



REPORT • JANUARY – JUNE 2025



BULGARIAN NATIONAL BANK

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BULGARIAN NATIONAL BANK

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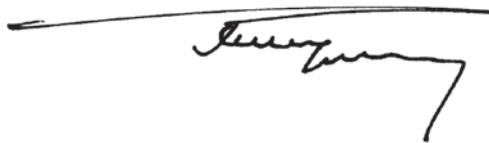
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**Honourable Chair of the National Assembly,
Honourable People's Representatives,**

Under the provisions of the Law on the Bulgarian National Bank Article 1, paragraph 2 and Article 50, I have the honour of presenting the Bank's Report for January–June 2025.

A handwritten signature in black ink, appearing to read 'Dimitar Radev', is written over a horizontal line. The signature is stylized and cursive.

**Dimitar Radev
Governor
of the Bulgarian National Bank**

BNB Governing Council (as of 30 June 2025)

Dimitar Radev

Governor

Andrey Gurov*

Deputy Governor

Issue Department

Petar Chobanov

Deputy Governor

Banking Department

Radoslav Milenkov

Deputy Governor

Banking Supervision Department

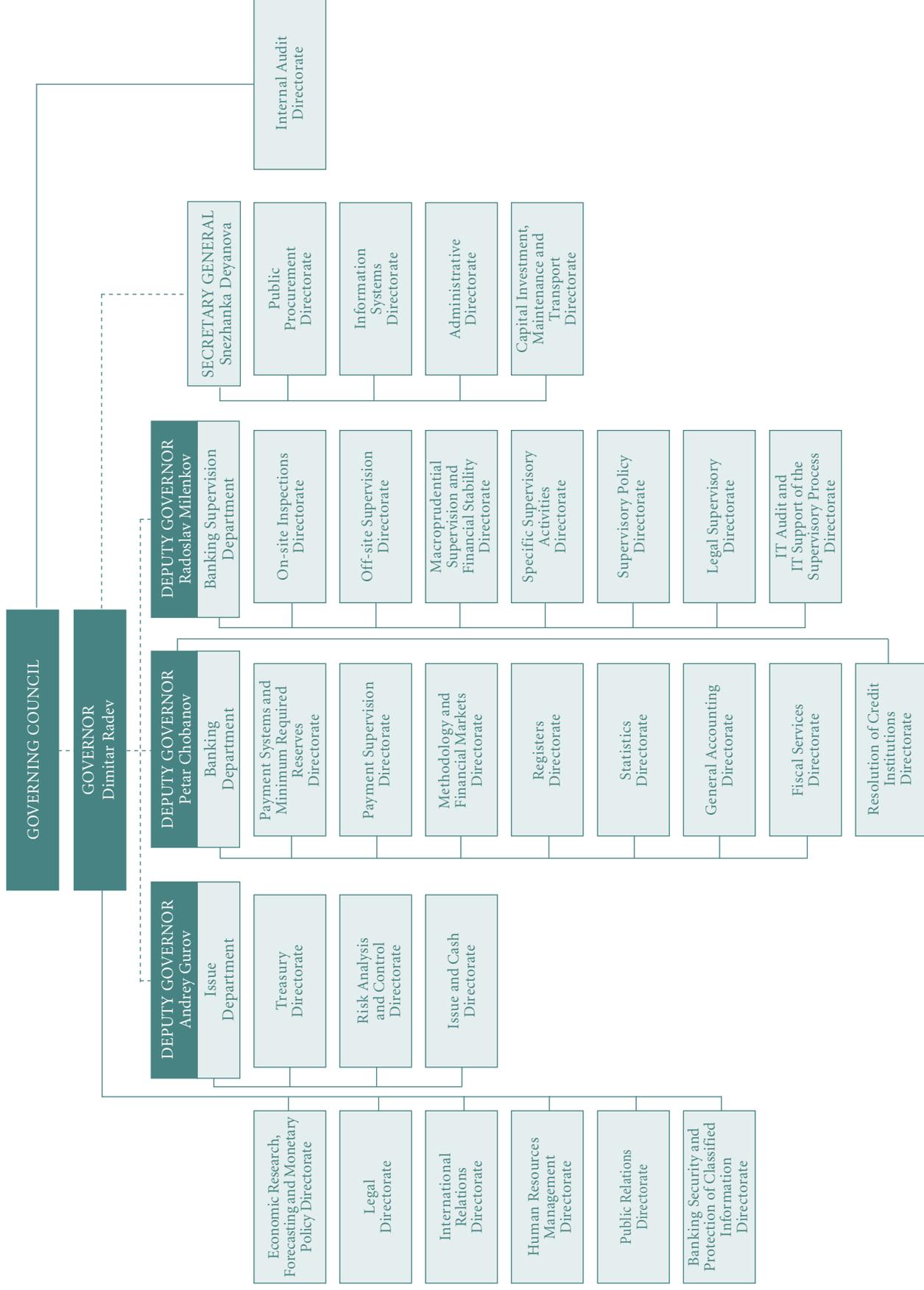
Nikolay Nenovsky

Iliya Lingorski

Lyubomir Karimanski

* Since 16 July 2024, Andrey Gurov has not exercised his powers as Deputy Governor, head of the Issue Department, in connection with the procedure under Article 14, paragraph 2 of the Law on the BNB. Andrey Gurov's case is subject to judicial control and depending on the forthcoming judgement – to parliamentary control.

Organisational Structure of the BNB (as of 30 June 2025)



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Abbreviations

ABSPP	Asset-backed Securities Purchase Programme
AQR	Asset quality review
AS ROAD	Automated System for Registration and Servicing of External Debt
ATM	Automated Teller Machine
BIS	Bank for International Settlements
BISERA	Bank Integrated System for Electronic Payments
BNB	Bulgarian National Bank
BORICA	Bank Organisation for Payments Initiated by Cards
BRF	Banks Resolution Fund
CCR	Central Credit Register
CFP	Consolidated Fiscal Programme
CHF	Swiss franc
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
Ecofin	Economic and Financial Affairs Council of the European Union comprising Member State economics and finance ministers
EONIA	Euro OverNight Index Average (registered trademark of the European Money Market Institute, EMMI)
ESCB	European System of Central Banks
ESRB	European Systemic Risk Board
ESROT	Electronic System for Registering and Servicing Government Securities Trading
EU	European Union
EURIBOR	Euro InterBank Offered Rate (EURIBOR, registered trademark of the European Money Market Institute, EMMI)
GDP	Gross Domestic Product
GSAS	System for Government Securities Sale and Repurchase Auctions
HICP	Harmonised Index of Consumer Prices
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOBFR	System for Budget and Fiscal Reserve Information Servicing
KTB	Corporate Commercial Bank AD
LBNB	Law on the BNB
LCI	Law on Credit Institutions
LEONIA	An interest rate on real transactions in unsecured overnight deposits in BGN offered at the interbank market
LIERB	Law on the Introduction of the Euro in the Republic of Bulgaria
LPSPS	Law on Payment Services and Payment Systems
LRRCIIF	Law on the Recovery and Resolution of Credit Institutions and Investment Firms
MF	Ministry of Finance
MFI	Monetary Financial Institutions
NPEs	Non-Performing Exposures
NPISH	Non-profit Institutions Serving Households
NSI	National Statistical Institute
OPEC	Organization of Petroleum Exporting Countries
POS	Point of sale/point of service: a retail trade terminal for credit and debit card transactions
RINGS	Real-time gross settlement system
ROA	Return on Assets
ROE	Return on Equity
SDR	Special Drawing Rights
SEPA	Single Euro Payments Area
SITC	Standard International Trade Classification
SOFIBID	(Sofia Interbank Bid Rate) is an index calculated as the average of the bid quotes for unsecured BGN deposits
SOFIBOR	(Sofia Interbank Offered Rate) is a fixing of the quotes for unsecured BGN deposits offered in the Bulgarian interbank market
SRB	Single Resolution Board
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
TARGET2	Trans-European Automated Real-time Gross settlement Express Transfer system for payments in euro
TARGET2-BNB	Bulgarian system component of TARGET 2
VaR	Value-at-Risk
VAT	Value Added Tax
XAU	Troy ounce gold
XDR	Currency code for Special Drawing Rights

Summary

On 25 February 2025, the BNB Governor and the Minister of Finance signed a joint letter to the President of the European Central Bank (ECB) and to the President of the European Commission (EC) requesting extraordinary Convergence Reports to be prepared for Bulgaria pursuant to Article 140(1) of the Treaty on the Functioning of the European Union (TFEU). These Reports were published on 4 June 2025, with analyses of both institutions confirming that Bulgaria fulfils the conditions for joining the euro area. Following the publication of the Convergence Reports, the procedures laid down in Article 140(2) and (3) of the TFEU were initiated. The Economic and Financial Committee, in which the BNB is represented by a Deputy Governor, took part in these procedures. Part of the steps leading to the adoption of legal acts necessary for the introduction of the euro in the Republic of Bulgaria from 1 January 2026 were taken after the end of the reporting period.

Preparation Activities for the BNB Accession to the Eurosystem

After adoption of the new Law on the BNB (published; Darjaven Vestnik, issue 13 of 2024) which from the date specified in a Decision of the Council of the European Union on the adoption of the euro by the Republic of Bulgaria will replace in full the current Law on the BNB (published; Darjaven Vestnik, issue 46 of 1997; last amended; Darjaven Vestnik, issue 64 of 2025), amendments in the new Law on the BNB were approved by the Law on the State Budget for 2025 (published; Darjaven Vestnik, issue 26 of 2025). They aim to reflect the recommendations made in the 2024 Convergence Reports on appointment of a caretaker government provided for in the 2023 amendments to the Constitution of Bulgaria.

According to them, if the BNB Governor or a Deputy Governor, respectively, agrees to be appointed caretaker Prime Minister under Article 99, paragraph 5 of the Bulgarian Constitution, he resigns from his position at the central bank. They comply with Article 130 of the TFEU and Article 14.2 of the Statute, ensuring compliance with the principles of institutional and personal central bank independence.

Following the adoption of the new Law on the BNB, work continued over the review period on drafting ordinances provided for therein. A priority and primary objective of the new Law on BNB and of relevant statutory instruments to be issued on its basis is to ensure the legal integration of the Bulgarian central bank into the Eurosystem when introducing the euro as the currency of Bulgaria. Establishing the regulatory framework is a necessary and important step to ensure that new BNB functions arising from its accession to the Eurosystem are performed.

BNB Ordinance No 6 of 9 January 2025 on Provision of Emergency Liquidity Assistance (published in the Darjaven Vestnik, issue 8 of 2025) and Ordinance No 45 of the BNB of 17 April 2025 on the Establishment and Regulation of the Bulgarian National Bank's Legal Relationships with Monetary Policy Counterparties (published in the Darjaven Vestnik, issue 37 of 2025) were issued over the review period.

Work continued on the draft Ordinance No 18 on the Control over Quality of Euro Banknotes and Euro Coins approved by the Governing Council at first reading at end-2024. Ordinance No 18 of the BNB (published; Darjaven Vestnik, issue 68 of 2025) was finally approved after the end of the review period on 31 July 2025. In addition, the following Ordinances under the Law on the Introduction of the Euro in the Republic of Bulgaria (LIERB) within the BNB competence were adopted at first reading: Ordinance No. 46 of 31 July 2025 on Frontloading and Sub-frontloading of Euro Banknotes, Euro Coins and Starter Euro Coin Kits; Ordinance No 47 of 31 July 2025 on the Conditions and Procedure for Providing Information by Credit Institutions under Article 26 of the LIERB and for Retaining and Evaluating Banknotes and Coins in Levs and Ordinance No 48 of 31 July 2025 on the Exchange of Mutilated or Damaged Banknotes and Coins from Levs to Euro after the Introduction of the Euro in the Republic of Bulgaria.

In addition to the legal framework, the introduction of the single European currency in Bulgaria and accession of the BNB to the Eurosystem require an analytical capacity and infrastructure for implementing the functions related to BNB representatives' participation in formulating and applying the euro area monetary policy at national level and large-scale and complex logistical and technical preparations for the changeover of the cash circulation and adjustments of payment, information, accounting and statistical systems.

In the first half of 2025, the BNB continued to actively prepare for the implementation of the Eurosystem's monetary policy. Major legal acts governing BNB's relations with monetary policy counterparties were finalised and adopted. In the context of virtual workshops with representatives of all licensed banks and foreign bank branches in Bulgaria, BNB employees presented the new legal framework and explained key aspects of the future implementation of monetary policy operations after joining the Eurosystem. Technical preparations and provision of the necessary infrastructure for these operations have been developed in line with established plans, both in scope and time. Work continued on preparing systems and processes in the BNB with regard to implementing Eurosystem's MRR regulations under Regulation EU/2021/378 and the reserve base under the Regulation EU/2021/379 reporting framework. Amendments to the overall MRR framework to prepare the BNB for implementing MRR in accordance with Eurosystem requirements were communicated to banks within the Payment Systems and Payment Service Providers working sub-group to the Coordinating Council for Bulgaria's Preparation for Membership in the Euro Area.

In implementing its activities in the area of payment systems under the national plan for the introduction of the euro in Bulgaria, work continued on launching the project for migration of card payments from leva to euro and accession of the BORICA card payment system to the consolidated TARGET platform.

Work on preparing currency circulation for joining the euro area focused on the implementation of activities which had already started in 2024 to ensure the smooth introduction of the euro and withdrawal of Bulgarian banknotes and coins. Preparations in this area were extremely large-scale, complicated and comprehensive. They include not only supply of euro banknotes and coins, but also exchange of banknotes and coins from leva to euro, as well as withdrawal and destruction of Bulgarian banknotes and coins from circulation. Adaptation of information systems is also an important factor in the transition from the leva to the euro. The required quantity of euro banknotes by denomination for frontloading and for the first year of introduction of the euro was coordinated and approved by the ECB. Agreements between the BNB and NCBs of the euro area were also signed to ensure and supply required amounts of euro banknotes by denomination. Contracts for production and delivery of euro coins were also concluded, and the actual production started in July 2025 following the EU Council's decision on the euro adoption in Bulgaria under Article 140(2) of the TFEU. Additional storage areas for frontloaded euro banknotes and coins and for withdrawn Bulgarian banknotes and coins and their subsequent destruction were equipped. Most specialised equipment and machines of the Cash Services Company AD were supplied and installed. The BNB continued adapting its Cash System and the National Counterfeit Monitoring System to the new environment. Together with banks, successful tests of the Cash System were conducted on the readiness for accepting euro banknotes lent by national central banks and euro coins by manufacturers; frontloading banks with euro banknotes, euro coins, and starter kits against collateral; providing information by banks on frontloaded euro banknotes and euro coins and their storage premises.

To follow up and support technological preparations of banks and non-bank financial institutions in transition to the euro, instructions were given along with active communication and checks of technological changes. The analysis of business continuity and recovery IT system plans in the euro changeover process showed a high level of preparedness of banks and non-bank financial institutions along with available resources and safeguards under a risk-based approach. It is important to note that the introduction of the euro in Bulgaria will not change BNB's functional responsibilities for the supervision

of credit institutions. The Bulgarian National Bank is fully integrated into all horizontal and vertical structures of the Single Supervisory Mechanism and has introduced analytical and methodological tools developed and applied by the ECB in relation to LSIs' supervision. The ECB will continue to supervise significant institutions identified under its methodology in all aspects of their activities. The BNB is a national competent authority (NCA) for less significant institutions through the Banking Supervision Department, with the ECB retaining certain direct powers over them, including taking over direct supervision at all times. The BNB in its management practice is undertaking updates on an ongoing basis in the framework and content of the supervisory process, fully in line with ECB actions regarding the legal, methodological and analytical frameworks of the supervisory process within the SSM. As regards supervisory actions and macroprudential policy commitments, the BNB retains its functions and responsibilities, so no essential changes are expected after the introduction of the euro.

In statistics, along with developing and adopting amendments to the relevant regulations, the BNB preparation for joining the Eurosystem included finalised upgrades to the Integrated Statistical Information System and the Information System of Monetary and Interest Rate Statistics, covering the bulk of statistical activities on the euro introduction. Concurrently, work continued in 2025 on developing the BNB Integrated Information System (IIS), playing a key role in ensuring the technical and information readiness for the euro adoption.

After the successful migration in September 2023 of the Government Securities Depository and the Central Depository AD to the Eurosystem securities settlement platform TARGET2-Securities(T2S), BNB representatives continued to participate in ESCB technical groups on T2S governance and administration. Under Eurosystem standard procedures, assessing eligibility of the system for government securities registration and settlement (BNBGSSS) is in the final phase to ensure its use for the purposes of Eurosystem credit operations and collateral management. Major requirements of the Law on the Introduction of the Euro in Bulgaria on translating government securities registers were developed and implemented in the test environment of the ESROT electronic system for registering and servicing government securities trade. Internal tests and tests with banks – ESROT participants – were successfully conducted.

Work continued on building the analytical and administrative capacity and tools for carrying out analyses of Eurosystem's monetary policy objectives and its effect on the euro area economy. Analytical instruments were developed to monitor and analyse economic and monetary developments in the euro area, and work started on adapting the existing and building new macroeconomic models to be used for producing Eurosystem-wide forecast data for the Bulgarian economy. A new BNB research plan was adopted, with topics stemming mainly from activities to be performed by the BNB after joining the Eurosystem.

Over the review period, the BNB worked intensively on communication activities related to the euro area accession process. The BNB signed Memoranda of Cooperation with the Economic and Social Council, the American Chamber of Commerce in Bulgaria, and Modern Trade Association. The Governor and a Deputy Governor attended a number of conferences and other events to discuss and explain the effects of the euro introduction.

The BNB prepared a booklet on questions and answers regarding the euro, available also on the Bank's official website to answer frequently asked questions on the euro introduction in Bulgaria. A brochure 'What Will the National Side of Bulgarian Euro Coins Look Like' was also published.

Further information on preparing the BNB for joining the Eurosystem can be found in the relevant Chapters of this Report.

Economic Development in the First Half of 2025

In the first six months of 2025, global economic activity grew by 2.8 per cent on an annual basis. Changes in US foreign trade policy *vis-à-vis* the main trading partners were a major factor influencing global economic activity dynamics. In the United States, real GDP rose by 2.0 per cent year on year, showing signs of cooling in the labour market and slowing private consumption, while economic activity in China accelerated to 5.3 per cent, supported by domestic demand and higher exports. Euro area real GDP accelerated to 1.5 per cent on an annual basis, underpinned by a positive contribution of investments and inventories amid a negative contribution of net exports. In Germany and Italy, which are Bulgaria's main trading partners, real GDP growth accelerated to 0.2 and 0.6 per cent, respectively, on an annual basis. The euro area labour market remained stable, with the unemployment rate standing at 6.3 per cent.

Annual global inflation rose in the first half of 2025, with higher growth in consumer prices observed mainly in emerging markets. US inflation remained above the Federal Reserve's target, while euro area headline and core inflation tended to gradually slow down. In view of the high uncertainty in consumer prices and labour markets stemming from changes in the US foreign trade policy, the Federal Reserve kept its federal funds rate unchanged during the first half of 2025. In the euro area, in a context of more favourable inflation prospects and a sustained progress towards the price stability objective, the ECB Governing Council lowered key interest rates by a total of 100 basis points.

In the first half of 2025, the annual growth rate of Bulgaria's real GDP was 3.2 per cent. Domestic demand had an essential positive contribution, while net exports and changes in inventories had a negative contribution. Private consumption rose by 8.0 per cent in real terms, supported by an increase in the number of employees, labour income and social payments, as well as lending activity. Major factors, which contributed to the accelerating growth in compensation *per* employee to 14.6 per cent on an annual basis in nominal terms, included high labour shortages, rising economic activity, increased minimum wage and high wage growth in the public sector.

Annual HICP inflation accelerated to 3.1 per cent in June, with food and services contributing most to it. As regards the internal macroeconomic environment, high growth in unit labour costs exerted pro-inflationary pressures, while strong private consumption was a prerequisite for these costs to be passed on to final consumer prices. Fiscal policy also continued to have a pro-inflationary effect.

Annual growth in household credit remained close to that of end-2024 – at 20.8 per cent in June, with housing loans again contributing most to this effect. Demand for loans was supported by rising labour income and persistence of historically very low interest rates on loans for house purchase. On the supply side, credit growth continued to be underpinned by ample liquidity and sound capital position of banks.

