 058	136 618	68 440
Fixed assets	406 747	406 747	0
ASSETS, TOTAL	9 773 520	3 988 097	5 785 423
Including assets in pawn	517 871	247 820	270 051
LIABILITIES AND CAPITAL			
Deposits by banks	583 591	211 532	372 059
Deposits by other financial institutions	142 921	88 278	54 643
Deposits by nonfinancial institutions and other clients	6 389 689	2 855 923	3 533 766
DEPOSITS, TOTAL	7 116 201	3 155 733	3 960 468
Short-term attracted resources	199 735	89 945	109 790
Interest payments and other liabilities	684 622	467 367	217 255
Long-term attracted resources	272 800	24 992	247 808
Subordinated term debt	0	0	0
LIABILITIES, TOTAL	8 273 358	3 738 037	4 535 321
Capital	1 105 289	1 105 289	0
Reserves	394 873	394 873	0
CAPITAL AND RESERVES	1 500 162	1 500 162	0
LIABILITIES AND OWN FUNDS, TOTAL	9 773 520	5 238 199	4 535 321
Credit substitutes	761 774	300 999	460 775
Derivatives	377 175	82 783	294 392
OFF-BALANCE-SHEET LIABILITIES	1 138 949	383 782	755 167

Source: BNB.

MONTHLY INCOME STATEMENT OF THE BANKING SYSTEM AS OF DECEMBER 2000

(BGN'000)

	Total	Including	
		BGN	Foreign currency
Interest revenue from claims on banks and other financial institutions	193 142	5 937	187 205
Interest revenue on credits to nonfinancial institutions and other clients	367 608	248 985	118 623
Revenue from investment portfolio securities	40 232	18 682	21 550
INTEREST REVENUE	600 982	273 604	327 378
Interest expenditure on deposits of banks and other financial institutions	32 102	9 607	22 495
Interest expenditure on deposits of nonfinancial institutions and other clients	138 615	45 396	93 219
Interest expenditure on attracted resources	15 822	1 537	14 285
INTEREST EXPENDITURE	186 539	56 540	129 999
NET INTEREST INCOME	414 443	217 064	197 379
Profit/loss from trade and revaluation (net of provisions for credit losses)	332 007 64 634		
NET INTEREST INCOME AND NET INCOME FROM TRADE AND REVALUATION	681 816		
Other noninterest revenue	190 321		
Operating result prior to operating expenditure	872 137		
Operating expenditure	468 959		
PRE-TAX OPERATING PROFIT/LOSS AND EXTRA OPERATIONS	403 178		
Profit/loss from revaluation and extra revenue/expenditure	14 285		
Pre-tax profit/loss	417 463		
Post-tax profit/loss, net	282 701		
CURRENT PROFIT/LOSS	282 701		

Source: BNB.

MONTHLY BALANCE SHEET OF THE BANKING SYSTEM AS OF JUNE 2001

(BGN'000)

	Total	Including	
		BGN	Foreign currency
ASSETS			
VAULT CASH AND CURRENT ACCOUNTS WITH THE BNB	764 690	382 370	382 320
Claims on banks and other financial institutions	4 582 249	223 185	4 359 064
Securities in trading portfolio	1 117 686	692 179	425 507
Securities in investment portfolio	447 431	194 890	252 541
Credits to the budget	4 023	4 023	0
Credits to public enterprises	130 020	88 235	41 785
Credits to private enterprises	2 586 954	1 446 244	1 140 710
Credits to individuals and households	705 015	684 749	20 266
Credits to nonfinancial institutions and other clients	3 426 012	2 223 251	1 202 761
EARNING ASSETS	9 573 378	3 333 505	6 239 873
Assets for resale	18 215	18 215	0
Claims on interest and other assets	315 891	212 206	103 685
Fixed assets	431 807	431 807	0
ASSETS, TOTAL	11 103 981	4 378 103	6 725 878
Including assets in pawn	671 420	428 759	242 661
LIABILITIES AND CAPITAL			
Deposits by banks	562 954	266 219	296 735
Deposits by other financial institutions	183 730	101 721	82 009
Deposits by nonfinancial institutions and other clients	7 680 627	3 272 957	4 407 670
DEPOSITS, TOTAL	8 427 311	3 640 897	4 786 414
Short-term attracted resources	164 535	83 098	81 437
Interest payments and other liabilities	754 120	523 186	230 934
Long-term attracted resources	262 375	30 022	232 353
Subordinated term debt	1 196	0	1 196
LIABILITIES, TOTAL	9 609 537	4 277 203	5 332 334
Capital	1 071 299	1 071 299	0
Reserves	423 145	423 145	0
CAPITAL AND RESERVES	1 494 444	1 494 444	0
LIABILITIES AND OWN FUNDS, TOTAL	11 103 981	5 771 647	5 332 334
Credit substitutes	946 950	460 488	486 462
Derivatives	928 666	90 002	838 664
OFF-BALANCE-SHEET LIABILITIES	1 875 616	550 490	1 325 126

Source: BNB.

MONTHLY INCOME STATEMENT OF THE BANKING SYSTEM AS OF JUNE 2001

(BGN'000)

	Total	Including	
		BGN	Foreign currency
Interest revenue from claims on banks and other financial institutions	104 876	4 922	99 954
Interest revenue on credits to nonfinancial institutions and other clients	213 620	147 350	66 270
Revenue from investment portfolio securities	17 506	12 066	5 440
INTEREST REVENUE	336 002	164 338	171 664
Interest expenditure on deposits of banks and other financial institutions	15 774	6 275	9 499
Interest expenditure on deposits of nonfinancial institutions and other clients	77 597	25 005	52 592
Interest expenditure on attracted resources	12 110	1 242	10 868
INTEREST EXPENDITURE	105 481	32 522	72 959
NET INTEREST INCOME	230 521	131 816	98 705
Profit/loss from trade and revaluation (net of provisions for credit losses)	81 137 -89 115		
NET INTEREST INCOME AND NET INCOME FROM TRADE AND REVALUATION	400 773		
Other noninterest revenue	92 286		
Operating result prior to operating expenditure	493 059		
Operating expenditure	249 056		
PRE-TAX OPERATING PROFIT/LOSS AND EXTRA OPERATIONS	244 003		
Profit/loss from revaluation and extra revenue/expenditure	34 802		
Pre-tax profit/loss	278 805		
Post-tax profit/loss, net	203 302		
CURRENT PROFIT/LOSS	203 302		

Source: BNB.

MONTHLY BALANCE SHEET OF GROUP I BANKS AS OF JUNE 2001

(BGN'000)

	Total	Including	
		BGN	Foreign currency
ASSETS			
VAULT CASH AND CURRENT ACCOUNTS WITH THE BNB	389 630	179 113	210 517
Claims on banks and other financial institutions	2 631 107	59 146	2 571 961
Securities in trading portfolio	428 404	306 440	121 964
Securities in investment portfolio	345 872	184 140	161 732
Credits to the budget	1 225	1 225	0
Credits to public enterprises	30 094	14 405	15 689
Credits to private enterprises	583 550	392 303	191 247
Credits to individuals and households	582 842	581 819	1 023
Credits to nonfinancial institutions and other clients	1 197 711	989 752	207 959
EARNING ASSETS	4 603 094	1 539 478	3 063 616
Assets for resale	36	36	0
Claims on interest and other assets	100 257	69 184	31 073
Fixed assets	185 729	185 729	0
ASSETS, TOTAL	5 278 746	1 973 540	3 305 206
Including assets in pawn	365 996	247 212	118 784
LIABILITIES AND CAPITAL			
Deposits by banks	63 136	16 449	46 687
Deposits by other financial institutions	27 429	18 233	9 196
Deposits by nonfinancial institutions and other clients	4 030 319	1 788 256	2 242 063
DEPOSITS, TOTAL	4 120 884	1 822 938	2 297 946
Short-term attracted resources	8 764	7 685	1 079
Interest payments and other liabilities	418 658	358 165	60 493
Long-term attracted resources	0	0	0
Subordinated term debt	0	0	0
LIABILITIES, TOTAL	4 548 306	2 188 788	2 359 518
Capital	485 762	485 762	0
Reserves	244 678	244 678	0
CAPITAL AND RESERVES	730 440	730 440	0
LIABILITIES AND OWN FUNDS, TOTAL	5 278 746	2 919 228	2 359 518
Credit substitutes	228 236	75 611	152 625
Derivatives	510 321	40 254	470 067
OFF-BALANCE-SHEET LIABILITIES	738 557	115 865	622 692

Source: BNB.