By end-June 2025, the CFP budget balance came to a deficit of BGN 3354 million, a deterioration of BGN 2718 million from the same period of 2024. Net external financing of the budget was BGN 8154 million, mainly reflecting proceeds of issued bonds in international capital markets. Fiscal reserve deposit funds increased by BGN 2872 million from the end of 2024 to reach BGN 12,458 million (6.0 per cent of GDP), of which BGN 11,856 million of deposits with the BNB.

Gross International Reserves

In managing gross international reserves, the BNB pursues a conservative policy to ensure high liquidity and security. The main portion of assets on the Issue Department's balance sheet continued to be invested in government bonds and government guaranteed debt securities with the highest credit rating, as well as into short-term deposits with first class foreign central and commercial banks. The exposure to credit risk remained limited and approximately 67 per cent of international reserves were invested into assets with the highest AAA long-term credit rating.

The political risk arising from early elections in France and South Korea decreased over the period and 2024 preventive restrictions on investments in certain asset classes and exposures to certain issuers and counterparties of the BNB were repealed.

The balance sheet value of gross international reserves was EUR 40,754.42 million: a decrease of EUR 1301.71 million on end-2024, or 3.1 per cent as a share of BNB foreign currency assets. Changes in the balance sheet value were mainly driven by external cash flows in foreign currency and income from foreign reserve management.

The net income in the Issue Department balance sheet is the sum of three components: i. income from gross international reserves investment in the original currency; ii. currency imbalance income; and iii. liabilities expenditure/income. BNB income from international reserve investment was positive at EUR 469.1 million, or 1.3 per cent yield for the period. Earnings from currency imbalance for the first half of 2025 were positive at EUR 350.2 million (yield of 1 per cent). This reflected primarily movements in the market price of monetary gold measured in euro. Reflecting the BNB interest rate policy, the net financial result from liabilities led to an expense of EUR 60.7 million for the BNB, corresponding to -0.2 per cent of return. The above three components brought net return from international reserve management to EUR 758.5 million: a total of 2.1 per cent return for the half year.

The structure of gross international reserves by currency changed insignificantly compared with that in 2024. Euro assets decreased by 2.6 percentage points, while those in gold and US dollars rose by 1.8 and 0.8 percentage points, respectively, reflecting changes in exchange rates against the euro and external flows. By financial instrument, current account balances increased by 4.5 percentage points and deposits placed by the BNB by 3 percentage points at the expense of a decrease in BNB exposures in securities by 7.5 percentage points. The maturity structure of reserves shows a decline of 13.7 percentage points in the maturity sector of up to one year and a rise in the sectors of one to three years, three to five years and five to ten years by 1.1, 5.6 and 7 percentage points, respectively, due to the higher duration of assets.

Payment Systems and Payment Oversight

Creating and developing efficient and sound payment systems and payment oversight are important central bank functions. Payment systems in Bulgaria operate effectively, ensuring continuity of national and cross-border payment flows; they are largely aligned with the existing payment infrastructure in Europe. In the first half of 2025, the RINGS real-time gross settlement system processed the bulk of the value of lev payments in Bulgaria. RINGS processed payments worth BGN 932,299 million, up 5.8 per cent on the same period of the prior year, their number reaching 298,554 or 9.4 per cent less than in the first half of 2024. BORICA processed 233.8 million of payments effected *via* ATM and POS terminals, totalling BGN 19,654.8 million: a rise of 22.6 per cent in number and 18.5 per cent in value on the first half of 2024. In the first half of 2025, BISERA6 processed 63.4 million of payments for BGN 256,697.5 million: up 4.2 per cent in number and 12.7 per cent in value compared to the same period of 2024. Instant credit transfers in BGN amounted to 15.7 million, with a total value of BGN 25,882 million. In the first half of 2025, TARGET-BNB processed 165,230 payments worth EUR 464,525 million, including 138,184 customer payments for EUR 14,693 million. Data show a rise of 2.6 per cent in the total number and a 7.3 per cent increase in the total value of processed payments compared to the first half of 2024. Payments ordered by banks participating in the BISERA ancillary system amounted to EUR 11,969.4 million, and their number was 996,899, with a significant increase in the value and number of SEPA credit transfers compared to the same period in 2024. In the context of the project launched at the end of 2024 to include the BNB as a central bank in the SEPA Instant Payment Settlement service (TIPS), at the end of the reporting period, BISERA, six banks and one non-bank payment service provider in Bulgaria joined TIPS, and offer their customers the execution of instant payments in euro under the SEPA Instant Credit Transfer (SCT Inst) scheme – credit transfers executed on a 24/7/365 basis up to a maximum of 10 seconds. In the first half of 2025, the number of payments in TIPS ordered by TARGET-BNB

participants was 379,693, worth EUR 270 million. There were 2019 daily average TIPS payments, worth EUR 1.5 million. Over the review period, one individual supervisory inspection of a payment service provider licensed by the BNB was completed to establish compliance of company's operations with the requirements of the Law on Payment Services and Payment Systems (LPSPS).

Currency in Circulation

The Bulgarian National Bank has the exclusive right to put into circulation banknotes and coins in Bulgaria. Banknotes and coins issued by the Bank are legal tender in Bulgaria and are mandatorily acceptable as payment at full face value without restriction. BNB issue and cash operations include: banknote printing, coin minting, accepting, delivering, repaying, processing, authenticity and fitness checking of Bulgarian banknotes and coins and foreign currency, exchanging damaged Bulgarian banknotes and coins, and scrapping unfit Bulgarian banknotes and coins. In the first half of 2025, the dynamics of currency in circulation took a downward trend. In a year (compared with end-June 2024) currency in circulation declined by 0.3 per cent or BGN 90.9 million. The most recent decrease in currency in circulation on an annual basis was in July 2010.

In late June 2025, 569.5 million of banknotes worth BGN 28,644.4 million and 3379.4 million of coins worth BGN 632.9 million were in circulation. The BGN 50 led banknote numbers at 40.81 per cent, and BGN 0.01 led coin numbers at 27.33 per cent. The share of retained non-genuine Bulgarian banknotes and coins remained at very low levels: 0.000248 per cent and 0.000001 per cent of the total number of circulating banknotes and coins (legal tender) by the end of June 2025. In compliance with the requirements of Ordinance No 18 on the Control over Quality of Currency in Circulation, the BNB carried out 212 tests of sorting machines and customer-operated machines used by banks and service providers in line with identification and fitness standards.

Maintaining Banking System Stability and Protecting Depositor Interests

The Bulgarian National Bank's functioning as a full member of the Single Supervisory Mechanism (SSM) takes place through establishing close cooperation between the ECB and the BNB, and the supervisory activities of the BNB are in full statutory and methodological compliance with SSM practices. The BNB is completely integrated into all horizontal and vertical supervisory structures at the ECB level. The BNB is the national competent authority in exercising supervisory activities *vis-à-vis* less significant institutions (LSIs) and participates with its representatives in joint supervisory teams through which the ECB supervises systemic institutions at the SSM level.

In the first half of 2025, in close cooperation with the ECB within the SSM, the Banking Supervision Department continued to exchange and share experiences in implementing Directive (EU) 2024/1619 of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches and environmental, social and governance risks (CRD VI). The two institutions also cooperate in the application of Regulation (EU) 2024/1623 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the capital requirement floor (CRR III).

As part of its microprudential approach, the BNB continued to monitor the financial situation of credit institutions by tracking key risk indicators, with quarterly reports being prepared on the financial state of banks and branches. In applying EBA criteria, supervisors reviewed and assessed banks' Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports submitted by LSIs with a reference date 31 December 2024. Funding plans of banks for 2025–2027 were also analysed along with reviewing and assessing updated recovery plans of LSIs to determine their degree of credibility and to implement the recommendations made by the BNB. Monitoring of the targets set by banks to reduce NPLs in their

strategies and operational plans continued. Reports and draft decisions on the supervisory review and evaluation process (SREP) for less significant institutions with a reference date 31 December 2023 were prepared over the period in accordance with the SSM LSI SREP Methodology, version 2024. The Supervisory Review and Evaluation Process for significant institutions with a reference date 31 December 2024 was completed in the first half of 2025, and preparations of draft SREP reports for LSIs as of 31 December 2024 started.

Over the review period, supervisory inspections were conducted in seven banks (defined as less significant banks) for which the BNB is a directly responsible national competent authority. This included the completion of three inspections launched in previous reporting periods, as well as four new inspections covering credit risk and credit concentration risk on exposures to non-financial corporations. In the first half of 2025, an inspection was conducted at a significant bank subject to direct supervision by the ECB. The inspection was coordinated through a centralised process based on a request from the respective ECB's Joint Supervisory Team, and three-party consultations with the JST and the ECB were held. The scope of this inspection carried out by a BNB team covered operational risk in the part of the outsourcing risk.

To perform the functions of monitoring credit institutions' compliance with the requirements of the Law on Measures against Money Laundering (LMML) and the Law on the Measures against the Financing of Terrorism and Proliferation of Weapons of Mass Destruction (LMFTPWMS), on-site inspections started in early 2025 and were finalised in line with the approved annual plan for three credit institutions: a less significant institution, a foreign bank branch and a significant institution. The focus of these inspections was determined following a risk-based approach and included establishing the fulfilment of banks' obligations in line with LMML requirements for internal organisation and operational control and compliance with due diligence requirements *vis-à-vis* new customers. Two *ad hoc* inspections in two credit institutions were also launched in the first half of 2025 (a LSI and a SI). The first meeting of the Forum on Money Laundering and Terrorist Financing Risks was organised by the BNB and banks (AML Forum) in order to encourage the public-private partnership with banks to examine the risks of money laundering, terrorist financing and proliferation of weapons of mass destruction and the need to maintain effective risk mitigation systems. Amendments to the Law on Real Estate Loans for Consumers (LRELC) of June 2025 allowed the BNB to issue recommendations and orders to put an end to violations of the persons subject to control under this Law, in order to extend possible mechanisms with a view to limiting poor practices, taking into account the extent and gravity of the violation.

Various new supervisory information products were updated and launched to ensure the proper functioning of supervisory processes. On-site inspections to identify the IT risk were planned and implemented, including various technological and organisational areas. The IT audit unit performed IT risk checks in two LSIs, and in one SI, together with the ECB, where a specialised inspection was conducted. Regarding BNB commitments under Regulation (EU) 2022/2554 (DORA), internal responsibilities of the units were structured. All supervised institutions were informed about their obligations stemming from the implementation of this Regulation from 17 January 2025.

Participation in the process of assessing changes in the capital structure of credit institutions, and fit and proper assessments of management and key personnel of banks continued.

In connection with the upcoming introduction in Bulgaria (from the beginning of 2026) of the requirements of CRD VI, BNB experts prepared draft amendments to the Law on Credit Institutions (LCI). They also lay down the requirements applicable to banks and the BNB under Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives in connection with the establishment and functioning of the European single access point. Work started on introducing amendments to a number of BNB ordinances, including to Ordinance No 7 of 24 April 2014 on the Organisation and Risk Management in Banks, Ordinance No 37 of 16 July

2018 on Internal Exposures of Banks. The Banking Supervision Department updated reporting requirements as of 31 March 2025, reflecting amendments to the Reporting Regulation. The Banking Supervision Department organises and coordinates implementation of Article 102 of the LCI and Commission Implementing Regulation (EU) No 650/2014 related to annual public disclosures by supervisors to allow comparison of the approaches adopted by the BNB and the other competent authorities of the Member States.

Regular preparations of an in-depth analysis of systemic risks continued as part of the implementation of the BNB macroprudential mandate. This ensures timely monitoring on structural features of financial intermediation, cyclical risks and emerging trends and dynamics in the banking system's operations. The data set in reporting for macroprudential purposes continued to be upgraded. Quantitative assessment methods are regularly refined in order to deepen the analysis and to justify and support the proposed macroprudential measures by data. The requirements for credit standards in extending and renegotiating loans secured by residential immovable property, introduced as of 1 October 2024, continued to be subject to a periodic analysis. The review in the first half of 2025 showed a positive effect of the requirements on credit institutions' risk appetite, as reflected in a significant decline in new loans secured by residential real estate, with ratios of the indicators at high intervals of distributions, especially in terms of the debt payments to income ratio. The BNB assesses and revises the countercyclical capital buffer rate on a quarterly basis in line with statutory requirements by disclosing information about the decision, the credit-to-GDP ratio and the deviation from the long-term trend, the reference indicator and other information supporting judgements in setting the countercyclical buffer. On 17 March and 19 June 2025, the BNB Governing Council set the countercyclical capital buffer rate applicable to credit risk exposures in the Republic of Bulgaria at 2.0 per cent for the second and third quarters of 2026.

In the first half of 2025, Bulgaria's banking sector maintained its resilient liquid and capital position, with assets further growing. Banks operated amid an increased uncertainty, caused by geopolitical conflicts and new highlights in the US policy, changing foreign trade relations between leading economies and exacerbating financial markets volatility. At the same time, bank intermediation benefited from domestic environment factors, such as the moderate pace of economic activity supported by private consumption growth, and increases in household income and employment. Against this background, credit growth rates remained robust, especially in loans to households. The quality of banking system's credit portfolio remained very good. Regulatory capital increased and the potential residual credit risk in bank balance sheets (measured by net non-performing loans and advances) remained entirely covered by the excess of regulatory capital over capital requirements and applicable capital buffers.

BNB Activities as a Resolution Authority for Credit Institutions

The Law on the Recovery and Resolution of Credit Institutions and Investment Firms (LRRCIIF) tasks the Bulgarian National Bank with resolution of credit institutions and other legal entities, which are subject to supervision or consolidated supervision by the central bank. The BNB performs its function of a resolution authority within the framework of the Single Resolution Mechanism (SRM) and in close cooperation with the Single Resolution Board (SRB). The BNB as a resolution authority has carried out full day-to-day management of the Banks Resolution Fund (BRF). In the first half of 2025, the BNB activity as a resolution authority and national resolution authority continued to be focused primarily on preparing, reviewing and updating resolution plans of credit institutions and monitoring the implementation of target levels of minimum requirements for own funds and eligible liabilities (MREL). In line with procedural commitments of the BNB within the SRM, 2024 updated resolution plans of credit institutions falling within the scope of BNB's direct powers were submitted to the SRB for opinion. As the resolution authority of a credit institution that is part of an EU cross-border group, the BNB and the members of the resolution college approved joint decisions on

the 2024 group resolution plan and MREL on an individual basis for a subsidiary bank in Bulgaria. In reviewing and updating resolution plans of the four credit institutions within the direct remit of the SRB, the BNB Governing Council adopted positions on SRB decision-voting concerning the approval of joint decisions on 2024 resolution plans of two cross-border groups with subsidiaries licensed in Bulgaria, and on setting MREL for resolution entities and their subsidiary banks within the remit of the SRB. The BNB Governing Council agreed also on voting draft decisions of the SRB concerning a resolution plan and a MREL for a cross-border group with a subsidiary bank licensed in Bulgaria and part of a cross-border group with a parent undertaking outside the SRM. Under the BRF governance function, on 17 April 2025, the BNB Governing Council adopted BRF's annual financial statements for 2024. It also maintained the investment strategy applied in relation to BRF financial means, and they continued to be held on current accounts with the BNB. In line with allocation of powers between the SRB and the BNB, the BNB Governing Council determined in April the 2025 annual contributions of branches of third-country credit institutions to the BRF at a total of BGN 130 thousand. As of 30 June 2025, accumulated funds in the sub-fund established to raise contributions by branches of third-country credit institutions were BGN 1175 thousand. Within the procedure for determining individual *ex ante* contributions to the SRF for 2025, the SRB verified whether the SRF target level has been reached, and a press release was published on 10 February 2025 on compliance with the SRF target level as of 31 December 2024 and the intention not to collect regular annual contributions to the SRF in 2025. In April 2025, following a notification by the SRB of a decision on calculating adjustments to individual *ex-ante* annual contributions, including of one credit institution licensed in Bulgaria, which submitted corrective data for 2023, the BNB Governing Council decided to adjust the amount of financial means in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF, deducted from the liabilities of this credit institution for 2023 *ex-ante* contributions and a recovery of BGN 33 thousand to the earmarked sub-fund. Recovered funds can be used in accordance with § 56, paragraph 2 of the Transitional and Final Provisions of the Law on the Amendment to the LRRCIIF. As of 30 June 2025, funds in the earmarked BRF sub-fund established to raise and transfer contributions of credit institutions to the SRF were BGN 482,830 thousand.

Participation in the ESCB and EU Institutions and Bodies

By participating in the committees and working groups to the European System of Central Banks (ESCB), the European Commission, the EU Council, the European Systemic Risk Board, the European Banking Authority, and the national Council for European Affairs, the BNB contributed to formulating Bulgarian standpoints in the area of economic governance and the financial sector and in discussing other central bank issues. EU bodies and institutions's activities in the first half of 2025 focused on strengthening the Union's financial system, enhancing the resilience of the European banking sector and its capacity to manage crises, as well as on harmonising the rules on payment services market functioning. In the Council of the EU, work has started on implementing the strategy presented by the EC to reduce the regulatory burden and prioritise delegated powers to regulate more effectively and stimulate economic growth. BNB representatives participated actively in discussions on amendments of the EU regulatory framework for the banking sector and contributed to the drafting and coordinating national positions on relevant legislative proposals.

Statistics

In the first half of 2025, the BNB continued to collect, process, analyse and disseminate the official monetary and interest statistics, external sector statistics, statistics of quarterly financial accounts of all institutional sectors, statistics of non-bank financial institutions, including leasing companies and investment funds, specialised lenders and insurance and reinsurance undertakings.

Work continued on the development of the BNB Integrated Information System, which will ensure optimisation and integration of information flows, and a single data entry point for statistics, supervisory reporting and bank resolution reporting, cash operations and technical support of Eurosystem's monetary policy implementation. Reporting forms and processes for providing information for the Register of Persons, Institutions and Affiliates and for AnaCredit were tested and approved in cooperation with the working group with the Association of Banks in Bulgaria and banks. Work has also started with other relevant institutions. Other statistical information systems – the Integrated Statistical Information System and the Information System for Monetary and Interest Rate Statistics – continued to be developed to implement all reporting requirements for joining the euro area.

In the field of statistics, the BNB continued cooperating with the Ministry of Finance, national and international statistical authorities and central banks.

The Fiscal Agent and State Depository Function

Acting as fiscal agent and depository, the BNB maintains, develops and improves electronic systems for budget and fiscal reserve information servicing, bond sale auctions, settlement and securities trade servicing and keeps the Register of Special Pledges.

The Central Credit Register and the Register of Bank Accounts and Safe Deposit Boxes

The BNB keeps an information system (IS) on customer debt to banks, financial institutions, payment institutions and electronic money institutions extending loans under Article 21 of the Law on Payment Services and Payment Systems and operating in Bulgaria, as well as to investors granting project loans through a crowdfunding service provider, excluding foreign providers conducting activities directly in Bulgaria, and to credit purchasers under Article 7 of the Law on Credit Servicers and Credit Purchasers that acquire claims on non-performing loans extended by credit institutions (pursuant to Article 56, paragraph 1 of the LCI).

As of 30 June 2025, the CCR listed 7210 thousand of loans, with their balance sheet value amounting to BGN 138,350 million. Borrowers numbered 2641 thousand, of whom 2454 thousand of individuals, 111 thousand of legal entities, 75 thousand of non-residents not registered at Bulgarian addresses or BULSTAT/PIK coded, and one thousand of self-employed persons practising liberal professions or crafts.

A total of 4230 thousand of persons were consulted in the CRC information system by the institutions and bodies with the right of access under Article 56, paragraphs 1 and 3. The average number of persons checked *per* month was 705 thousand. There were 14,670 paper applications for CCR statements: 14,306 by natural persons (of whom 2200 foreign citizens, or 15 per cent of all natural persons), 360 by legal entities, and 4 under Article 21a of Ordinance No 22 on the CCR for obtaining information under Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC. Over the period, 4569 natural persons obtained electronic statements on CCR information.

The BNB maintains an electronic information system on bank and international bank account numbers (IBAN) kept by banks, payment institutions and electronic money institutions, holders and attorneys, beneficial owners of the account holders, data on account preservation orders, bank deposit box holders and attorneys: The Register of Bank Accounts and Safe Deposit Boxes (RBASDB).

As of 30 June 2025, the RBASDB logged 15.323 million of bank accounts, 1.146 million of payment accounts, kept by payment institutions and electronic money institutions, and 37.174 thousand of safe deposit box hires, including records of 1.419 million of new accounts, 1.141 million of closed accounts and 3.412 million of account preservation orders.