MONTHLY INCOME STATEMENT OF GROUP I BANKS AS OF JUNE 2001

(BGN'000)

	Total	Including	
		BGN	Foreign currency
Interest revenue from claims on banks and other financial institutions	61 695	1 184	60 511
Interest revenue on credits to nonfinancial institutions and other clients	88 228	74 639	13 589
Revenue from investment portfolio securities	11 053	6 492	4 561
INTEREST REVENUE	160 976	82 315	78 661
Interest expenditure on deposits of banks and other financial institutions	1 014	341	673
Interest expenditure on deposits of nonfinancial institutions and other clients	41 459	16 801	24 658
Interest expenditure on attracted resources	162	58	104
INTEREST EXPENDITURE	42 635	17 200	25 435
NET INTEREST INCOME	118 341	65 115	53 226
Profit/loss from trade and revaluation (net of provisions for credit losses)	28 750 -123 546		
NET INTEREST INCOME AND NET INCOME FROM TRADE AND REVALUATION	270 637		
Other noninterest revenue	34 521		
Operating result prior to operating expenditure	305 158		
Operating expenditure	91 478		
PRE-TAX OPERATING PROFIT/LOSS AND EXTRA OPERATIONS	213 680		
Profit/loss from revaluation and extra revenue/expenditure	2 302		
Pre-tax profit/loss	215 982		
Post-tax profit/loss, net	155 491		
CURRENT PROFIT/LOSS	155 491		

Source: BNB.

MONTHLY BALANCE SHEET OF GROUP II BANKS AS OF JUNE 2001

(BGN'000)

	Total	Including	
		BGN	Foreign currency
ASSETS			
VAULT CASH AND CURRENT ACCOUNTS WITH THE BNB	185 693	101 371	84 322
Claims on banks and other financial institutions	1 106 588	100 395	1 006 193
Securities in trading portfolio	307 295	170 173	137 122
Securities in investment portfolio	92 438	3 145	89 293
Credits to the budget	141	141	0
Credits to public enterprises	48 126	26 571	21 555
Credits to private enterprises	809 924	516 282	293 642
Credits to individuals and households	87 998	86 860	1 138
Credits to nonfinancial institutions and other clients	946 189	629 854	316 335
EARNING ASSETS	2 452 510	903 567	1 548 943
Assets for resale	8 172	8 172	0
Claims on interest and other assets	67 228	40 779	26 449
Fixed assets	123 690	123 690	0
ASSETS, TOTAL	2 837 293	1 177 579	1 659 714
Including assets in pawn	152 247	71 698	80 549
LIABILITIES AND CAPITAL			
Deposits by banks	106 667	52 302	54 365
Deposits by other financial institutions	45 222	25 286	19 936
Deposits by nonfinancial institutions and other clients	2 002 143	795 111	1 207 032
DEPOSITS, TOTAL	2 154 032	872 699	1 281 333
Short-term attracted resources	85 433	16 448	68 985
Interest payments and other liabilities	169 387	105 107	64 280
Long-term attracted resources	67 395	1 269	66 126
Subordinated term debt	0	0	0
LIABILITIES, TOTAL	2 476 247	995 523	1 480 724
Capital	238 785	238 785	0
Reserves	122 261	122 261	0
CAPITAL AND RESERVES	361 046	361 046	0
LIABILITIES AND OWN FUNDS, TOTAL	2 837 293	1 356 569	1 480 724
Credit substitutes	270 466	111 890	158 576
Derivatives	148 370	4 245	144 125
OFF-BALANCE-SHEET LIABILITIES	418 836	116 135	302 701

Source: BNB.

MONTHLY INCOME STATEMENT OF GROUP II BANKS AS OF JUNE 2001

(BGN'000)

	Total	Including	
		BGN	Foreign currency
Interest revenue from claims on banks and other financial institutions	22 553	1 552	21 001
Interest revenue on credits to nonfinancial institutions and other clients	57 303	42 136	15 167
Revenue from investment portfolio securities	5 845	5 148	697
INTEREST REVENUE	85 701	48 836	36 865
Interest expenditure on deposits of banks and other financial institutions	3 096	1 109	1 987
Interest expenditure on deposits of nonfinancial institutions and other clients	18 947	3 873	15 074
Interest expenditure on attracted resources	4 604	346	4 258
INTEREST EXPENDITURE	26 647	5 328	21 319
NET INTEREST INCOME	59 054	43 508	15 546
Profit/loss from trade and revaluation	29 459		
(net of provisions for credit losses)	2 357		
NET INTEREST INCOME AND NET INCOME FROM TRADE AND REVALUATION	86 156		
Other noninterest revenue	30 311		
Operating result prior to operating expenditure	116 467		
Operating expenditure	78 999		
PRE-TAX OPERATING PROFIT/LOSS AND EXTRA OPERATIONS	37 468		
Profit/loss from revaluation and extra revenue/expenditure	7 413		
Pre-tax profit/loss	44 881		
Post-tax profit/loss, net	35 080		
CURRENT PROFIT/LOSS	35 080		

Source: BNB.

MONTHLY BALANCE SHEET OF GROUP III BANKS AS OF JUNE 2001

(BGN'000)

	Total	Including	
		BGN	Foreign currency
ASSETS			
VAULT CASH AND CURRENT ACCOUNTS WITH THE BNB	112 367	69 958	42 409
Claims on banks and other financial institutions	419 430	44 900	374 530
Securities in trading portfolio	273 873	151 549	122 324
Securities in investment portfolio	3 287	3 278	9
Credits to the budget	2 657	2 657	0
Credits to public enterprises	24 914	22 730	2 184
Credits to private enterprises	408 911	243 888	165 023
Credits to individuals and households	14 744	12 351	2 393
Credits to nonfinancial institutions and other clients	451 226	281 626	169 600
EARNING ASSETS	1 147 816	481 353	666 463
Assets for resale	5 135	5 135	0
Claims on interest and other assets	76 168	69 757	6 411
Fixed assets	60 960	60 960	0
ASSETS, TOTAL	1 402 446	687 163	715 283
Including assets in pawn	119 193	90 874	28 319
LIABILITIES AND CAPITAL			
Deposits by banks	151 907	111 434	40 473
Deposits by other financial institutions	78 293	48 722	29 571
Deposits by nonfinancial institutions and other clients	903 827	441 046	462 781
DEPOSITS, TOTAL	1 134 027	601 202	532 825
Short-term attracted resources	28 340	17 028	11 312
Interest payments and other liabilities	61 171	35 089	26 082
Long-term attracted resources	33 647	18 712	14 935
Subordinated term debt	0	0	0
LIABILITIES, TOTAL	1 257 185	672 031	585 154
Capital	110 805	110 805	0
Reserves	34 456	34 456	0
CAPITAL AND RESERVES	145 261	145 261	0
LIABILITIES AND OWN FUNDS, TOTAL	1 402 446	817 292	585 154
Credit substitutes	168 441	117 798	50 643
Derivatives	142 417	18 415	124 002
OFF-BALANCE-SHEET LIABILITIES	310 858	136 213	174 645

Source: BNB.

MONTHLY INCOME STATEMENT OF GROUP III BANKS AS OF JUNE 2001

(BGN'000)

	Total	Including	
		BGN	Foreign currency
Interest revenue from claims on banks and other financial institutions	10 264	1 836	8 428
Interest revenue on credits to nonfinancial institutions and other clients	25 746	16 586	9 160
Revenue from investment portfolio securities	47	40	7
INTEREST REVENUE	36 057	18 462	17 595
Interest expenditure on deposits of banks and other financial institutions	5 145	2 515	2 630
Interest expenditure on deposits of nonfinancial institutions and other clients	8 024	1 942	6 082
Interest expenditure on attracted resources	1 545	398	1 147
INTEREST EXPENDITURE	14 714	4 855	9 859
NET INTEREST INCOME	21 343	13 607	7 736
Profit/loss from trade and revaluation (net of provisions for credit losses)	11 554 16 812		
NET INTEREST INCOME AND NET INCOME FROM TRADE AND REVALUATION	16 085		
Other noninterest revenue	12 864		
Operating result prior to operating expenditure	28 949		
Operating expenditure	40 374		
PRE-TAX OPERATING PROFIT/LOSS AND EXTRA OPERATIONS	-11 425		
Profit/loss from revaluation and extra revenue/expenditure	24 094		
Pre-tax profit/loss	12 669		
Post-tax profit/loss, net	11 234		
CURRENT PROFIT/LOSS	11 234		

Source: BNB.