Bodies and institutions entitled to access to the RBASDB's information system under Article 56a, paragraph 3 of the LCI conducted searches on 424,439 individuals, with the

average number *per* month reaching 70,740. There were 2804 paper requests, of which 2701 by natural persons and 103 by legal entities, and two statements under Article 12a of Ordinance No 12 for obtaining information pursuant to Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016. Over the same period, 717 natural persons obtained electronic statements.

Research

Economic research and projections support the Bank's management in making decisions and delivering economic policy stance. Under the BNB Research Plan for 2025–2026, work was focused on ECB's monetary policy transmission to the Bulgarian economy; developing models for short-term monthly inflation forecasting in Bulgaria; developing a semi-structural model for the Bulgarian economy; analysis of fiscal multipliers for Bulgaria and developing forecasting models of autonomous factors in the BNB balance sheet after its accession to the Eurosystem, including banknotes in circulation, government deposits, net assets denominated in foreign currencies, and gold. BNB macroeconomic models continued to be refined and analytical tools were developed to monitor and analyse economic and monetary developments in the euro area along with the work on adapting the existing and building new macroeconometric models to be used for producing Eurosystem-wide forecast data for the Bulgarian economy. As part of the BNB Discussion Papers, a study on *The Impact of Labour Costs on Prices in Bulgaria* by Daniel Kasabov was published, and two studies were sent by the BNB Research and Publication Council for a peer review.

Human Resource Management

In the first half of 2025, the main priorities in human resource management at the BNB focused again on provision of competitive working conditions and a favourable working environment for the effective implementation of the Bank's objectives, functions and tasks. These activities involved attracting and selecting highly qualified candidates, as well as training and retaining employees by providing professional and career development opportunities and applying an incentive pay system. Over the review period, 26 employees joined the BNB, and 25 left, seven of whom due to retirement. Employees numbered 960 by end-June.

BNB Internal Audit

BNB internal audit conforms to the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics of Internal Auditors, ESCB Internal Auditor Committee Rules and Internal Auditor Rules approved by the BNB Governing Council. The review period saw five audits: four under the annual Internal Audit Directorate Programme approved by the BNB Governing Council, and one under the ESCB Annual Internal Auditors Committee Programme.

BNB Budget Implementation in the First Half of 2025

The BNB budget ensures performance of Bank's functions and tasks. In the first half of 2025, the BNB operating expenditure was BGN 79,756 thousand, or 21.7 per cent of approved annual budget, including currency circulation costs of BGN 12,115 thousand. Bank investments were BGN 3618 thousand, or 5.6 per cent of annual budget under this item. Bank's investment programme expenditure involves implementation of interconnected actions depending directly on starting and completing those of the previous period. At the time of preparing the Report, some of procurement procedures were in preparation or underway, and thus planned funds remained unused in the half year. Over the reporting period, the BNB continued to actively work on issues related to the introduction of the euro in Bulgaria, with this expenditure having an indirect effect on the overall implementation of the 2025 Bank budget. Consolidated financial statements present the Bank's financial position as of 30 June 2025.

I. Economic Development in the First Half of 2025

The External Environment

In the first six months of 2025, global economic activity grew by 2.8 per cent on an annual basis¹. Over the review period, the growth rate slowed down in developed market economies and stabilised in emerging markets. The change in US foreign trade policy *vis-à-vis* their main trading partners was a major factor influencing global economic activity dynamics. This change consisted mainly of an increase in import tariffs and led to volatility in global trade, as well as in net exports and inventories of major economies. The reported growth in global industrial production and global trade for the period under review amounted to 2.0 per cent and 5.0 per cent respectively on an annual basis.²

Annual real GDP growth in the United States decelerated to 2.0 per cent from 2.6 per cent in the second half of 2024. The main factors behind the slowdown were the gradual cooling of the labour market, contributing also to the moderation in private consumption growth, and the increased uncertainty in the economy caused by changes in US foreign trade policy.

Real GDP growth in China accelerated to 5.3 per cent on an annual basis from 5.0 per cent in the second half of 2024. Domestic demand continued to support economic activity underpinned by government measures aimed at boosting private consumption. Foreign demand picked up owing to an increase in export orders prior to the introduction of higher import tariffs on Chinese goods in the United States. At the same time, the trend towards stabilisation in the real estate market continued, although the structural problems in the residential construction sector in China persisted, limiting domestic demand.

Euro area annual real GDP growth accelerated to 1.5 per cent in the first half of 2025, from 1.1 per cent in the second half of 2024. By final consumption expenditure component, investment and inventories contributed most significantly to the acceleration of economic activity, while net exports made a negative contribution to growth. Economic activity in the services sector slowed down, whereas in the industrial sector the economic activity continued to decline, with a trend towards some recovery. In Germany and Italy, which are Bulgaria's main trading partners, real GDP accelerated to 0.2 and 0.6 per cent on an annual basis.

Major Macroeconomic Indicators

(per cent, non-seasonally adjusted data)

	Real GDP growth rate				Inflation (end of period)				Unemployment rate (average for period)			
	2023	2024	2025		2023	2024	2025		2023	2024	2025	
			I	II			I	II			I	II
The United States	2.9	2.8	2.0	2.1	2.8	2.7	2.4	2.6	3.6	4.0	4.1	4.2
China	5.4	5.0	5.4	5.2	-0.3	0.1	-0.1	0.1	5.2	5.1	5.3	5.0
Europe												
EU	0.4	1.0	1.7	1.6	3.4	2.7	2.5	2.3	6.1	6.0	6.0	6.0
Euro area	0.4	0.9	1.6	1.5	2.9	2.4	2.2	2.0	6.6	6.4	6.3	6.3
United Kingdom	0.3	1.1	1.7	1.4	4.2	3.5	3.4	4.1	4.0	4.3	4.3	4.2

Notes: The EU group consists of 27 Member States of the European Union. Annual non-seasonally adjusted data on unemployment, except for the United Kingdom. Quarterly unemployment rate data are seasonally adjusted. Inflation in China, EU and the euro area is calculated based on CPIs. US inflation is measured by the personal consumption expenditure price index and that in the United Kingdom by a consumer price index including owner-occupiers' housing costs. Data as of 9 October 2025 are used.

Sources: Eurostat, Bureau of Economic Analysis (the USA), Bureau of Labor Statistics (the USA), Office of National Statistics (the UK), the National Bureau of Statistics of China, BNB computations.

¹ Based on the World Bank data as of 15 September 2025.

² CPB Netherlands Bureau for Economic Policy Analysis data as of 23 September 2025.

During the reporting period, the euro area labour market reported a continuing trend towards slowing employment growth, which started in 2022. At the same time, unemployment stabilised at a historically low level, averaging 6.3 per cent, the same as in the second half of 2024.

In first half of 2025, the average Brent crude oil price declined on an annual basis in both US dollars (by 14.6 per cent) and euro (by 15.2 per cent). The fall in oil prices over the review period was mainly driven by a substantial easing of OPEC+ production restrictions, as well as the almost complete removal of the unilateral restrictions introduced by leading exporters in the group. Increased uncertainty about crude oil demand stemming from the changes in the US foreign trade policy also exerted further downward pressure on the price. Over the review period, metal prices remained broadly unchanged on an annual basis, while food prices retained their downward trend, which started in 2023. Developments in metals were heterogeneous, mainly driven by idiosyncratic factors related to individual raw materials, as well as planned additional tariffs on imports of certain metals in the United States. The decrease in food prices was mainly due to the lowering fuel prices over the period, as well as to specific factors related to climatic and production conditions.

Annual global inflation accelerated in the first six months of 2025, reaching 3.4 per cent in June from 2.9 per cent at the end of 2024. The increased global inflation was mainly driven by the higher growth of consumer prices in developing countries, while inflation stabilised in developed markets.

In the first half of 2025, annual US inflation rate measured by the personal consumption expenditure price index did not change significantly, remaining above the target of 2.0 per cent set by the Federal Open Market Committee (FOMC). In June, annual inflation slowed down slightly to 2.6 per cent, from 2.7 per cent at the end of 2024. The decline in inflation was mainly due to lower prices of transport fuels and some financial services. Core inflation in the country (excluding food and energy products) also slowed down slightly to 2.8 per cent in June, from 3.0 per cent at the end of 2024, with the price decrease in some services partially offset by higher prices of durable goods due to higher import duties in the US.

Euro area annual consumer price inflation moderated over this period, reaching 2.0 per cent in June compared to 2.4 per cent at the end of 2024. Concurrently, core inflation (excluding food, energy, alcohol and tobacco products) went down to 2.3 per cent in June 2024, from 2.7 per cent in December 2024. Lower prices of transport fuels, electricity and lower inflation in some services contributed most to the decline in euro area annual inflation.

In view of the high uncertainty in consumer prices and the labour market stemming from changes in US foreign trade, fiscal, immigration and regulatory policies, the Federal Reserve System kept the federal funds rate unchanged during the first half of the year. At the same time, the Governing Council of the ECB reduced its key interest rates by a total of 100 basis points in the first half of 2025 as a result of more favourable projections of declining inflation in the euro area to the ECB's target³.

The Bulgarian Economy

In the first half of 2025, annual real GDP growth in Bulgaria accelerated to 3.2 per cent, compared to 2.1 per cent as reported in the first half of 2024.⁴ By final consumption expenditure component, the acceleration was driven by the strong growth in domestic demand (9.3 per cent on an annual basis), which was supported by employment growth and higher labour income in real terms. Fiscal policy continued to exert a pro-cyclical effect and stimulated domestic demand both through government consumption and indirectly through higher expenditure on wages and social payments. Concurrently, economic activity growth was constrained by the increasing negative contribution of net exports and the emerging negative contribution of changes in inventories. The international environment had a limiting effect on real GDP growth in Bulgaria as a result of subdued dynamics

³ For more information, see Central Banks' Policies section of Chapter II.

⁴ According to non-seasonally adjusted GDP data. The analysis in this section is based on NSI national accounts preliminary data published on 5 September 2025.

of external demand for Bulgarian goods and services, which, combined with repairs in export-oriented enterprises, was instrumental in the higher negative contribution of net exports compared with the first half of 2024. Inventories dynamics in the first half of 2025 partly reflected the normalisation of firms' policy on the maintained stock of raw materials and finished products after their targeted accumulation at the end of 2024.⁵

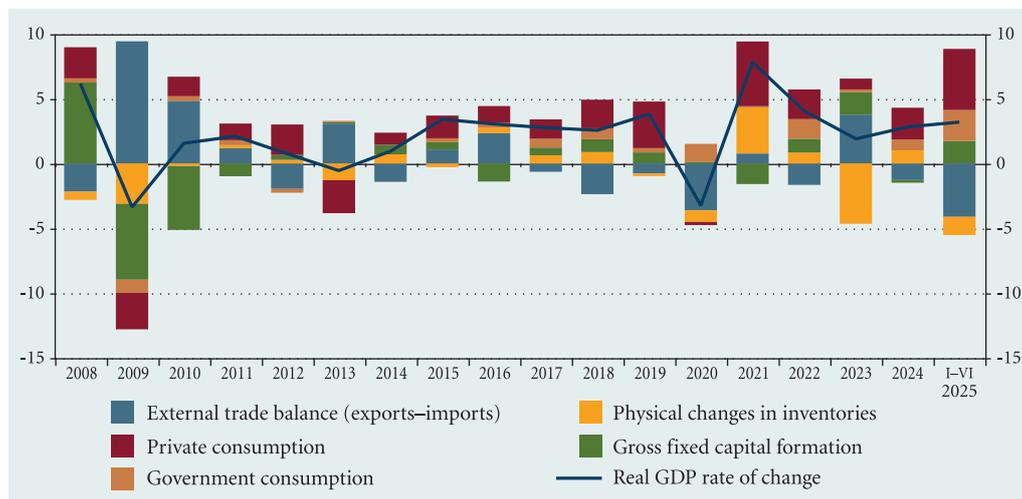
In the first six months of 2025, private consumption rose by 8.0 per cent on an annual basis in real terms, supported by employment and labour income growth, higher social payments by government and lending activity. In terms of household final consumption expenditure structure, growth was recorded in both expenditure on services, non-durable and semi-durable goods, as well as in expenditure on durable goods.

Fixed capital investment recorded real growth of 11.1 per cent on an annual basis over the first half year, which, according to BNB estimates⁶, was driven by both private and public sectors. Factors favouring growth of investment activity in the non-government sector over the period were the increased final consumption expenditure in the economy, (implying the need to boost production) and active supply of credit resources by banks. Data on the implementation of the Consolidated Fiscal Programme (CFP) indicate that government investment over the half-year was mainly supported by the implementation of nationally funded projects and, to a lesser extent, by EU-funded ones.

In the first half of 2025, government consumption rose by 12.0 per cent in real terms compared with the same period of the previous year. Data on general government sector⁷ for the first quarter of 2025 and monthly data on CFP implementation for the second quarter show that expenditure on compensation of employees in the public sector and on healthcare contributed most to the increase in government consumption in nominal terms. According to CFP data, staff expenditure in the first half of 2025 rose by 20.3 per cent on an annual basis, which is a prerequisite for significantly higher growth in the government consumption deflator than that reported in NSI data and would be reflected in lower government consumption growth in real terms.

GDP Change in Real Terms and Contribution by Component of Final Use

(per cent, percentage points on corresponding period of prior year, non-seasonally adjusted data)



Sources: NSI, BNB calculations.

⁵ Between January and June 2025, the contribution of changes in inventories to annual real GDP growth was negative at -1.4 percentage points, compared with a positive contribution of 1.4 percentage points in the second half of 2024.

⁶ The NSI does not provide official data on the breakdown of total investments into private and public investments in the economy. The series on private investments is constructed by the BNB as a difference between total investment and the estimated amount of public investments on an accrual basis in real terms. The amount of public investment for the first half of 2025 is based on quarterly non-financial accounts data of the general government sector published by the NSI, while the estimate of public investment for the second quarter of 2025 is based on the Consolidated fiscal programme (CFP) data for that period.

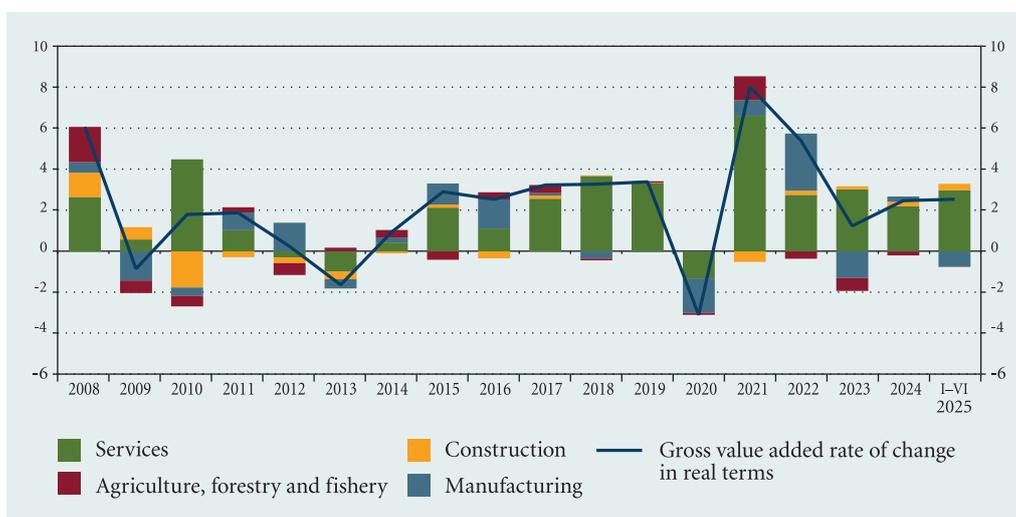
⁷ At the time of preparation of this analysis, quarterly non-financial accounts data of the general government sector are available up to and including the first quarter of 2025.

Net exports made a negative contribution to the change in real GDP in the first half of 2025, driven by the decline in exports of goods and services (by -4.4 per cent) compared to the growth in imports by 2.4 per cent. The dynamics of total imports was in line with the rise in domestic demand components and their import content. Exports of goods and services were constrained by the comparatively low growth of external demand for Bulgarian goods and services⁸. Concurrently, petroleum products and non-ferrous metals contributed to the reported decline in exports of goods as a result of repairs in key Bulgarian enterprises in oil refining and metallurgy.

In the first half of 2025, gross value added of the total economy rose by 2.6 per cent in real terms on an annual basis, reflecting entirely the contribution of the services sector (3.0 percentage points). Value added growth in services was comprehensive across sub-sectors. The industry sector had a low negative contribution to economic activity growth (-0.4 percentage points), driven by manufacturing⁹, while value added in construction rose.

Gross Value Added Change in Real Terms and Contribution by Industry

(per cent, percentage points on corresponding period of previous year, non-seasonally adjusted data)



Sources: NSI, BNB calculations.

Labour market conditions remained very tight in the first half of 2025. The number of employees rose by 2.5 per cent year on year, this growth reflecting the largest contribution of the services sector, in particular the wholesale and retail trade, repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities sub-sector. Employment in construction also increased, while it declined in agriculture and manufacturing. Concurrently, the economic activity rate of the age group 15 and older decreased to 55.1 per cent in the first half of 2025 compared to 55.5 per cent in the corresponding period of 2024 (73.5 per cent in the 15–64 age group against 74 per cent in the first six months of 2024), mainly due to an increase in the number of people unwilling to work for personal or family reasons, and according to the age structure these were 15–24 years old. According to Labour Force Survey data¹⁰, the unemployment rate fell to 3.8 per cent on average for the first six months of 2025 (4.7 per cent in the corresponding period of 2024), with all age groups contributing to this effect. Employment Agency data also registered downward dynamics, with registered unemployment declining to 5.4 per cent on average for the first half year (5.7 per cent in the first six months of 2024).

Labour productivity¹¹ in the total economy rose by 0.6 per cent on an annual basis in the first half-year of 2025, but divergent developments were observed by sector. Labour

⁸ ECB estimates of the external demand for Bulgarian goods and services of June 2025 are used.

⁹ It should read mining and quarrying, manufacturing and production and distribution of electricity, heating, and gaseous fuels; water supply, sewerage, waste management and remediation activities under A10 breakdown of economic activities.

¹⁰ Labour Force Survey data refer to the age group 15 and over.

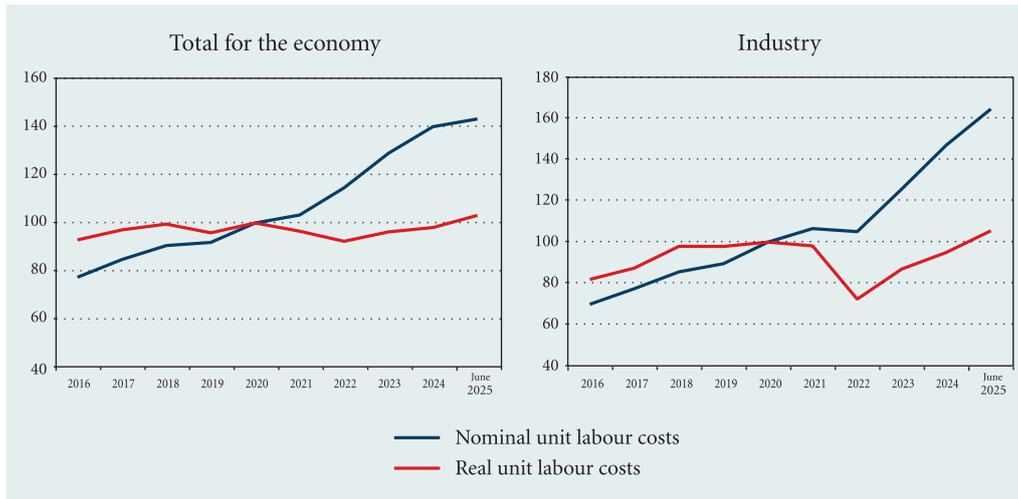
¹¹ Real GDP measures labour productivity in the total economy. Sector labour productivity is calculated based on sector value added in real terms.

productivity in agriculture and construction increased, while a decline was reported in manufacturing and services.

In the first six months of 2025, compensation *per* employee in nominal terms rose by 14.6 per cent on an annual basis from 13.5 per cent in the corresponding period of 2024. The growth acceleration reflected high labour shortages in Bulgaria¹², economic activity growth, minimum wage rises since the start of the year and high public sector wage growth. In real terms¹³, the growth rate of compensation *per* employee came to 10.9 per cent on an annual basis.

Unit Labour Costs

(moving average, 2015 = 100)



Note: Data for June 2025 cover the last four quarters up to and including the second quarter of 2025.

Sources: NSI, BNB calculations.

The strong rise in compensation *per* employee was translated in an increase in unit labour costs of 13.9 per cent on an annual basis for the first six months of 2025 (compared to 12.5 per cent in the same period of the previous year). In real terms, unit labour costs for the total economy grew by 9.8 per cent on an annual basis, with the largest increase reported in real estate activities sub-sector (30.3 per cent).

The gross operating surplus at current prices in the total economy fell by 6.3 per cent on an annual basis for the first six months of the year (compared to a 3.5 per cent growth in the same period of 2024). This was driven by all major economic sectors, with the services sector making the highest negative contribution (-5.3 percentage points).

In the first half of 2025, the GDP deflator picked up by 3.8 per cent year on year (compared to growth of 7.5 per cent in the same period of 2024). A breakdown by final consumption expenditure shows that by sub-component all deflators rose. Concurrently, the growth of private consumption, government consumption and fixed capital investment deflators slowed down from the corresponding period of the previous year. The deflator of exports of goods and services grew by 2.6 per cent on an annual basis compared to 0.6 per cent growth of imports, which allowed for the emergence of favourable terms of trade for the Bulgarian economy.

Annual inflation measured by the Harmonised Index of Consumer Prices accelerated during the first half of 2025, reaching 3.1 per cent in June (2.1 per cent in December 2024). The upward trend of inflation was strongly supported by the restored standard VAT rate of 20 per cent on the supply of bread and flour and on restaurant and catering services, which came into force in early 2025, as well as increases in some administratively controlled prices. In June 2025, food and services made the largest positive contribution to the annual

¹² According to NSI's business situation survey data.

¹³ Real compensation *per* employee is obtained after the nominal compensation *per* employee is deflated by the Harmonised Index of Consumer Prices (HICP).

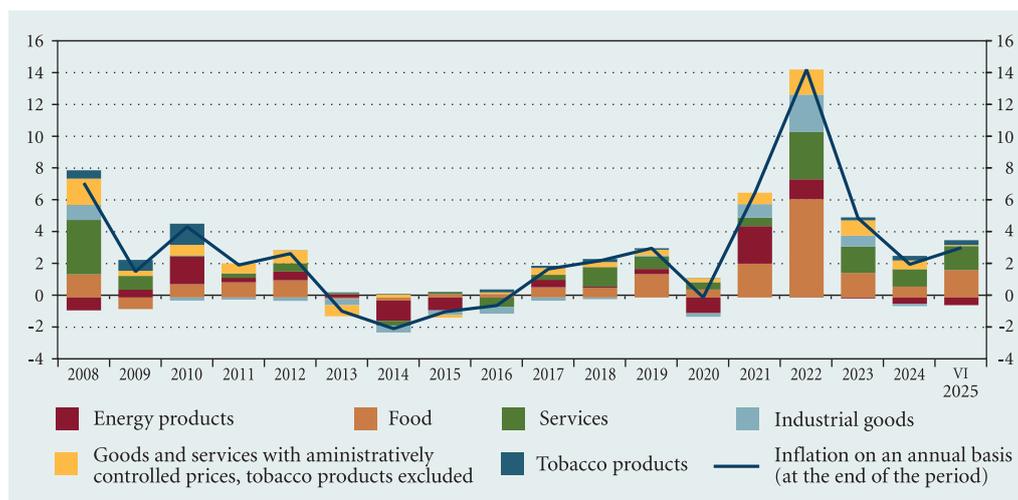
inflation, while the group of goods and services with administratively controlled prices and tobacco products contributed comparatively less. As regards the internal macroeconomic environment, high growth in unit labour costs exerted pro-inflationary pressures which contributed to the increase in firms' production costs, with strong private consumption constituting a prerequisite for this expenditure to be passed on to final consumer prices. Fiscal policy also continued to have a pro-inflationary effect. Strong growth in the compensation of employees in the public sector, as well as rises in the minimum wage and social benefits, which contributed to the increase in household disposable income and stimulated private consumption, were the main driver behind this. An additional factor supporting private consumption was the continued high credit activity in the banking sector. As a result, the upward trend in new consumer credit volumes remained in the first half of 2025.

Food inflation was 7.2 per cent in June 2025 (from 2.7 per cent at the end of 2024), reflecting the accelerated rate of processed food price rises and, to a lesser extent, the acceleration in unprocessed food prices. In June 2025, bread and cereals sub-group had the largest positive contribution to annual processed food inflation. The standard VAT rate for the supply of bread and flour which was restored in January 2025 was the main driver behind the price rises in this group. Other sub-groups with a significant contribution to the growth of final consumer prices in the group of processed food were 'sugar and sugar products', 'milk, dairy products and eggs' and 'coffee, tea and cocoa', with price developments being in line with higher import prices of these products, as well as growth in domestic producer prices. Fruits contributed most to accelerating inflation in the group of unprocessed food, most likely due to high import prices and weaker harvest in Bulgaria¹⁴ in 2025.

In the first six months of the year, core inflation¹⁵ also exhibited an acceleration trend, reaching 3.1 per cent in June 2025 (from 2.1 per cent in December 2024). The upward dynamics of core inflation was mainly driven by the group of services, where wage growth in the economy and strong private consumption continued to have a pro-inflationary effect. The catering sub-group, where prices were significantly affected by the restoration of the standard VAT rate of 20 per cent for restaurant and catering services, had the highest positive contribution to the acceleration in services inflation compared to the end of 2024, followed by the telecommunication services sub-group.

Annual Inflation Rate and Contributions by Major Group of Goods and Services

(per cent, percentage points)



Note: The index of goods and services with administratively controlled prices is calculated by weighing the relevant elementary aggregates in the consumer basket.

Sources: NSI, BNB calculations.

¹⁴ Data as of September 2025 of the Ministry of Agriculture for the production of main fruits and vegetables in Bulgaria are used.

¹⁵ Core inflation includes the sub-groups of HICP services and non-food goods and excludes the sub-groups of food, energy products, goods and services with administratively controlled prices, and tobacco products.

The price index in the group of goods and services with administratively controlled prices and tobacco products posted an increase of 1.6 per cent on an annual basis at the end of the reporting period. Hospital services contributed most to the slowdown in inflation in this group compared to December 2024 (3.9 per cent).¹⁶ Concurrently, electricity¹⁷ and pharmaceuticals¹⁸ groups contributed more significantly compared to end-2024.

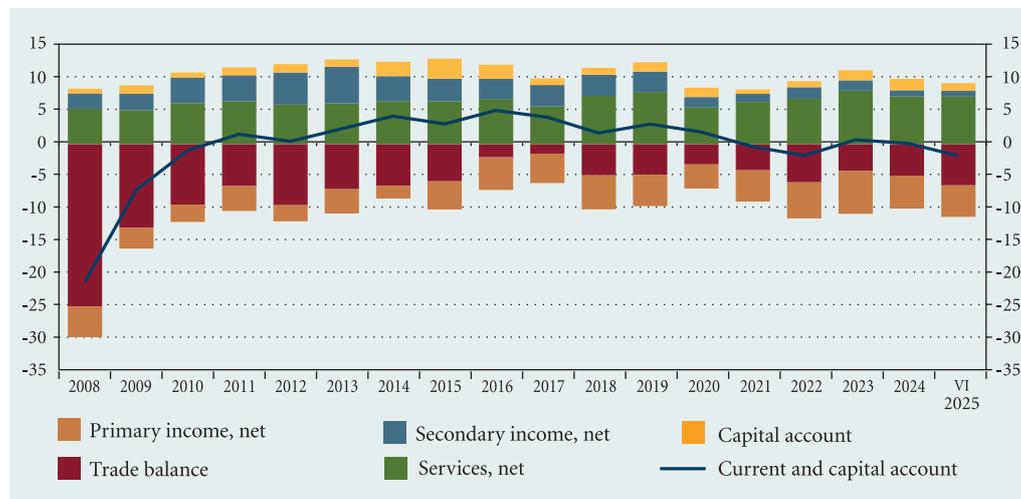
In June 2025, deflation was reported in energy products amounting to -6.8 per cent (compared to deflation of -5.6 per cent at the end of 2024). The stronger fall in prices was driven by lower transport fuel prices, reflecting the drop in international crude oil prices.

In the first half of 2025, Bulgaria's current and capital account balance was negative at EUR 2.0 billion (against a surplus of EUR 0.1 billion in the same period of 2024). The increase in the trade balance deficit was the main factor behind the formation of negative balance. Concurrently, the capital account surplus fell from EUR 960 million in the first half of 2024 to EUR 436 million in the first half of 2025, mainly as a result of lower incoming capital transfers to the general government sector.

The increased trade balance deficit reflected the reported decline in exports of goods by 5.3 per cent in real terms on an annual basis and the rise in real imports of goods by 2.9 per cent¹⁹, the favourable terms of trade²⁰ for the country only partially limiting the expansion of the trade deficit. According to detailed data by commodity group of foreign trade statistics²¹, the decline in exports of goods in nominal terms was driven by the groups of petroleum products and non-ferrous metals as a result of repair activities in key Bulgarian enterprises in the area of oil refining and metallurgy. In the first half of 2025, nominal imports of goods posted growth in most of the commodity groups.

Current and Capital Account Flow Dynamics and Contribution by Components

(per cent of GDP)



Notes: June 2025 data on the current and capital account flows are accumulated for the last 12 months. Nominal GDP data for the last four quarters up to the second quarter of 2025 are used in calculating the financial account flows to GDP ratios for June 2025.

Sources: BNB, NSI, BNB calculations.

¹⁶ By Decree No 28 of 16 April 2025 on the implementation of the State Budget of the Republic of Bulgaria for 2025, published in the Darjaven Vestnik No 33 of 17 April 2025, the hospital stay charge was lowered from BGN 5.80 to BGN 1.00.

¹⁷ The electricity price increase for household consumers came into force on 1 January 2025, which on average for the country amounts to 8.42 per cent (see EWRC decision).

¹⁸ Medicines included in the so-called positive drug list posted the strongest price rise. These are medicines whose prices are set administratively by the National Council on Prices and Reimbursement of Medicinal Products on the basis of the lowest producer price in the European Union and a percentage surcharge.

¹⁹ Non-seasonally adjusted national account GDP data.

²⁰ Favourable terms of trade in the first half of the year resulted in year-on-year higher growth in export prices of goods, compared to that in import prices of goods according to non-seasonally adjusted GDP national accounts data.

²¹ NSI data on imports and exports by commodity group in nominal terms based on the Standard International Trade Classification (SITC) have been used.

The surplus on the net services item in the period January–June 2025 rose from the same period of 2024, with services exports increasing by 3.6 per cent on an annual basis in nominal terms, while imports of services grew by 1.5 per cent. Revenue from visits of non-residents in Bulgaria and, to a lesser extent, revenue from exports of computer and information services contributed most to the nominal growth of exports. Concurrently, the increase in nominal imports of services was mainly attributable to higher expenditure of Bulgarian residents on travel abroad.

In the first half of 2025, the deficit on net primary income item shrunk slightly from the same period of 2024 owing to higher inflows related to compensation of employees and other primary income sub-items. The surplus on net secondary income also registered a minor decline on an annual basis.

Reflecting the above developments in individual items, as of June 2025 total current and capital account balance for the last 12 months recorded a deficit of 1.8 per cent of GDP (compared to a surplus of 0.1 per cent of GDP for 2024).

Between January and June 2025, the balance on the financial account came to a deficit of EUR 700 million compared to a surplus of EUR 4.1 billion in the corresponding period of last year. The formation of the negative financial account balance was mainly attributable to transactions in debt securities in portfolio investment, where a strong increase in new liabilities assumed by general government was recorded. At the same time, the increase in foreign assets of banks and other financial corporations was considerably weaker compared to the first half of 2024.

Preliminary balance of payments data for the first six months of 2025 show that direct investment liabilities (reporting foreign direct investment in Bulgaria) grew by 19.9 per cent on the same period of 2024, mainly driven by higher levels of reinvested earnings in non-financial corporations held by non-residents. In June 2025, Bulgaria's foreign direct investment²² came to 60.4 per cent of GDP (61.3 per cent of GDP in December 2024).

As a result of net current, capital and financial account flows, BNB international reserves decreased by EUR 1.5 billion between January and June 2025, according to balance of payments data (valuation adjustments and revaluations excluded). After taking into account changes in international reserves on the BNB Issue Department balance sheet, including valuation adjustments and price revaluations, as of June 2025 they fell by EUR 1.3 billion from the end of 2024, with lower liabilities to banks and, to a lesser extent, the decline in currency in circulation contributing most to this.

At the end of June 2025, Bulgaria's gross external debt increased by EUR 3.3 billion from the end of 2024 to EUR 53.1 billion (49.6 per cent of GDP)²³. The general government sector contributed most to this growth due to debt issued on international capital markets, while the increase in banking sector external liabilities had a relatively lesser impact.

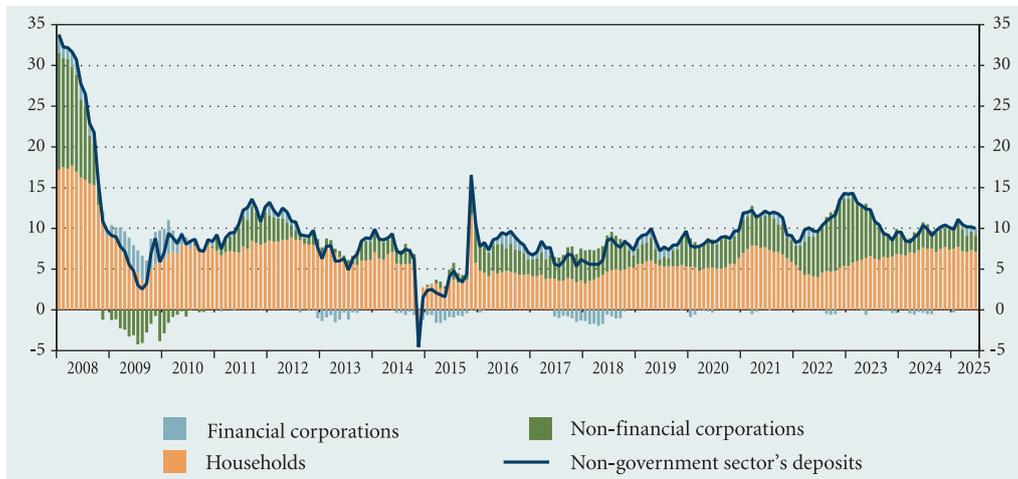
In the first half of 2025, the annual growth in non-government sector's deposits in the banking system remained relatively high, standing at 10.0 per cent as of end-June. Household deposits, which went up by 11.2 per cent on an annual basis at the end of the review period, remained the largest contributor to total deposit growth. Major factors that supported household deposit growth included increasing labour income and households' persistent preferences to maintain some of their free funds mainly in the form of deposits in the banking system. Non-financial corporations' deposit growth slowed down to 6.1 per cent on an annual basis (7.0 per cent in December 2024).

²² Bulgaria's international investment position data are used.

²³ Nominal GDP data for the last four quarters, including the second quarter of 2025, are used in calculating the GDP ratio as of June 2025.

Annual Growth of Non-government Sector's Deposits and Contribution by Sector

(per cent, percentage points)



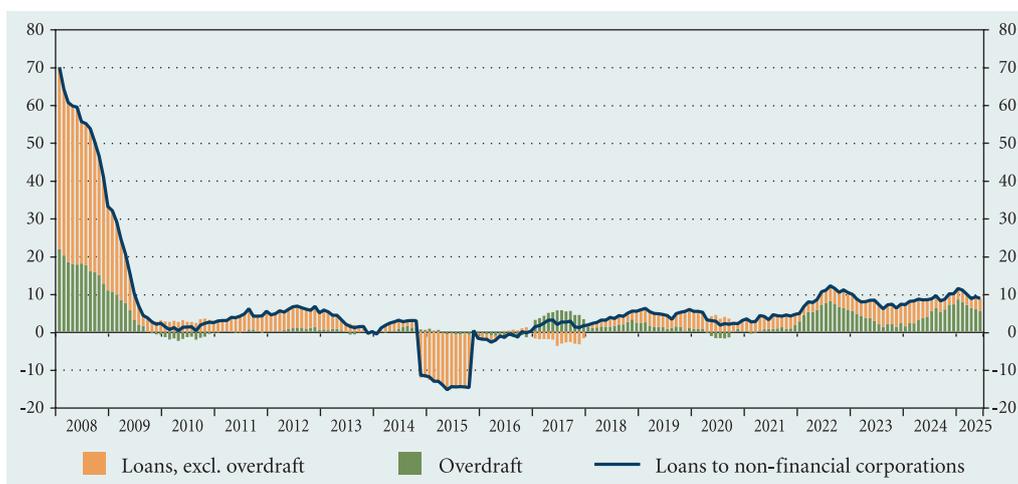
Note: The annual growth rate of non-government sector's deposits in November 2015 reflects the exhausted base effect of KTB removal as a reporting unit from the monetary statistics in November 2014. The latest available observation is for June 2025.

Source: BNB.

In the first half of 2025, the annual growth rate of credit to households remained close to that reported at the end of 2024, reaching 20.8 per cent in June. Housing loans remained the largest contributor to total growth of credit to households, their annual growth rate amounting for 26.8 per cent (26.3 per cent in December 2024). Annual growth of consumer loans tended to slow down slightly reaching 14.0 per cent (14.9 per cent in December 2024). Rising labour income, as well as the persistence of historically very low interest rates on housing loans, were the main factors behind the demand for loans by households. The limited possibilities for investing savings accumulated in the economy amid negative real interest rates on deposits were another demand-side factor. Concurrently, on the supply side, household credit growth continued to be underpinned by ample liquidity in the banking system and sound capital position of banks. In addition, the upward trend in residential property prices was a prerequisite for increasing volumes of new housing loans, which also supported loan growth in this segment. The annual growth rate of credit to non-financial corporations decelerated to 8.8 per cent at the end of June 2025 (10.1 per cent in December 2024), with corporate overdrafts contributing to this.

Annual Growth of Credit to Non-financial Corporations and Contribution by Loan Type

(per cent, percentage points)

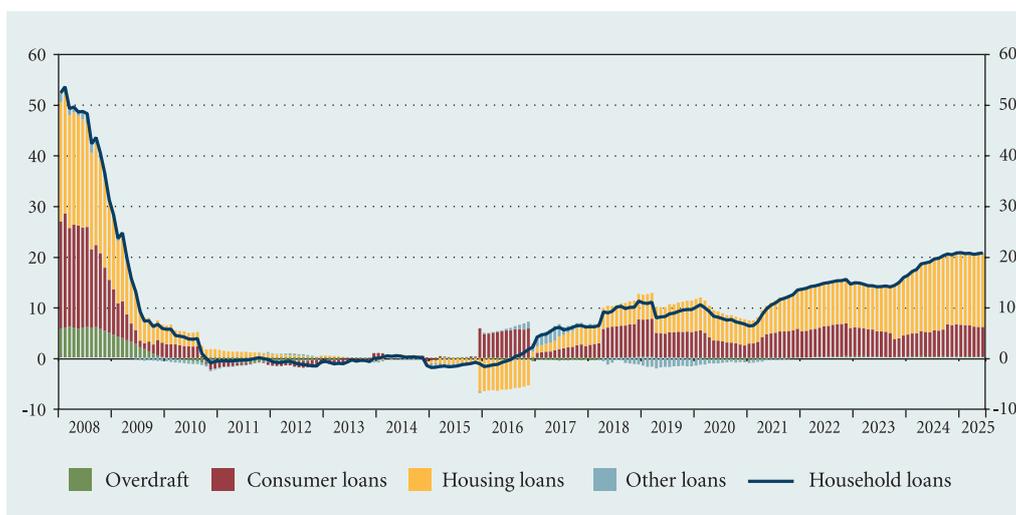


Note: The annual growth rate of loans to non-financial corporations in November 2015 reflects the exhausted base effect of KTB removal as a reporting unit from the monetary statistics in November 2014. The latest available observation is for June 2025.

Source: BNB.