MONTHLY BALANCE SHEET OF GROUP IV BANKS AS OF JUNE 2001

(BGN'000)

	Total	Including	
		BGN	Foreign currency
ASSETS			
VAULT CASH AND CURRENT ACCOUNTS WITH THE BNB	41 639	22 709	18 930
Claims on banks and other financial institutions	173 931	13 560	160 371
Securities in trading portfolio	76 952	39 451	37 501
Securities in investment portfolio	5 768	4 261	1 507
Credits to the budget	0	0	0
Credits to public enterprises	1 618	800	818
Credits to private enterprises	298 467	90 473	207 994
Credits to individuals and households	17 300	1 922	15 378
Credits to nonfinancial institutions and other clients	317 385	93 195	224 190
EARNING ASSETS	574 036	150 467	423 569
Assets for resale	4 872	4 872	0
Claims on interest and other assets	38 122	28 486	9 636
Fixed assets	49 540	49 540	0
ASSETS, TOTAL	708 209	256 074	452 135
Including assets in pawn	17 117	5 077	12 040
LIABILITIES AND CAPITAL			
Deposits by banks	49 957	14 395	35 562
Deposits by other financial institutions	14 942	5 627	9 315
Deposits by nonfinancial institutions and other clients	266 163	81 130	185 033
DEPOSITS, TOTAL	331 062	101 152	229 910
Short-term attracted resources	11 920	11 859	61
Interest payments and other liabilities	33 846	17 625	16 221
Long-term attracted resources	93 453	10 041	83 412
Subordinated term debt	1 196	0	1 196
LIABILITIES, TOTAL	471 477	140 677	330 800
Capital	216 159	216 159	0
Reserves	20 573	20 573	0
CAPITAL AND RESERVES	236 732	236 732	0
LIABILITIES AND OWN FUNDS, TOTAL	708 209	377 409	330 800
Credit substitutes	93 046	70 150	22 896
Derivatives	43 388	1 138	42 250
OFF-BALANCE-SHEET LIABILITIES	136 434	71 288	65 146

Source: BNB.

MONTHLY INCOME STATEMENT OF GROUP IV BANKS AS OF JUNE 2001

(BGN'000)

	Total	Including	
		BGN	Foreign currency
Interest revenue from claims on banks and other financial institutions	4 070	104	3 966
Interest revenue on credits to nonfinancial institutions and other clients	23 068	6 316	16 752
Revenue from investment portfolio securities	408	233	175
INTEREST REVENUE	27 546	6 653	20 893
Interest expenditure on deposits of banks and other financial institutions	1 811	280	1 531
Interest expenditure on deposits of nonfinancial institutions and other clients	3 786	674	3 112
Interest expenditure on attracted resources	3 524	294	3 230
INTEREST EXPENDITURE	9 121	1 248	7 873
NET INTEREST INCOME	18 425	5 405	13 020
Profit/loss from trade and revaluation (net of provisions for credit losses)	6 878 5 479		
NET INTEREST INCOME AND NET INCOME FROM TRADE AND REVALUATION	19 824		
Other noninterest revenue	9 138		
Operating result prior to operating expenditure	28 962		
Operating expenditure	22 997		
PRE-TAX OPERATING PROFIT/LOSS AND EXTRA OPERATIONS	5 965		
Profit/loss from revaluation and extra revenue/expenditure	2 281		
Pre-tax profit/loss	8 246		
Post-tax profit/loss, net	5 592		
CURRENT PROFIT/LOSS	5 592		

Source: BNB.

MONTHLY BALANCE SHEET OF GROUP V BANKS AS OF JUNE 2001

(BGN'000)