Annual Household Credit Growth and Contributions by Individual Loan Type

(per cent, percentage points)



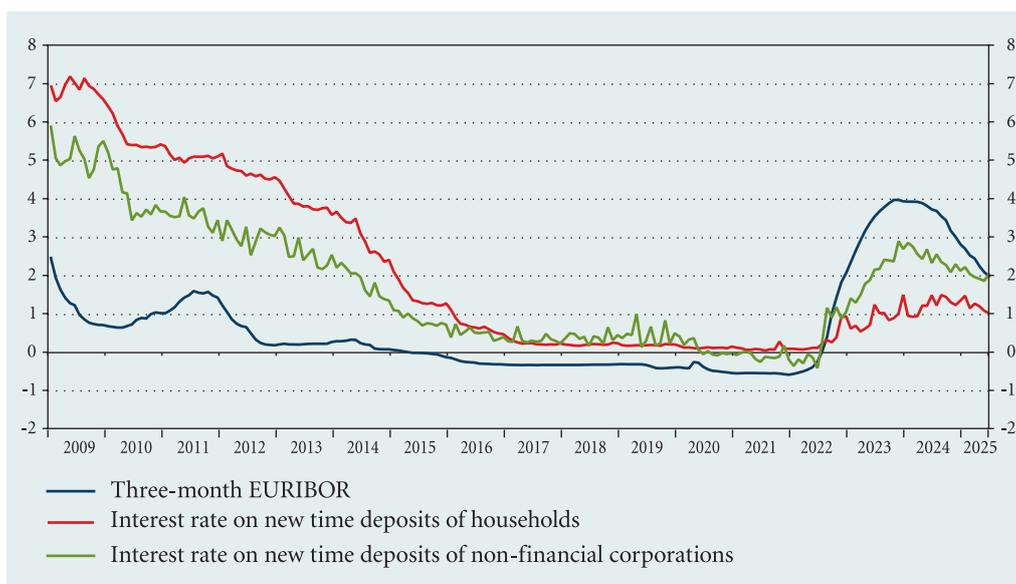
Note: Based on additional information received from reporting units, a revision of household loans was carried out according to their purpose of use in December 2015–August 2019. The latest available observation is for June 2025.

Source: BNB.

Ample liquidity and continued inflows of attracted funds in Bulgaria's capital system, as well as the downward phase of the current interest rate cycle in the euro area, were the main factors contributing to the reported decline in interest rates on new time deposits of households and non-financial corporations in the first six months of 2025. As regards lending rates on new loans, the dynamics of both the household and non-financial corporations sectors was also downward. Lending rates on housing loans, which remained at very low levels, declined slightly, while those on consumer and corporate loans decreased more strongly than the levels at the end of 2024.

Interest Rates on New Time Deposits and Three-month EURIBOR

(per cent)

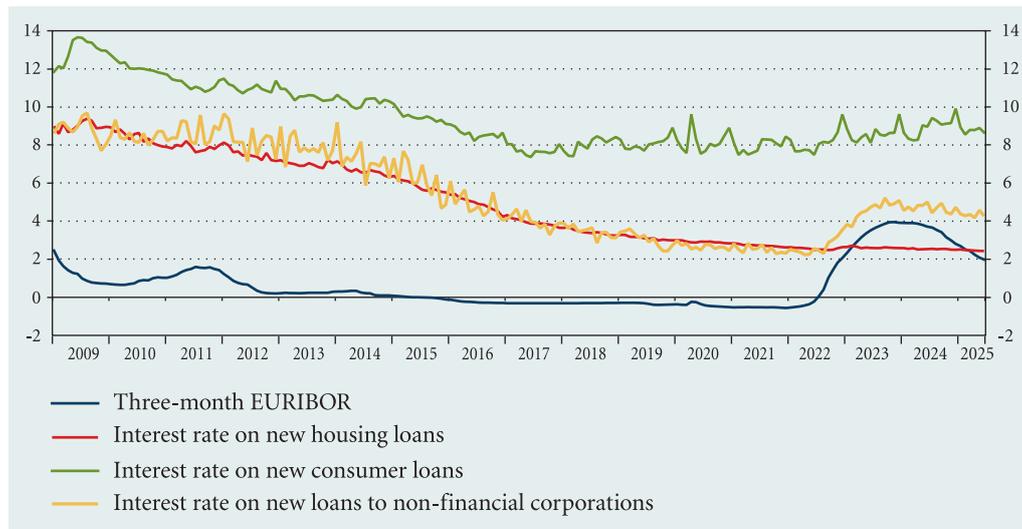


Note: The latest available observation is for June 2025.

Source: BNB.

Interest Rates on New Loans and Three-month EURIBOR

(per cent)



Note: The latest available observation is for June 2025.

Source: BNB.

BNB quarterly lending survey shows increasing demand for consumer credit and housing loans in the first half of 2025. Demand for financial resources for purchasing durable goods and for current consumption, as well as interest rates were the key factors behind the stronger demand for consumer loans. The need for funds for first and additional home purchase, the estimates of favourable developments in the housing market, the level of interest rates, and the state of the macroeconomic environment contributed to the increased demand for housing loans. In the non-financial corporations sector, banks reported increased demand for loans in the first quarter of the year, which remained unchanged in the second quarter. Higher needs for bank resources for investment purposes was the most important factor behind the stronger demand for corporate loans in the first quarter of the year, while in the second quarter the main driver of firms' demand for loans was the need of financial resources to provide working capital and accumulation of inventories.

In the first quarter of 2025, banks reported tightening of credit standards for consumer, housing and corporate loans, while in the second quarter – tightening of standards for corporate loans, maintaining unchanged standards for housing loans and easing of consumer loans. Unchanged lending standards for housing loans are reported after the substantial tightening of these standards in the fourth quarter of 2024 and again in the first quarter of 2025. This could be linked to the BNB requirements for indicators of credit standards in extending and renegotiating loans secured by residential real estate, which entered into force in early October 2024.

In the first six months of 2025, Bulgaria's banking system retained its strong liquidity position, with the liquid asset ratio (LCT²⁴) accounting for 254.0 per cent (241.0 per cent at end-2024). As regards bank asset dynamics, the most significant increase was reported in claims on the non-government sector (by BGN 7.0 billion, compared to end-2024) and foreign assets (by BGN 5.0 billion, compared to December 2024), while claims on the government sector recorded a considerably lower increase. Over the first six months of the year, banks' net foreign assets grew by BGN 2.4 billion. Banks' reserves with the BNB declined by BGN 4.2 billion from their level at end last year. Downward dynamics was driven by a decrease in banks' excess reserves and funds in the TARGET-BNB system, following their typically higher levels at the end of each calendar year when they increased more significantly and temporarily, in particular in the case of excess reserves. The increase

²⁴ The liquidity coverage ratio for the banking system is calculated as the ratio of liquidity buffer to net liquidity outflows.

in minimum reserve requirements as a result of an increasing deposit base only partially limited the decrease in banks' reserves with the BNB.

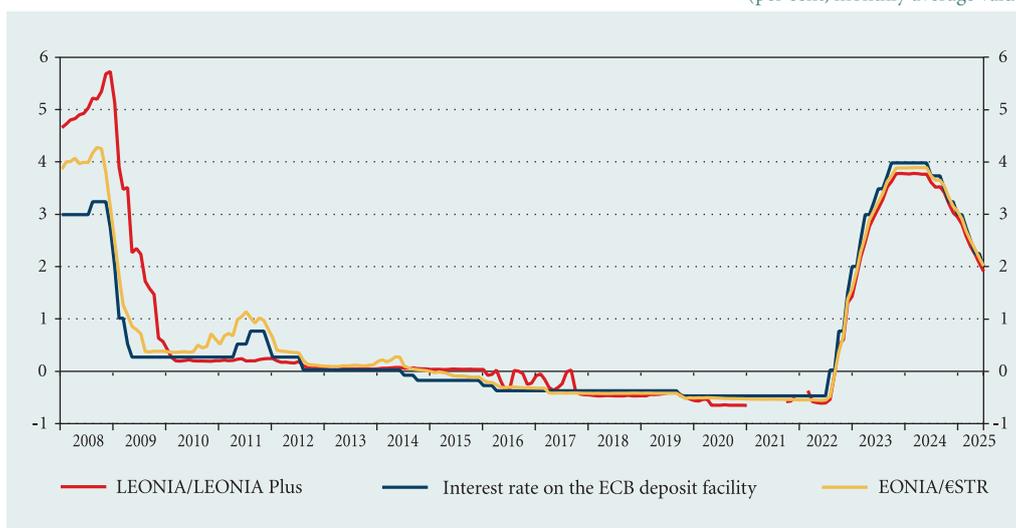
Bank transactions with the BNB in reserve currency (euro) are the main instrument of banks for managing their lev liquidity under currency board arrangements in Bulgaria. This takes advantage of the main currency board function: buying and selling levs for euro at the fixed exchange rate set by the Law on the Bulgarian National Bank. In the first half of 2025, BNB net sales of foreign currency to commercial banks amounted to EUR 3.5 billion, recording an increase compared to the second half of 2024 (EUR 2.5 billion).

The increase in net currency sales by the BNB to banks reflected to a greater extent currency demand (mainly euro) by banks' end-customers – natural and legal persons. The bulk of net foreign currency sales by commercial banks to end-customers was aimed at firms amounting to EUR 3.1 billion in the first six months of the year (BGN 2.8 billion in July–December 2024), while over the same period households were a net purchaser of currency from banks in the amount of EUR 1.1 billion (against net purchases by households of BGN 0.4 billion in the second half of 2024). Net foreign currency sales increased also in BNB's trade with customers at tills. The upward trend in net sales on the foreign exchange market reflected pre-conversion of cash holdings in levs into euro by firms and households in view of the prospect of Bulgaria's joining the euro area in early 2026. This contributed to a significant slowdown in currency in circulation growth which declined by -0.3 per cent on an annual basis at end-June (compared to annual growth of 5.5 per cent at the end of 2024).

Activity in the interbank lev money market remained relatively high between January and June 2025. The average daily volume of transactions concluded in June 2025 amounted to BGN 614 million (BGN 483 million in June 2024 and BGN 600 million in December 2024). Possible factors for interbank money market trade were liquidity raising in line with low levels of excess reserves with the BNB, as well as the possibility of interest rate arbitrage related to the generation of income from banks with euro area parent banks amid a positive spread between the ECB deposit facility rate and the interbank money market rate in Bulgaria. As of June 2025, the LEONIA Plus index stood at 1.91 per cent and its spread to the €STR was negative and came at -10 basis points.

Overnight Interbank Money Market Rates

(per cent, monthly average value)



Notes: LEONIA Plus replaced LEONIA on 1 July 2017. LEONIA Plus monthly values are calculated as an arithmetic average for days when overnight unsecured lending transactions are concluded in the interbank market in levs. The EONIA/€STR series is composed of: EONIA between 2008 and 14 March 2017; pre-€STR between 15 March 2017 and 30 September 2019; €STR in the period after 30 September 2019. The latest available observation is for June 2025.

Sources: BNB, ECB.

By end-June 2025, the CFP budget balance was negative at BGN 3354 million.²⁵ Compared with the same period of the previous year, budget balance was lower by BGN 2718 million, as a result of the higher increase in budget expenditure than the increase in budget revenue.

In the first six months of the year, total revenue and grants under the CFP grew by 13.1 per cent year on year, with tax revenues contributing most significantly to this growth. Tax revenue growth was largely driven by the VAT revenue, followed by social security and health insurance contributions. The increase in private consumption, as well as the restored standard VAT rate for certain goods and services as of 1 January 2025 contributed mainly to VAT revenue growth. Annual growth of social security and health insurance contributions was underpinned by the rise in wages and the number of persons employed in the economy, including the increase in the maximum social security income in Bulgaria since 1 April 2025.

Total CFP expenditure grew by 20.6 per cent on an annual basis at the end of the first half of 2025, with social expenditure, capital expenditure and staff expenditure contributing most to this growth. The increase in social expenditure by 14.3 per cent year on year was driven by the rise in pensions by 11 per cent since 1 July 2024. Capital expenditure grew by 108.6 per cent at the end of the reporting period, partly due to the effect of the low base in February 2024²⁶. The increase in staff expenditure, which amounted to 20.3 per cent year-on-year as of June 2025, reflected the increase in the country's minimum wage as of 1 January 2025 and the increase in staff expenditure in the defence and security sectors, in secondary education, as well as the increase in salaries of other public sector employees.

At the end of the first half of 2025, the total amount of the fiscal reserve, including claims on EU funds for certified expenses, advance and other payments was BGN 13,161 million. Fiscal reserve deposit funds rose by BGN 2872 million from the end of 2024 to reach BGN 12,458 million (6.0 per cent of GDP²⁷), of which BGN 11,856 million of deposits with the BNB. Payments on maturing government securities were higher than the proceeds from government securities issued in the domestic market over the first half of the year (with a nominal value of BGN 2100 million), resulting in negative net internal financing of the budget with government securities of BGN 757 million.²⁸ At the end of June 2025, the net external financing of the budget was positive at BGN 8154 million, reflecting mainly the proceeds from issued bonds in the international capital markets in two tranches denominated in euro in total nominal amount of EUR 4.0 billion (BGN 7823 million).

At the end of the first half of 2025, Bulgarian euro bond yields issued in international capital markets declined from the end of 2024.²⁹ At the same time, spreads between Bulgarian and German government bond yields narrowed across all government bonds, reflecting falling yields on Bulgarian government bonds coupled with increasing German government bond yields in most of the maturity sectors.³⁰ The narrowing of spreads could be linked to the reduction of political uncertainty following the formation of a regular government in the country in early 2025 and its stated priority for joining the euro area, as well as to the positive assessments provided by the European Commission and the European Central Bank in the extraordinary convergence reports as requested.

²⁵ Based on monthly reports on cash implementation of the budget, published on the Ministry of Finance website.

²⁶ In February 2024, BGN 1.2 billion of funds were recovered from the foreign funds account under the Ministry of Regional Development and Public Works budget which resulted in a decrease in capital expenses by the same amount.

²⁷ Nominal GDP data for the last four quarters, including the second quarter of 2025 are used in calculating the GDP ratio.

²⁸ For more information on government securities domestic market, see Chapter XI.

²⁹ The decrease was most pronounced in securities maturing on 26 March 2027 and amounted to 52 basis points. An increase in Bulgaria's government bond yields compared to end-2024 was recorded only in securities maturing in 2050 (by 18 basis points).

³⁰ In the first half of 2025, German government bond yields declined across the maturity sectors with residual maturity up to four years. For more information on government securities yields in euro area countries, see Chapter II.

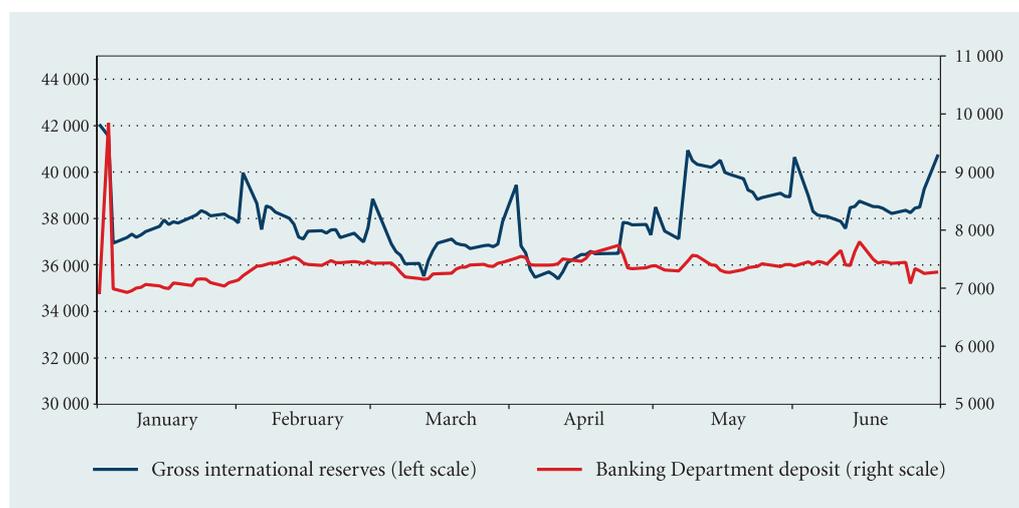
II. Gross International Reserves

The BNB manages its gross international reserves in line with the Law on the Bulgarian National Bank (LBNB)³¹, investment constraints, business procedures and methodologies, and opportunities offered by international financial markets. Gross international reserves of the BNB comprise the assets on the Issue Department's balance sheet. Their role is to provide a complete cover for monetary liabilities under the fixed exchange rate of the lev to the euro provided for by the Law on the BNB³². The excess of gross international reserves over monetary liabilities forms the Banking Department deposit item or the net value of the Issue Department's balance sheet³³.

Gross International Reserves and Banking Department Deposit in the First Six Months of 2025

(EUR million)

(EUR million)



Note: The chart shows daily movements of the Issue Department balance sheet figure and the Banking Department deposit in the Issue Department balance sheet.

Source: BNB.

³¹ There were no Law on the BNB amendments concerning the statutory and regulatory framework for gross international reserve management over the reporting period.

³² The Law on the BNB Article 28, paragraph 2 defines the Bank's monetary obligations as all circulating banknotes and coins issued by the BNB, and all balances of other entities' BNB accounts, except the IMF. Article 28, paragraph 3 defines what assets may comprise gross international reserves: monetary gold; Special Drawing Rights; banknotes and coins in freely convertible foreign currency; funds in freely convertible foreign currency held by the BNB on accounts with foreign central banks or other financial institutions or international financial organisations with one of the two highest ratings by two internationally recognised credit rating agencies; securities issued by foreign countries, central banks, other foreign financial institutions, or international financial organisations assigned one of the two highest ratings by two internationally recognised credit rating agencies; the balance on accounts receivable and payable on BNB forward or repo agreements with (or guaranteed by) foreign central banks, public international financial organisations or other foreign financial institutions with one of the two highest ratings from two internationally recognised credit agencies; and BNB futures and options which bind non-residents and which are payable in freely convertible foreign currency. The Law on the BNB stipulates that these assets are estimated at market value.

³³ According to the LBNB Article 28, paragraph 1, 'the aggregate amount of BNB monetary liabilities shall not exceed the lev equivalent of gross international reserves,' with the lev equivalent determined on the basis of the fixed exchange rate.

The Amount and Structure of Gross International Reserves

By the end of the first half of 2025, the balance sheet value of gross international reserves was EUR 40,754.42 million: a decrease of EUR 1301.71³⁴ million on end-2024 or 3.1 per cent as a share of BNB foreign currency assets. Changes in the asset balance sheet value were mainly driven by external cash flows in foreign currency and income from foreign reserve management.

External Cash Flows in Foreign Currency

(EUR million)

	January–June 2025	January–June 2024
I. Euro purchases and sales		
At tills	-748	-343
With banks	-4 334	-5 093
purchases from banks	101 798	70 893
sales to banks	-106 131	-75 986
Subtotal I	-5 082	-5 436
II. Currency flows with banks, the MF, etc.		
Bank reserves (including minimum required reserves)	-200	-208
Government and other depositors	4 341	521
Subtotal II	4 141	313
Total I+II	-941	-5 123

Source: BNB.

External foreign currency flows which are net negative in the amount of EUR 941 million made the major contribution to the international reserve decrease in the first half of 2025. Of this, net reserve currency sales to commercial banks and at tills had the largest negative contribution of EUR 5082 million. The amount of receipts on government and other depositors' accounts with the BNB was the largest of all inflows, totalling EUR 4341 million, mainly as a result of receipts from government debt issued by the Ministry of Finance in the beginning of May on international markets in the amount of EUR 3934 million, including receipts on accounts of the European Commission and the Ministry of Environment and Water. Banks' accounts with the BNB where the minimum reserve requirements were reported registered a cash outflow of EUR 200 million over the first half year.

Over the first six months of 2025, the structure of gross international reserves by currency changed insignificantly compared with that in 2024. Euro assets decreased by 2.6 percentage points, while those in gold and US dollars rose by 1.8 and 0.8 percentage points, respectively, reflecting changes in exchange rates against the euro, as well as external flows. The structure by financial instrument reported an increase in current account balances by 4.5 percentage points and deposits placed by the BNB by 3 percentage points, which was at the expense of the decrease in BNB exposures in securities by 7.5 percentage points. The maturity structure of reserves posted a decline of 13.7 percentage points in the maturity sector from 0 to one year, while between one and three years, three and five years and five and ten years it posted an increase of 1.1, 5.6 and 7 percentage points, respectively, due to the higher duration of assets over the review period.