	Total	Including	
		BGN	Foreign currency
ASSETS			
VAULT CASH AND CURRENT ACCOUNTS WITH THE BNB	35 361	9 219	26 142
Claims on banks and other financial institutions	251 193	5 184	246 009
Securities in trading portfolio	31 162	24 566	6 596
Securities in investment portfolio	66	66	0
Credits to the budget	0	0	0
Credits to public enterprises	25 268	23 729	1 539
Credits to private enterprises	486 102	203 298	282 804
Credits to individuals and households	2 131	1 797	334
Credits to nonfinancial institutions and other clients	513 501	228 824	284 677
EARNING ASSETS	795 922	258 640	537 282
Assets for resale	0	0	0
Claims on interest and other assets	34 116	4 000	30 116
Fixed assets	11 888	11 888	0
ASSETS, TOTAL	877 287	283 747	593 540
Including assets in pawn	16 867	13 898	2 969
LIABILITIES AND CAPITAL			
Deposits by banks	191 287	71 639	119 648
Deposits by other financial institutions	17 844	3 853	13 991
Deposits by nonfinancial institutions and other clients	478 175	167 414	310 761
DEPOSITS, TOTAL	687 306	242 906	444 400
Short-term attracted resources	30 078	30 078	0
Interest payments and other liabilities	71 058	7 200	63 858
Long-term attracted resources	67 880	0	67 880
Subordinated term debt	0	0	0
LIABILITIES, TOTAL	856 322	280 184	576 138
Capital	19 788	19 788	0
Reserves	1 177	1 177	0
CAPITAL AND RESERVES	20 965	20 965	0
LIABILITIES AND OWN FUNDS, TOTAL	877 287	301 149	576 138
Credit substitutes	186 761	85 039	101 722
Derivatives	84 170	25 950	58 220
OFF-BALANCE-SHEET LIABILITIES	270 931	110 989	159 942

Source: BNB.

MONTHLY INCOME STATEMENT OF GROUP V BANKS AS OF JUNE 2001

(BGN'000)

	Total	Including	
		BGN	Foreign currency
Interest revenue from claims on banks and other financial institutions	6 294	246	6 048
Interest revenue on credits to nonfinancial institutions and other clients	19 275	7 673	11 602
Revenue from investment portfolio securities	153	153	0
INTEREST REVENUE	25 722	8 072	17 650
Interest expenditure on deposits of banks and other financial institutions	4 708	2 030	2 678
Interest expenditure on deposits of nonfinancial institutions and other clients	5 381	1 715	3 666
Interest expenditure on attracted resources	2 275	146	2 129
INTEREST EXPENDITURE	12 364	3 891	8 473
NET INTEREST INCOME	13 358	4 181	9 177
Profit/loss from trade and revaluation	4 496		
(net of provisions for credit losses)	9 783		
NET INTEREST INCOME AND NET INCOME FROM TRADE AND REVALUATION	8 071		
Other noninterest revenue	5 452		
Operating result prior to operating expenditure	13 523		
Operating expenditure	15 208		
PRE-TAX OPERATING PROFIT/LOSS AND EXTRA OPERATIONS	-1 685		
Profit/loss from revaluation and extra revenue/expenditure	-1 288		
Pre-tax profit/loss	-2 973		
Post-tax profit/loss, net	-4 095		
CURRENT PROFIT/LOSS	-4 095		

Source: BNB.

SHORT-TERM LIQUIDITY RATIOS

(percent of deposits)

Bank groups		June 2001
Group I	Primary liquidity	9.46
	Secondary liquidity	15.02
Group II	Primary liquidity	8.62
	Secondary liquidity	26.99
Group III	Primary liquidity	9.91
	Secondary liquidity	28.38
Group IV	Primary liquidity	12.58
	Secondary liquidity	28.75
Group V	Primary liquidity	5.14
	Secondary liquidity	7.64
TOTAL FOR THE BANKING SYSTEM	Primary liquidity	9.07
	Secondary liquidity	19.91

Source: BNB.

CAPITAL ADEQUACY OF COMMERCIAL BANKS AS OF 30 JUNE 2001 (under Regulation No. 8 of the BNB)

Bank groups	Capital base [BGN'000]	Primary capital [BGN'000]	Total risk component (2000.2+3000.2 +4000.2) [BGN'000]	Total capital adequacy (1000/5100) [%]	Primary capital adequacy (1100/5100) [%]	Degree of asset coverage (1000/5100) [%]
Group I	706 232	493 665	1 938 005	36.44	25.47	13.30
Group II	315 606	217 687	1 331 351	23.71	16.35	11.07
Group III	151 119	109 051	701 565	21.54	15.54	10.67
Group IV	236 916	203 585	428 598	55.28	47.50	33.73
Total for the banking system*	1 409 873	1 023 988	4 399 519	32.05	23.27	13.72

* Group V excluded.

Source: BNB.