³⁴ Balances in banks' TARGET2 payment system accounts (worth some EUR 492.5 million at the end of June 2023) were not included in the analysis of changes in BNB gross international reserves below. Over the first half year balances in banks' TARGET2 accounts declined by EUR 1081.5 million. Tranches of Special Drawing Rights (SDR) 611 million disbursed in August and September 2009 and around SDR 859 million disbursed in August 2021 upon general SDR allocation by the IMF were also not included in these balances. For further details, see *BNB Annual Report, 2009*, p. 26 and *BNB Annual Report, 2021*, p 91.

Currency Structure of Gross International Reserves

(per cent)

Currency	Issue Department balance sheet assets	
	2024	January–June 2025
EUR	90.6	88.0
USD	0.9	1.7
XAU	8.1	9.9
SDR	0.4	0.4

Notes: Average values calculated on a daily basis for the period. The table shows only values exceeding 0.05 per cent.

Source: BNB.

Structure of Gross International Reserves by Financial Instrument

(per cent)

Financial instruments	2024	January–June 2025
Vault cash*	10.9	15.4
Deposits**	29.0	32.0
Securities**	60.1	52.6

Note: Average values calculated on a daily basis for the period.

* Account balances, payments, and monetary gold.

** Including instruments in foreign currency and gold.

Source: BNB.

Gross International Reserves by Residual Term to Maturity

(per cent)

Maturity sectors	2024	January–June 2025
Up to a year	82.7	69.0
One to three years	15.1	16.2
Three to five years	2.1	7.8
Five to ten years	0.0	7.0

Notes: Average values calculated on a daily basis for the period. The table shows only values exceeding 0.05 per cent.

Source: BNB.

Gross International Reserves Risk and Return

The Market Environment

In the first half of 2025, market environment was driven by market participants' expectations of leading central banks' monetary policy and the uncertainty stemming from the revision of the US trade policy *vis-à-vis* their major trading partners. Consumer price inflation in the euro area decelerated to the 2 per cent target, while that in the US remained above the Federal Reserve target. Taking into account the high level of uncertainty resulting from changes in US trade, fiscal, immigration and regulatory policies, the Federal Reserve System did not change the federal funds rate corridor over the reporting period. At the same time, the Governing Council of the ECB reduced its key interest rates by a total of 100 basis points in the first half of 2025 due to more favourable prospects of declining inflation in the euro area to the ECB's target. Interest rates remained the main instrument of monetary policy implementation by the Federal Reserve and the ECB, while the reduction in the size of central banks' balance sheets by discontinuing the reinvestments from maturing securities purchased for the purposes of the monetary policy was secondary. US government bond yields as well as Germany's government bond yields in the maturity sectors up to and including four years, declined over the first half of the year reflecting the demand for low-risk assets due to uncertainty about US customs policy. The key factor behind the decline in German government bond yields in the short-term

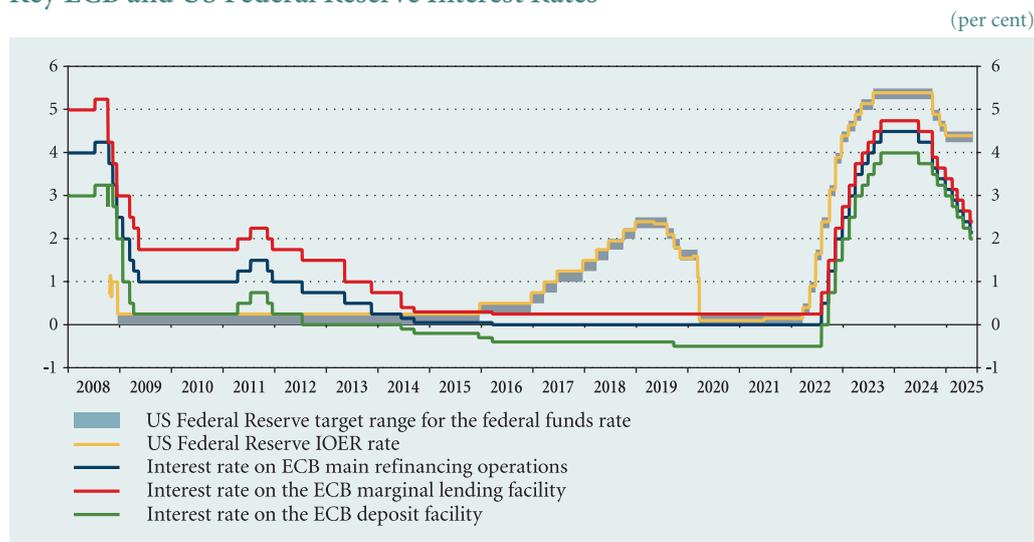
maturity sectors was the reduction in key ECB interest rates. Concurrently, yields in the medium and long-term maturity sectors of German bonds rose due to market participants' expectations of increasing German government bond issues. Stock indices in the United States and Europe rose in the first six months of 2025, with dynamics over this period being strongly influenced by US trade policy information. Over the review period, US and European financial market volatility indices rose compared to 2024.

Central Banks' Policies

From January to June 2025, the US Federal Open Market Committee (FOMC) maintained its target range for the federal funds rate at 4.25–4.50 per cent. A key factor behind the maintenance of the target range for the federal funds rate was the high degree of uncertainty related to the effects on inflation resulting from changes in US trade, fiscal, immigration and regulatory policies.

In the first half of 2025, the US Federal Reserve continued to reduce total assets in its balance sheet by USD 223.7 billion, while the Federal Reserve's balance sheet reached USD 6.7 trillion (22.8 per cent of GDP in 2024), from USD 6.9 trillion at the end of 2024 (23.6 per cent of GDP in 2024). In March 2025, a change was announced in the plan for shrinking the Federal Reserve's balance sheet, and with effect from 1 April 2025, the amount above which maturing securities are reinvested was cut by USD 20 billion to USD 40 billion. The amount of maturing agency debt securities and agency mortgage-backed securities was kept at USD 35 billion, while that of maturing US government bonds was reduced from USD 25 billion to USD 5 billion.

Key ECB and US Federal Reserve Interest Rates



Note: The latest available observation is for June 2025.

Sources: ECB; US Federal Reserve System.

In line with market participants' expectations, and against the background of an improved outlook for declining inflation in the euro area towards the ECB's target, the Governing Council lowered the key ECB interest rates by a total of 100 basis points in the first half of 2025³⁵, with the interest rate on the deposit facility reaching 2.00 per cent, the rate on the main refinancing operations 2.15 per cent and the rate on the marginal lending facility 2.40 per cent.

The June decision stated that, in the current environment of high uncertainty, the ECB Governing Council would continue to apply a data-based, meeting-by-meeting approach without committing in advance to a certain interest rate trajectory. The President of the European Central Bank, Christine Lagarde, said at the press conference following the meeting, that the ECB is approaching the end of the lower interest rate cycle.

³⁵ Decisions related to a decrease of 25 basis points were adopted at the meetings of the Governing Council of the ECB held in January, March, April and June 2025.

At the end of 2024, the ECB discontinued reinvestments of principal payments from maturing securities acquired under the pandemic emergency purchase programme (PEPP), with maturing securities totalling EUR 106 billion in the first six months of 2025 under the programme. Under the asset purchase programme (APP) maturities totalled EUR 192 billion over the same period. The maturities under the Eurosystem's asset purchase programmes were the main factors contributing to the decrease in the Eurosystem balance sheet figure in the first half of 2025. As of 27 June 2025, the Eurosystem balance sheet figure fell to EUR 6232 billion (41.1 per cent of GDP in 2024), from EUR 6357 billion (41.9 per cent of GDP in 2024) at the end of 2024. Concurrently, excess liquidity in the euro area banking system fell by EUR 156 billion compared to EUR 2615 billion at end-2024.

The decrease in the ECB's deposit facility rate continued to be the main driver of the decline in unsecured deposit rates in the interbank market in the first six months of 2025. At the end of June 2025, the reference euro unsecured overnight rate (*€STR*) fell to 1.92 per cent at end-June, from 2.91 per cent at the end of 2024. The trade volume of overnight deposits in the unsecured euro area money market increased in first half of 2025, with the daily average for the year reaching EUR 61 billion (compared with EUR 53 billion in 2024). The interest rate on unsecured deposits in the interbank market (*EURIBOR*) with a three-month maturity declined to 1.94 per cent at the end of June 2025 (compared to 2.71 per cent at the end of 2024) and interest rates on six-month and 12-month maturity deposits declined to 2.08 per cent and 2.13 per cent, respectively, from 2.57 per cent and 2.46 per cent, respectively, at the end of 2024.

Euro Area and US Sovereign Bond Yield Curve

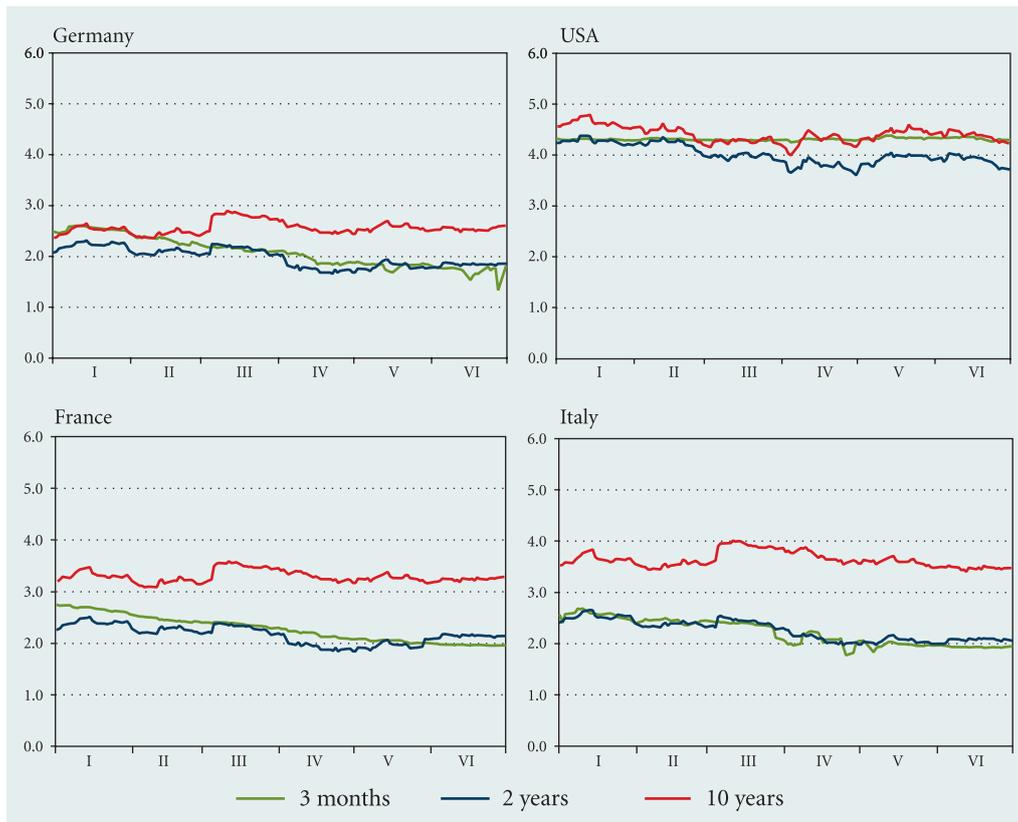
In the first half of 2025, US sovereign bond yields declined across all maturity sectors. Two-year bond yields dropped by 52 basis point to 3.72 per cent, with ten-year yields by 34 basis points to 4.23 per cent. As a result of these developments, the slope of the US government bond yield curve measured by the ten- and two-year yield differential increased by 18 basis points from the end of 2024 to 51 basis points at the end of June 2025. The main factors for the decline in US government bond yields over the review period were related to market expectations about the future monetary policy of the Federal Reserve System and to the uncertainty stemming from the policy of the new US presidential administration, as well as geopolitical risks in the Middle East, which boosted demand for low-risk assets. Additional factors determining US government bond yield developments in the first half of the year included market participants' concerns about the fiscal sustainability of the country under a draft tax relief law and monetary policies and economic developments in other major economic regions, namely the euro area, Japan and China.

In first half of 2025, German government bond yields declined significantly across the maturity sectors of up to four years inclusive and increased across longer-term maturity sectors. Compared with the end of 2024, German government bond yields with a two-year residual term to maturity decreased by 22 basis points to 1.86 per cent, with ten-year yields rising by 24 basis points to 2.61 per cent. The positive slope of the German yield curve, as measured by the spread between the yield on ten-year and two-year government bonds, widened to 75 basis points compared with 29 basis points at the end of 2024. The decline in key ECB interest rates was a major factor behind the declining German government bond yields in short-term maturity sectors. Market participants' expectations of increasing German government bond issues contributed to higher yields in the medium and long-term maturity sectors, following an agreement between the CDU/CSU, the Social Democratic Party of Germany and the Green Party on a fiscal plan that will increase budget expenditure on defence and infrastructure³⁶. Higher German government bond yields in medium and long-term maturity sectors were constrained by increased demand for low-risk assets due to the uncertainty caused by the US trade policy and to increased geopolitical tensions.

³⁶ According to the fiscal plan, defence expenditure in excess of 1 per cent of the country's GDP will not be taken into account in the calculation under the rule that the structural deficit should not exceed 0.35 per cent of GDP and an infrastructure fund of EUR 500 billion should be established for the next 12 years.

Government Bond Yields in the First Six Months of 2025

(per cent)



In the first six months of 2025, yield spreads between euro area countries and Germany narrowed. From January to March, the trend of the change in spreads was mostly downward, but developments became volatile and divergent following the announcement of the changes in the US trade policy in April. Over the review period, ten-year government bond spreads narrowed the most in Italy (by 15 basis points) and France (by 29 basis points). Italy's spread was mainly driven by positive economic developments and ECB reference rate cuts. France's spread shrunk due to the stabilisation of the political crisis, country's budget adoption and the parliamentary support obtained to form a government. Spreads of euro area core countries posted minor downward changes throughout the review period.

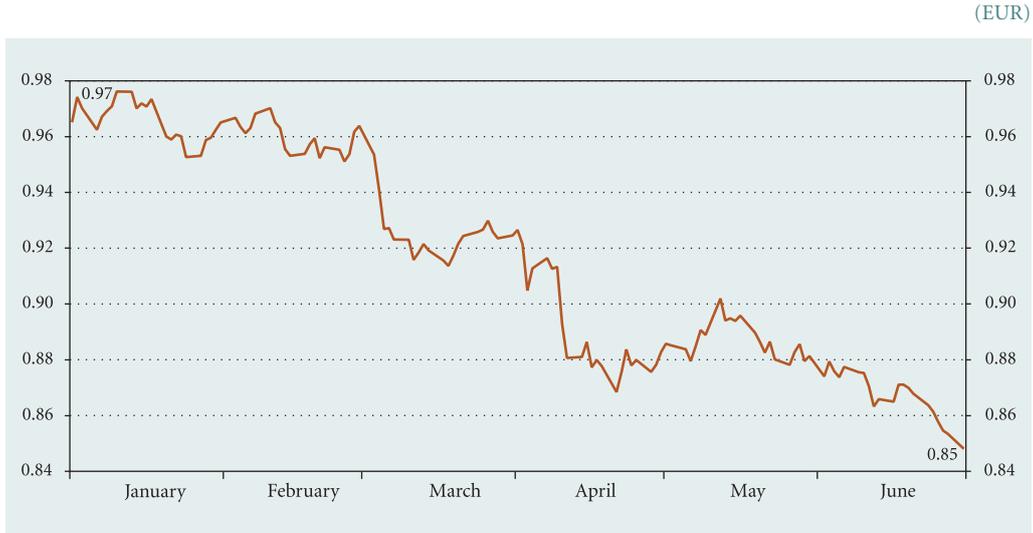
Gold and Exchange Rates

In the first half of 2025, the US dollar depreciated by 12.2 per cent against the euro. The USD/EUR exchange rate moved between EUR 0.85 and 0.98 *per* USD 1 (USD 1.02 and 1.18 *per* EUR 1). The depreciation of the dollar against the euro was driven by changes in the trade policy of the new US presidential administration and the large-scale fiscal package of the new administration in the country.³⁷

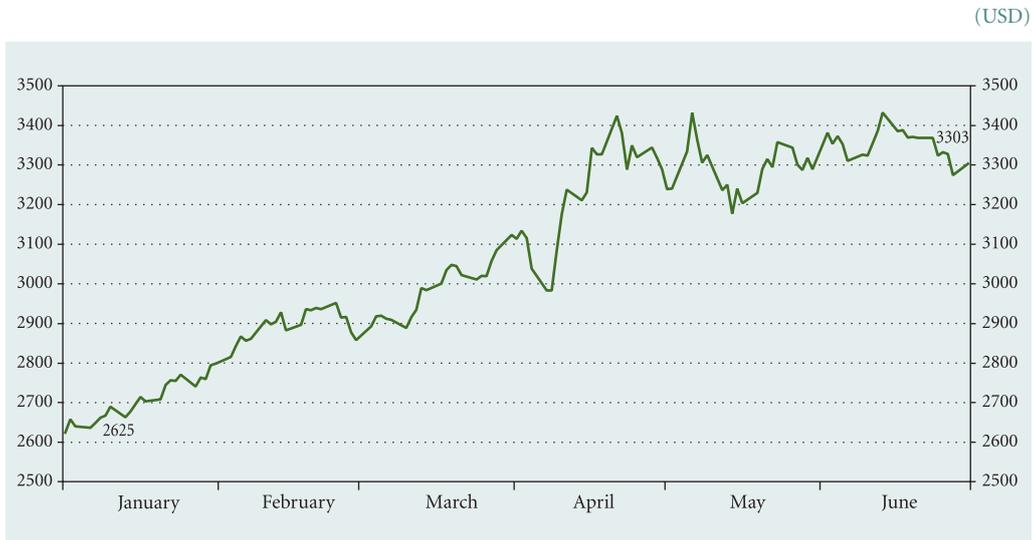
The spot gold price increased significantly by 25.9 per cent in the first half of 2025 to USD 3303 *per* troy ounce and by 10.6 per cent to EUR 2802 *per* troy ounce. It moved within the relatively wide range of USD 2625 to USD 3432 *per* troy ounce. A significant price increase was observed in April following the announcement of so-called 'reciprocal' tariffs on US trading partners. The increase in the price of gold in US dollars was additionally driven by the depreciation of US dollar, rising geopolitical fragmentation, as well as higher demand for physical gold by central banks and other institutional investors.

³⁷ According to the US Congressional Budget Office estimate, this draft law could increase the US budget deficit by USD 2.4 trillion over the next decade.

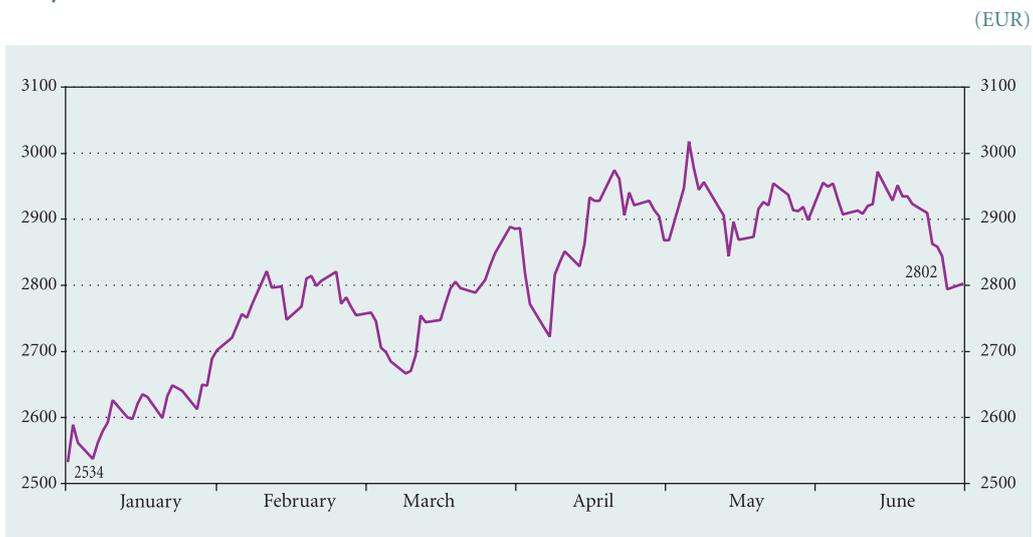
USD/EUR Exchange Rate in the First Six Months of 2025



Troy Ounce Gold Price in US Dollars in the First Six Months of 2025



Troy Ounce Gold Price in Euro in the First Six Months of 2025



Major Types of Risk

Net value risk in the Issue Department balance sheet in the first six months of 2025 as measured by the standard deviation of net return was 12.8 per cent on an annual basis.

International reserve interest rate risk for the first half of 2025, measured by reserves' average modified duration was 1.09 years. The duration maintained was 0.64 years higher than the average for 2024.

Gross international reserve currency risk was constrained by the Law on the BNB stipulation that the sum of the absolute values of open foreign currency positions³⁸ in currencies other than euro, SDR, and monetary gold, should not exceed 2 per cent of the market value of monetary liabilities in these currencies. Over the period, there were minimal open positions in foreign currencies other than the euro, with the main currency risk stemming from the open position in gold.

The BNB continued managing gross international reserve investment credit risk conservatively. At the same time, some risks related to early elections in France and South Korea decreased, as preventive restrictions introduced for these reasons were lifted in 2024.

To achieve its main objectives of high international reserve security and liquidity, the main share of assets continued to be invested into euro area core country government bonds and government guaranteed debt securities, and into short-term deposits with first class foreign central or commercial banks. By the end of June 2025, the exposure to credit risk remained limited and approximately 67 per cent of international reserves were invested into assets with the highest AAA long-term credit rating.

Operational risk is managed in strict observance and control of investment constraints and the relevant business procedures for international reserve management.

Return and Efficiency

Net income in the Issue Department balance sheet is the sum of three components: 1. income from gross international reserves investment in the original currency; 2. currency imbalance income³⁹; and 3. liabilities expenditure/income. BNB income from international reserve investment was positive at EUR 469.1 million, or 1.3 per cent yield for the period. Earnings from currency imbalance for the first half of 2025 was positive, standing at EUR 350.2 million (yield of 1 per cent). This reflected primarily movements in the market price of monetary gold measured in euro. As a result of the BNB interest rate policy, the net financial result from liabilities led to an expense of EUR 60.7 million for the BNB, corresponding to -0.2 per cent of return. The above three components brought net return from international reserve management to EUR 758.5 million: a total of 2.1 per cent return⁴⁰ for the half year.

International Reserves Income and Return* in the First Half of 2025

Period	Net income	Net return	Income	Return	Income	Return	Expenditure	Return
	(EUR million)	(per cent)	(EUR million)	(per cent)	(EUR million)	(per cent)	(EUR million)	(per cent)
	(1)+(2)+(3)		on assets		on currency revaluation of assets and liabilities		on liabilities	
		(1)			(2)			(3)
First quarter	642.6	1.8	216.4	0.6	459.7	1.3	-33.5	-0.1
Second quarter	115.9	0.3	252.7	0.7	-109.6	-0.3	-27.2	-0.1
Total	758.5	2.1	469.1	1.3	350.2	1.0	-60.7	-0.2

* Return between time T_0 and time T_N is calculated by chain-linked returns for this period. It is calculated using the following formula: $R(T_0, T_N) = (1+r_1)(1+r_2)\dots(1+r_N)-1$. This formula for calculating investment returns complies fully with the Global Investment Performance Standards (GIPS).

Source: BNB.

³⁸ An open foreign currency position is the difference between the value of assets and liabilities in any currency other than the euro.

³⁹ Currency imbalance income is a result of the effects of exchange rate movements on assets' and liabilities' open foreign currency positions, respectively.

⁴⁰ Total return is obtained as a product, rather than simple sum, of the return of the relevant components.

For operational management purposes, international reserves were split into portfolios by currency and investment goal, each with a benchmark, investment goals, and investment limits. The table below shows major BNB portfolios and the results from their management.

Portfolio Return and Risk in the First Half of 2025

Portfolio	Return		Volatility (risk)		Information ratio ³
	Absolute (per cent)	Relative ¹ (basis points)	Absolute (basis points)	Relative ² (basis points)	
Investment 1, EUR	1.4	-9.1	72	14	-1.3
Investment 2, EUR	1.5	-6.6	75	13	-1.0
External manager A, EUR	1.3	0.2	105	13	0.0
External manager B, EUR	1.3	4.8	104	8	1.3
Liquid, EUR	1.2	3.3	2	2	-
Liquid, XAU	0.0	-	0	-	-
Liquid, USD	3.6	-0.4	21	19	-

¹A portfolio's positive relative return is the attained profit against the benchmark return. Relative returns with a negative sign are interpreted as opportunity cost in portfolio management. Returns for a six-month period.

²Relative volatility (relative risk) against benchmark indicates the degree of deviation of portfolio risk characteristics from benchmark through active portfolio management. The risk is on an annual basis.

³Information ratio is the ratio between relative portfolio return and relative portfolio risk on an annual basis.

Source: BNB.

To diversify management styles and reduce operational risk, most euro-denominated assets continued being split into two investment portfolios with identical benchmarks and investment limits, managed by different BNB teams. By the end of the first half of 2025, external managers – international financial institutions – managed 2.1 per cent of gross international reserves and the benchmark of the portfolios managed by external managers was set by the BNB. Beside additional diversification, using external managers helped exchange expertise in international market investment management. Liquid portfolios were intended mainly to assist liquidity management objectives and BNB foreign currency payment needs.

III. Payment Systems and Payment Oversight

The Law on the Bulgarian National Bank tasks the Bank with payment system organisation, support, and development by assisting the implementation, operation, and oversight of efficient payment mechanisms. The Bank's major goals are curbing systemic risk and integrating Bulgarian payment systems into the European payment infrastructure.

Bulgaria's lev payment systems are:

- RINGS, a real-time gross settlement system operated by the BNB;
- RINGS has these transaction settlement ancillary systems:
 - BISERA6, a system for servicing customer transfers in levs, operated by BORICA AD;
 - BORICA, for servicing bank card payments in Bulgaria, operated by BORICA AD.

Bulgaria's euro payment systems are:

- the TARGET national system component, TARGET-BNB, run by the BNB;
- the BISERA ancillary system (formerly BISERA7-EURO), for settlement in TARGET-BNB, a system for servicing customer transfers in euro, operated by BORICA AD.

Bulgaria's securities settlement systems, where the cash leg is settled in payment systems operated by the BNB, are:

- the book-entry government securities settlement system, run by the BNB;
- the book-entry securities registration and servicing system, run by the Central Depository AD.

Lev Payment Systems

In the first half of 2025, the RINGS real-time gross settlement system processed the bulk of the value of lev payments in Bulgaria. As of 30 June 2025, the BNB and 23 banks participated in RINGS.

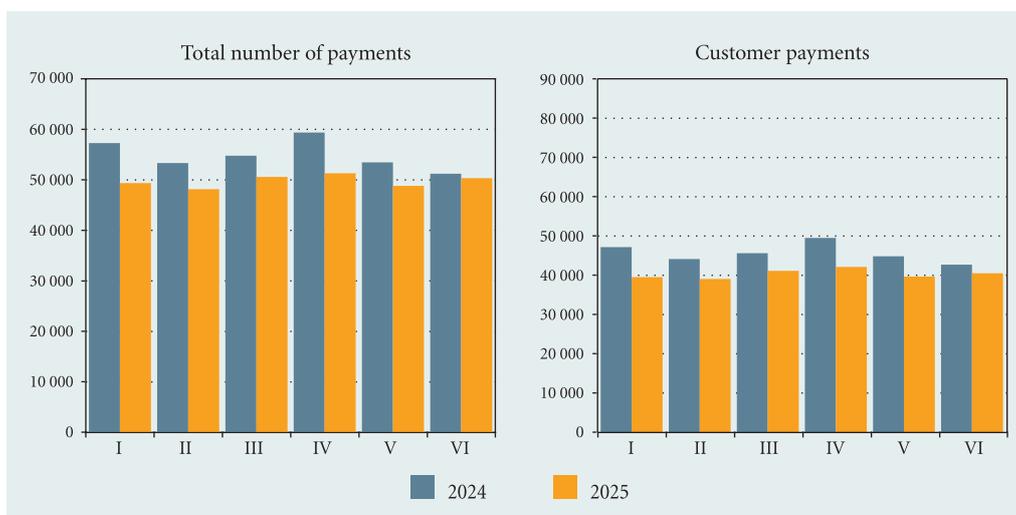
In the first six months of 2025, RINGS processed payments worth BGN 932,299 million, up 5.8 per cent on the same period of the prior year, their number reaching 298,554 or a 9.4 per cent less than in the first half of 2024. There were 242,027 customer payments or 81.7 per cent of the total for BGN 49,721 million: 5.3 per cent of total payments value.

The daily average value of payments *via* the system was BGN 7642 million, and their daily average number was 2447. The daily value peak of RINGS participants was BGN 20,390 million, with a daily number peak of 3968.

In the first six months of 2025, 69.9 per cent of the value of payments were processed by noon and 86.4 per cent by 2:30 pm. The remaining 13.6 per cent went through by 5:30 pm, the end of the system day. As regards system traffic, 90.2 per cent of the number of payments were effected by 2:30 pm. RINGS offered 100 per cent availability⁴¹ in the period under review.

⁴¹ The ratio of time when the system is operational to scheduled operating time.

RINGS Payments Number in the First Halves of 2024 and 2025

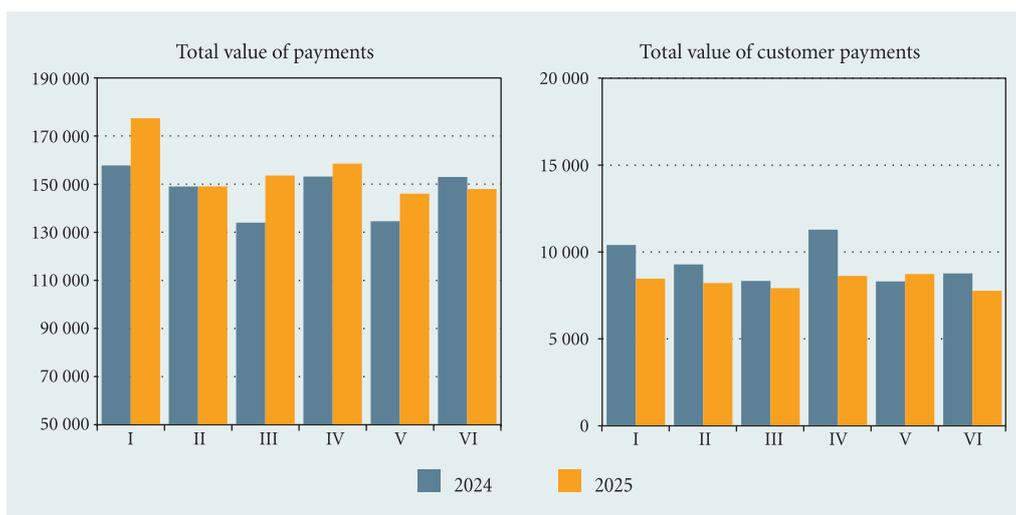


Source: BNB.

RINGS Payment Value in the First Halves of 2024 and 2025

(BGN million)

(BGN million)



Source: BNB.

Lev payment distribution in Bulgaria by payment system showed no changes from the first half of 2024. Over the period under review RINGS processed 77.1 per cent of the payments effected in Bulgaria. Values around 80 per cent are deemed optimal for the operation of real-time gross settlement systems. RINGS also processed 0.1 per cent of the total number of lev non-cash payments in Bulgaria.

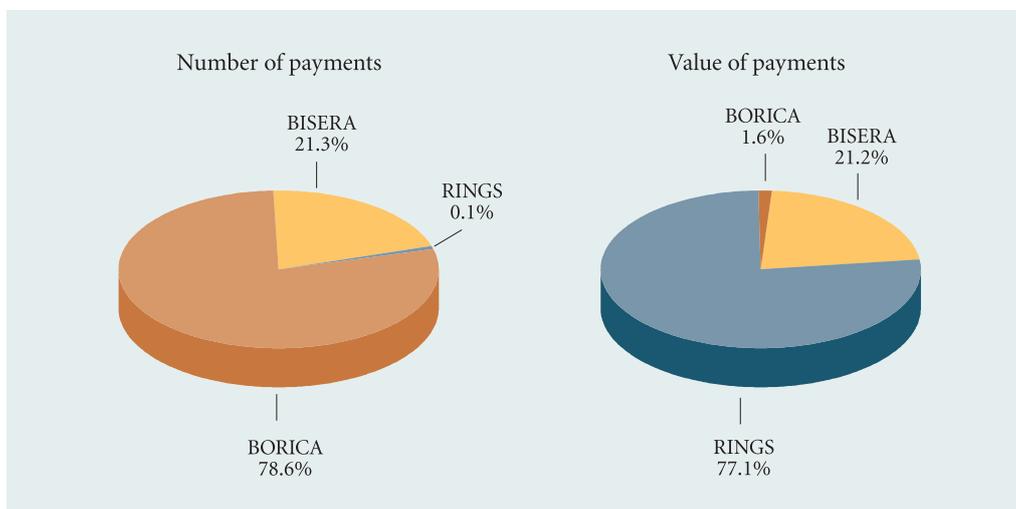
In the first half of 2025, BORICA processed 233.8 million of payments effected *via* ATM and POS terminals, totalling BGN 19,654.8 million: a rise of 22.6 per cent in number and 18.5 per cent in value on the first half of 2024.

In the first six months of 2025, BISERA processed 63.4 million of payments for BGN 256,697.5 million: up 4.2 per cent in number and 12.7 per cent in value compared to the same period of 2024.

The number of instant credit transfers in levs compliant with the SEPA Credit Transfer Instant (SCT Inst) – a scheme for instant credit transfers in the European Payments

Council's Single Euro Payments Area – was 15.7 million, totalling BGN 25,882 million for the first six months of 2025.

Distribution of Lev Payments in Bulgaria by Payment System in the First Half of 2025



Note: The sum may differ from 100 per cent due to rounding.

Source: BNB.

Euro Payment Systems

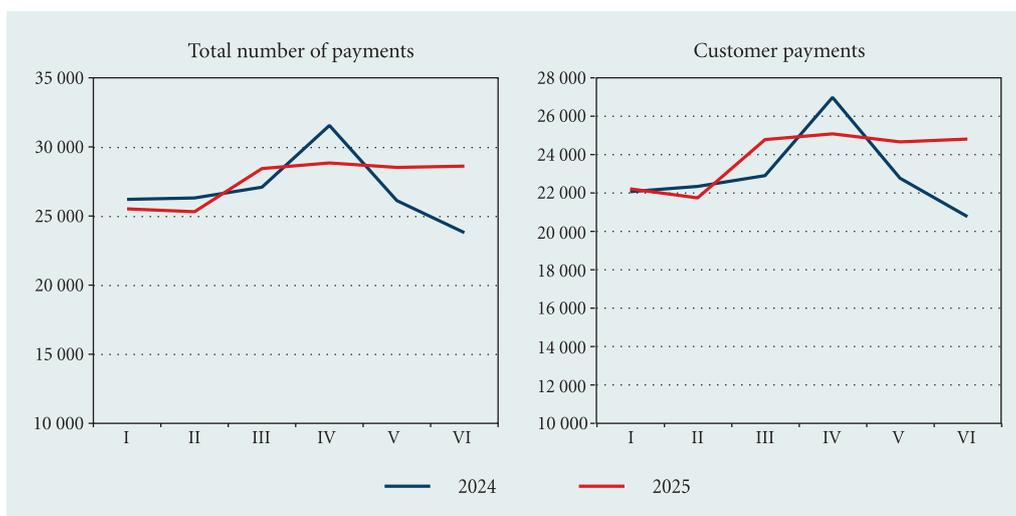
The large-value payment system T2 (former TARGET2) provides real-time gross settlement for payments in euro, with settlement in central bank money. It is part of the consolidated TARGET Service Platform (TARGET) of the Eurosystem, which brings together the T2 payment system, the securities settlement system T2S (TARGET2-Securities) and the TARGET Instant Payment Settlement service (TIPS) at the technical and functional level. Legally, each central bank in TARGET operates its system component. The Bulgarian National Bank operates the TARGET-BNB national component system and is responsible for the business relations of its participants and coordination with the ECB and participant central banks.

On 30 June 2025, the TARGET-BNB included the BNB, 18 direct participant banks, seven addressable BIC holders, and one ancillary system: the BISERA system for servicing customer transfers in euro based on SEPA credit transfer and instant credit transfer rules, practices and standards.

As of 30 June 2025, six TARGET-BNB banks participated in TIPS, while an e-money institution was reachable in TIPS. BISERA is an ancillary system and instructing party to TIPS, thus ensuring the required technical infrastructure to send and receive instant payments on behalf of its participants to and from all reachable payment service providers in TIPS.

In the first half of 2025, TARGET-BNB processed 165,230 payments worth EUR 464,525 million, including 138,184 customer payments for EUR 14,693 million. Data show a rise of 2.6 per cent in the total number and a 7.3 per cent increase in the total value of processed payments compared to the first half of 2024.

TARGET-BNB Payment Number in the First Halves of 2024 and 2025

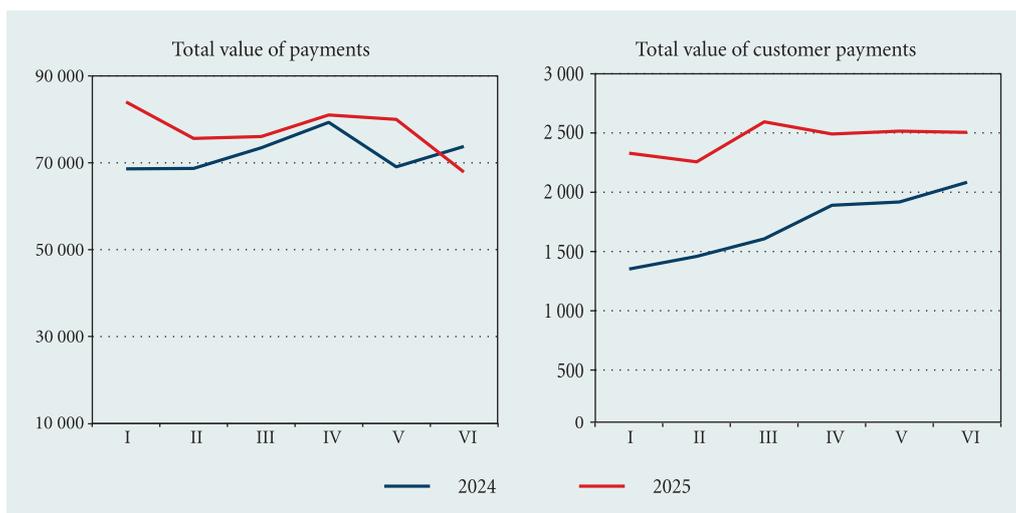


Source: BNB.

TARGET-BNB Payment Value in the First Halves of 2024 and 2025

(EUR million)

(EUR million)



Source: BNB.

The number and value of other system component payments to banks were 86.7 and 54.7 per cent of payments processed through the national component. There were 1318 daily average TARGET-BNB payments, worth EUR 3716 million. The daily value peak was EUR 9168 million, with a daily number peak of 2162.

In the first half of 2025, the number of payments in TIPS ordered by TARGET-BNB participants was 379,693, worth EUR 270 million. There were 2019 daily average TIPS payments, worth EUR 1.5 million.

The BISERA ancillary system processes customer transfers in euro: SEPA credit transfer and SEPA instant credit transfer. In the first half of 2025, SEPA credit transfers processed 996,899 payments for EUR 11,969.4 million ordered by BISERA banks, their number and value increasing significantly compared to the same period of 2024.

To meet the requirements of Regulation (EU) No 260/2012 of the European Parliament and of the Council, the BISERA payment system for small payments in euro processes SEPA payments and

offers interoperability with the EBA Clearing, SEPA Clearing, EquensWorldline and EuroELIXIR, allowing SEPA credit transfers between banks in Bulgaria and other EU Member States.

The BISERA payment system also processes instant transfers in euro according to the European Payments Council SEPA Instant Credit Transfer (SCT Inst) scheme. BISERA participates in TIPS as an ancillary system and performs functions as an instructing party in TIPS for banks in Bulgaria.