CREDIT PORTFOLIO OF COMMERCIAL BANKS AS OF 30 JUNE 2001
(under Regulation No. 9 of the BNB)

	Claims on banks and other financial institutions (BGN'000)	Percent of total	Claims on nonfinancial institutions and other clients (BGN'000)	Percent of total	Other classified balance-sheet exposures (BGN'000)	Percent of total	Carrying value, total (BGN'000)	Percent of total
Standard exposures	4 664 063	99.7	3 153 048	82.6	93 046	84.2	7 910 157	91.9
Watch exposures	0	0.0	280 352	7.3	0	0.0	280 352	3.3
Substandard exposures	1 730	0.0	95 798	2.5	4 179	3.8	101 707	1.2
Doubtful exposures	0	0.0	67 943	1.8	0	0.0	67 943	0.8
Loss	14 340	0.3	218 667	5.7	13 329	12.1	246 336	2.9
TOTAL FOR THE BANKING SYSTEM	4 680 133	100.0	3 815 808	100.0	110 554	100	8 606 495	100.0
Group I	2 695 442	100.0	1 160 315	89.2	11 131	82.0	3 866 888	96.5
Watch exposures	0	0.0	64 494	5.0	0	0.0	64 494	1.6
Substandard exposures	0	0.0	13 060	1.0	0	0.0	13 060	0.3
Doubtful exposures	0	0.0	9 124	0.7	0	0.0	9 124	0.2
Loss	13	0.0	53 101	4.1	2 448	18.0	55 562	1.4
Group I, total	2 695 455	100.0	1 300 094	100.0	13 579	100.0	4 009 128	100.0
Group II	1 118 723	98.7	879 027	79.8	14 075	75.6	2 011 825	89.3
Watch exposures	0	0.0	76 364	6.9	0	0.0	76 364	3.4
Substandard exposures	1 730	0.2	16 356	1.5	0	0.0	18 086	0.8
Doubtful exposures	0	0.0	16 089	1.5	0	0.0	16 089	0.7
Loss	12 912	1.1	114 149	10.4	4 541	24.4	131 602	5.8
Group II, total	1 133 365	100.0	1 101 985	100.0	18 616	100.0	2 253 966	100.0
Group III	422 510	99.9	393 520	79.6	58 612	95.2	874 642	89.4
Watch exposures	0	0.0	47 575	9.6	0	0.0	47 575	4.9
Substandard exposures	0	0.0	14 679	3.0	0	0.0	14 679	1.5
Doubtful exposures	0	0.0	18 272	3.7	0	0.0	18 272	1.9
Loss	343	0.1	20 215	4.1	2 977	4.8	23 535	2.4
Group III, total	422 853	100.0	494 261	100.0	61 589	100.0	978 703	100.0
Group IV	176 138	99.4	256 752	69.8	8 490	54.0	441 380	78.7
Watch exposures	0	0.0	46 530	12.6	0	0.0	46 530	8.3
Substandard exposures	0	0.0	17 030	4.6	3 858	24.6	20 888	3.7
Doubtful exposures	0	0.0	24 458	6.6	0	0.0	24 458	4.4
Loss	1 072	0.6	23 238	6.3	3 363	21.4	27 673	4.9
Group IV, total	177 210	100.0	368 008	100.0	15 711	100.0	560 929	100.0
Group V	251 250	100.0	463 434	84.0	738	69.7	715 422	89.0
Watch exposures	0	0.0	45 389	8.2	0	0.0	45 389	5.6
Substandard exposures	0	0.0	34 673	6.3	321	30.3	34 994	4.4
Doubtful exposures	0	0.0	0	0.0	0	0.0	0	0.0
Loss	0	0.0	7 964	1.4	0	0.0	7 964	1.0
Group V, total	251 250	100.0	551 460	100.0	1 059	100.0	803 769	100.0

Source: BNB.

Major Resolutions of the Managing Board of the BNB

- 15 February** Regulation No. 17 of the BNB on Establishing the Amount of Bank Investment under Article 30 of the Law on Banks was adopted.
- 5 April** Amendments to Regulation No. 7 of 1999 on the big exposures of banks were adopted.
- 19 April** The BNB Managing Board adopted the 2000 BNB annual report, the annual financial statements, the auditor's report and the report on the execution of the 2000 BNB budget.
- 17 May** As of 22 May 2001 the Bulgarian National Bank put into circulation a silver commemorative coin 'Bulgarian Higher Education' under the EURO program, with a nominal value of BGN 10, issue 2001.
- 21 June** Amendments to Regulation No. 9 of the BNB on the evaluation of risk exposures of banks and the allocation of provisions to cover the risk related thereto were adopted.