Bulgarian Payment and Settlement System Development

In the context of the project launched at the end of 2024 to include the BNB as a central bank in the SEPA Instant Payment Settlement service (TIPS) and to provide reachability for instant payments in euro, six banks and one non-bank payment service provider in Bulgaria joined TIPS at the end of the first half of 2025 and offer their customers the execution of instant payments in euro under the SEPA Instant Credit Transfer (SCT Inst) scheme – credit transfers executed on a 24/7/365 basis up to a maximum of 10 seconds.

Under the National Plan for the Introduction of the Euro, the Bank continued migration of card payments in leva to euro and the respective accession of the BORICA card payment system to the consolidated platform for TARGET card settlement services in euro.

Payment Systems Oversight

In line with the LBNB and the Law on Payment Services and Payment Systems (LPSPS), the Bank regulates and oversees payment system operators with settlement finality, payment service providers and electronic money issuers in Bulgaria. In performing payment systems oversight, the BNB grants licenses and oversees compliance with national and European statutory requirements and relevant international principles, standards, and recommendations in this area.

In the first half of 2025, an individual supervisory inspection of a payment service provider licensed by the BNB was completed to establish the compliance of the payment services company with the requirements of the LPSPS. During the supervisory review, there were no discrepancies in the company's activity.

Over the review period, work continued on the supervisory inspection of a payment service provider and electronic money issuer licensed by the BNB to establish the compliance of the company's activity on issuing, distributing and redeeming electronic money and providing payment services with the requirements of Chapter Two of the Law on the Measures against Money Laundering (LMML) and the relevant requirements of its implementing regulations and the Law on the Measures against the Financing of Terrorism and Proliferation of Weapons of Mass Destruction (LMFTPWMS).

As of the end of the review period, an individual supervisory inspection of a payment service provider and electronic money issuer licensed by the BNB was initiated to establish the compliance of the company's operations on issuing, distributing and redeeming electronic money and providing payment services with the requirements of Chapter Two of the LMML and the relevant requirements of its implementing regulations and the LMFTPWMS.

In the review period, a thematic supervisory inspection was launched to establish the compliance of mechanisms for monitoring payment transactions by payment service providers in Bulgaria in order to detect unauthorised payment transactions or fraudulent payment transactions, with the requirements of Delegated Regulation (EU) 2018/389⁴². The inspection continued after the end of the reporting period.

Communication with payment service providers continued to remove the non-compliances identified within a thematic supervisory inspection carried out in a previous reporting period to establish payment service providers' compliance with requirements to provide prior information to payment service users in case of foreseen changes to a framework contract for provision

⁴² Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) No 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication.

of payment services pursuant to Article 62 of the LPSPS. All payment service providers that were covered by the supervisory inspection have certified that they have removed the non-compliances identified during the inspection.

In the first six months of 2025, the work continued on a thematic supervisory inspection of 13 payment institutions and electronic money institutions licensed by the BNB and two branches of payment institutions licensed in other Member States operating on the territory of the Republic of Bulgaria. The inspection aimed to establish compliance with the Guidelines of the European Banking Authority on policies and procedures in relation to regulatory compliance and the role and responsibilities of the AML/CFT Compliance Officer under Article 8 and Chapter VI of Directive (EU) 2015/849 (EBA/GL/2022/05).

Over the period under review, payment institutions and electronic money institutions licensed elsewhere in the EU and operating on the territory of the Republic of Bulgaria through a branch or an agent, based on the right of establishment, were required to provide information under Commission Delegated Regulation (EU) 2021/1722⁴³ on their activities on the territory of Bulgaria for supervisory purposes, as well as for the monitoring of compliance with the provisions of national law transposing Titles III and IV of the Directive (EU) 2015/2366⁴⁴.

During this period, the BNB Governing Council considered and issued prior approvals on two applications filed under Article 14, paragraphs 1 and 2 of the LPSPS for acquisition of direct qualifying holding in the capital of an electronic money institution licensed by the BNB.

Over the reporting period, six administrative infringement notices were drafted under the LPSPS and its implementing regulations. Agreements under Article 58d of the Administrative Infringements and Penalties Act (AIPA) were concluded in relation to the administrative infringement notices issued and the pecuniary penalties imposed were paid.

By the end of the reporting period, there were four payment institutions and ten electronic money institutions licensed by the BNB.

In respect of the activities of the payment institutions and electronic money institutions licensed by the BNB over the reporting period, the following entries and deletions were made in the registers kept by the BNB:

- 264 agents were listed and 186 agents of licensed payment institutions and electronic money companies licensed by the BNB and operating in Bulgaria were delisted;
- one agent of a electronic money company licensed by the BNB and operating elsewhere in the EU was listed.

In the first months of 2025, the BNB received notifications from the relevant competent authorities in relation to the activity on the territory of the Republic of Bulgaria of payment institutions, electronic money institutions and account information service providers licensed elsewhere in the EU as follows:

- for listing 24 payment institutions, electronic money institutions and account information service providers licensed elsewhere in the EU and eligible to directly operate in Bulgaria and for delisting 9 payment institutions and electronic money institutions operating directly in the Republic of Bulgaria;
- for listing 34 agents and delisting 40 agents of payment institutions and electronic money institutions licensed elsewhere in the EU and eligible to operate in Bulgaria.

In the first half of 2025, the BNB enquired into 358 complaints submitted by natural and legal entities—payment service users; on 4 of them, the Bank issued instructions. The other cases involved no breaches of the Law on Payment Services and Payment Systems and its statutory instruments, or were resolved in favour of payment service users through correspondence.

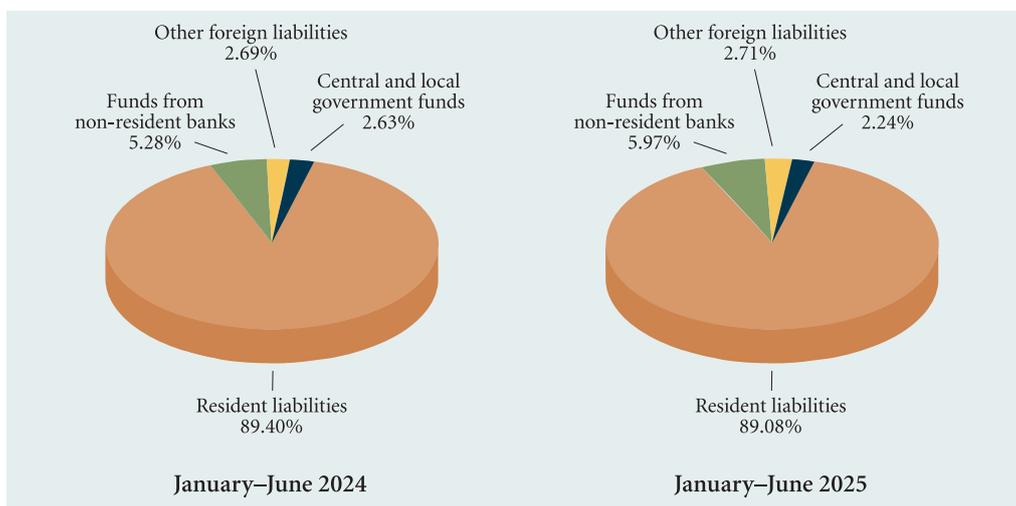
⁴³ Commission Delegated Regulation (EU) 2021/1722 of 18 June 2021 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards specifying the framework for cooperation and the exchange of information between competent authorities of the home and the host Member States in the context of supervision of payment institutions and electronic money institutions exercising cross-border provision of payment services.

⁴⁴ Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market.

IV. Banks' Reserves at the BNB

In the first six months of 2025, the average daily value of banks' attracted funds for minimum required reserve (MRR) calculation purposes (excluding central and local government budget accounts) rose by 11.0 per cent compared to the first half of 2024. The average daily value of funds attracted from residents (excluding central and local government budget funds) grew by 10.1 per cent, and those from non-residents by 20.3 per cent, with funds attracted from non-resident banks increasing by 24.9 per cent. Over the review period, funds attracted from central and local government budgets decreased by 5.8 per cent. The effective implicit rate of MRR increased by 0.1 percentage points on the previous half-year of 2024 to stand at 11.7 per cent on average in the first six months of 2025.⁴⁵ Reserve assets used by banks to comply with the MRR implicit rate were allocated to funds on banks' accounts at the BNB (10.9 per cent) and half of cash balances designated as reserves (0.8 per cent).

Structure of Attracted Funds in the Banking System*



* Average daily value of attracted funds for MRR calculation purposes.

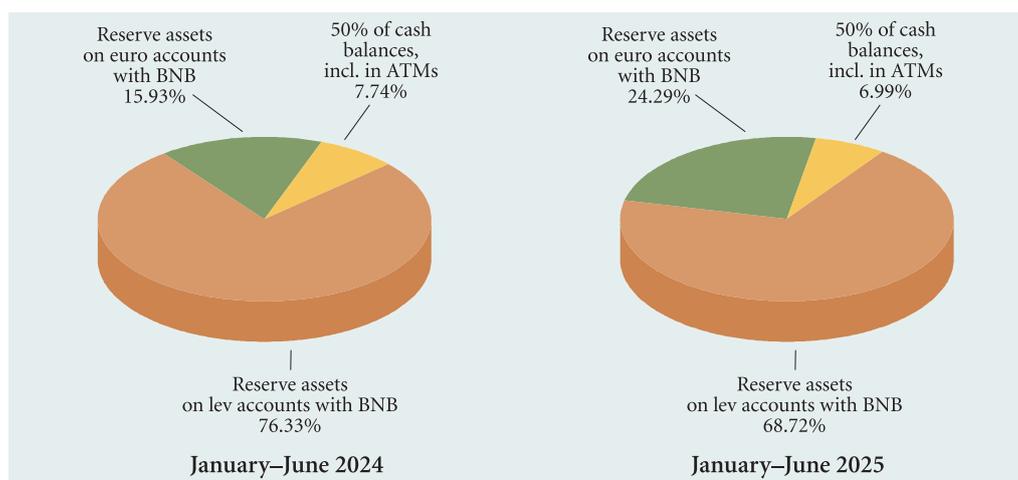
Source: BNB.

Banks keep reserves in their own assets: BNB lev and euro accounts and half their cash balances, including in ATMs.⁴⁶ In the first half of 2025, the relative share of lev-denominated reserve assets in the total amount of reserve assets maintained by banks declined to 68.7 per cent on an average daily basis, from 76.3 per cent over the same period of 2024. The share of euro reserve assets in total reserve assets held by banks rose to 24.3 per cent on an average daily basis for the first six months of 2025, from 15.9 per cent over the same period of 2024, while the share of cash balances designated as reserve assets, including in ATMs, fell from 7.7 per cent in the first half of 2024 to 7.0 per cent from January to June 2025.

⁴⁵ BNB Ordinance No 21 on the Minimum Required Reserves Maintained with the BNB by Banks, effective as of 1 July 2023, sets the minimum required reserve rate on funds attracted from residents and non-residents at 12 per cent, and from central and local government budgets at nil.

⁴⁶ According to Article 4 of Ordinance No 21 of the BNB.

Banks' Reserve Asset Structure under Article 4 of BNB Ordinance No 21

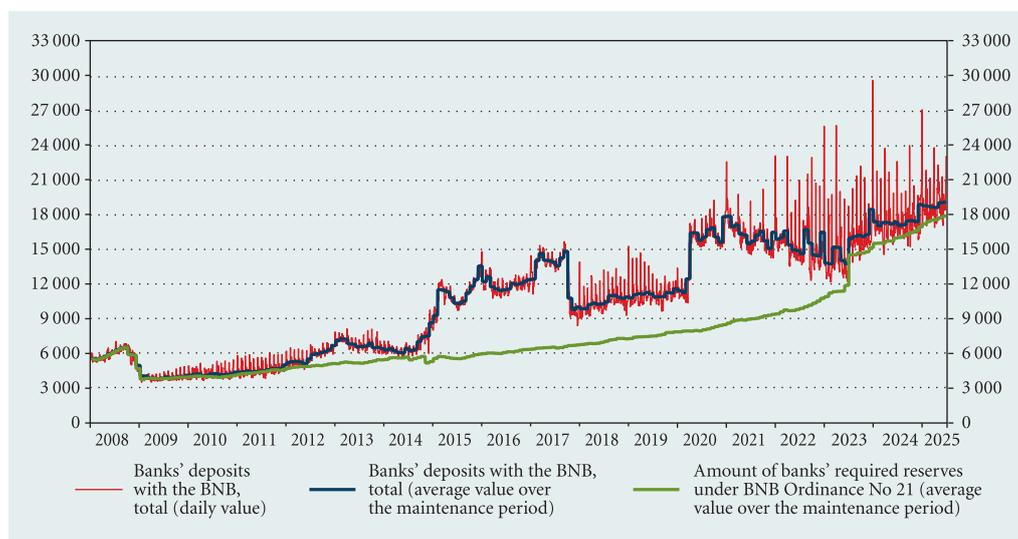


Source: BNB.

Over the first half of the year, banks' excess reserve interest rate⁴⁷ under BNB Ordinance No 21 was 0.00 per cent⁴⁸. In the first six months of 2025, the average daily amount of banks' excess reserves was by BGN 0.1 billion less than in the same period of 2024. Funds in banks' BNB Ordinance No 21 accounts exceeded MRR by 2.1 per cent on an average daily basis, compared to a 3.9 per cent excess in the same period of 2024.

Bank Reserves with the BNB

(BGN million)



Note: The sum may differ from 100 per cent due to rounding.

Source: BNB.

In the first half of 2025, work continued on preparing the systems and processes in the BNB with regard to implementing Eurosystem's MRR regulations provided for in Regulation

⁴⁷ Ordinance No 21 Article 5, paragraph 1, in force since 4 June 2021, provide for excess reserves as the excess of holdings in reserve assets over the minimum reserve requirements.

⁴⁸ As of 29 July 2022, excess reserve interest under BNB Ordinance No 21 was 0.00 per cent.

(EU) 2021/378⁴⁹ and the reserve base under Regulation (EU) 2021/378⁵⁰ reporting framework. Technical changes were implemented in the test environment of the BNB system for MRR to establish new functionalities for reporting of the fulfilment of MRR upon joining the euro area. The respective tests took place with the consolidated platform of TARGET services for data exchange related to the implementation of banks' MRR in line with the Eurosystem requirements.

Changes in the overall MRR framework to prepare for the implementation of minimum reserves in accordance with the requirements of the Eurosystem are communicated to banks within the Payment Systems and Payment Service Providers working sub-group to the Coordinating Council for Bulgaria's preparation for Membership in the Euro Area.

⁴⁹ Regulation (EU) 2021/378 of the European Central Bank of 22 January 2021 on the application of minimum reserve requirements (recast) (ECB/2021/1).

⁵⁰ Regulation (EU) 2021/379 of the European Central Bank of 22 January 2021 on the balance sheet items of credit institutions and of the monetary financial institutions sector (recast) (ECB/2021/2).

V. Currency in Circulation

The BNB has a monopoly on banknote and coin issue in Bulgaria. Banknotes and coins issued by the Bank are legal tender in Bulgaria and are mandatorily acceptable as payment at full face value without restriction.⁵¹ The Bank prints banknotes, mints coins, and keeps and scraps uncirculated or withdrawn currency.

By Resolution No 30 of 23 January 2025, the BNB Governing Council withdrew from circulation the commemorative coins issued in 2019 which ceased to be legal tender from 3 February 2025. After this date, commemorative coins issued in 2018 are exchangeable at BNB tills at nominal value with no limits to amounts and free of charge until 31 December 2026.

Banknotes and Coins in Circulation (Outside BNB Vaults)⁵²

As of 30 June 2025, currency in circulation (outside BNB vaults) reached BGN 29,323.1 million. Between January and June 2025, it went down by 5.6 per cent (BGN 1755.0 million), against a decline of 0.2 per cent (BGN 48.1 million) over the same period of 2024. In a one-year period (compared with the end of June 2024), currency in circulation went down by 0.3 per cent or BGN 90.9 million. The most recent decrease in currency in circulation on an annual basis was in July 2010.

At the end of June 2025, the value of banknotes in circulation was BGN 28,688.3 million, that of circulating coins BGN 632.9 million and the value of commemorative coins BGN 1.9 million, accounting for 97.83, 2.16 and 0.01 per cent, respectively.

Banknotes and Coins in Circulation (Outside BNB Vaults) in the First Halves of 2024 and 2025



Source: BNB.

⁵¹ Article 2, paragraph 5 and Article 25, paragraph 2 of the LBNB.

⁵² This included: banknotes and circulating coins issued after 5 July 1999, including those withdrawn from circulation with no time restriction on exchange, and commemorative coins issued after 5 July 1999, including those withdrawn from circulation, whose term of exchange has not expired yet.

Banknotes and Coins in Circulation⁵³

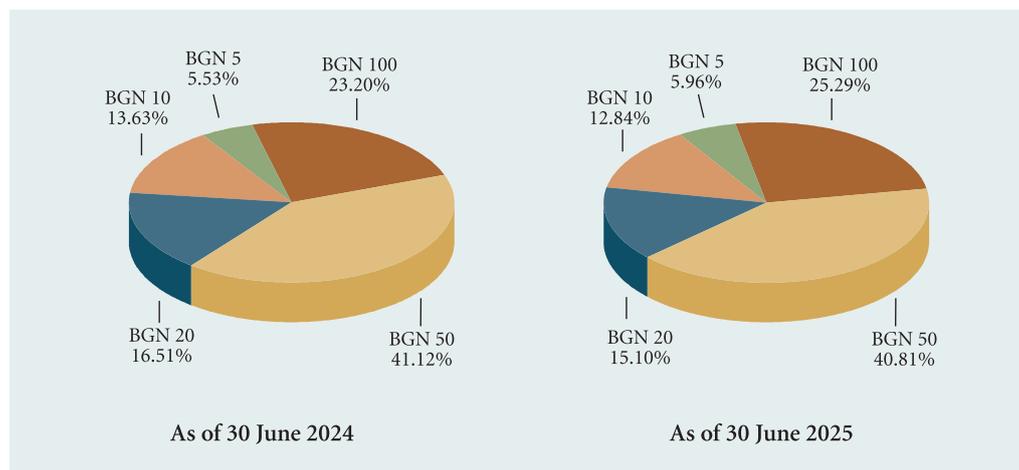
In late June 2025, 569.5 million of banknotes were in circulation, amounting to BGN 28,644.4 million. In the first six months of 2025, their number fell by 6.8 per cent and their value by 5.8 per cent, as a result of the decrease of the number of BGN 10, 20, 50 and 100 banknotes in the currency circulation. Over the same period, the number of BGN 5 banknotes in circulation increased slightly. In a year (compared with end-June 2024), the number of banknotes in circulation decreased by 3.6 per cent, and their value by 0.4 per cent compared to the increase in both their number and value by 4.0 and 8.2 per cent over the previous one-year period (June 2023–June 2024).

As regards the developments in the number of banknotes in circulation in the first half of 2025, a new downward trend emerged in the majority of denominations. The number of BGN 10, 20, 50 and 100 banknotes in circulation decreased over the review period, with this trend more pronounced in BGN 20 and 50 banknotes. The number of BGN 10 and 100 banknotes in circulation declined at a slower rate. Over the same period, the growth rate in the number of BGN 5 banknotes in circulation slowed down.

Compared with end-2024, the number of BGN 50 banknotes in circulation decreased the most, by 20.6 million or 8.2 per cent, followed by BGN 20 banknotes, which decreased by 10.1 million, or 10.5 per cent. The decrease in the number of BGN 10 and 100 banknotes in circulation compared to the same period was 6.4 million, or 8.1 per cent, and 4.7 million, or 3.1 per cent, respectively. In the first half of 2025, only BGN 5 banknotes rose: by 0.3 million or 0.9 per cent. The developments in the number of banknotes in circulation observed in the first half of 2025 were largely expected. It is directly linked to Bulgaria's upcoming accession to the euro area from 1 January 2026, when the euro will replace the Bulgarian lev as legal tender.

The number of BGN 10, 20 and 50 banknotes in circulation decreased within a year, with BGN 20 banknotes posting a more significant decline (11.8 per cent). Compared to end-June 2024, the number of BGN 5 and 100 banknotes in circulation increased, which was more significant in the number of BGN 100 banknotes (by 5.1 per cent).

Individual Nominal Value Shares in the Total Number of Circulating Banknotes



Note: The sum may differ from 100 per cent due to rounding.

Source: BNB.

By 30 June 2025, BGN 50 banknotes continued to occupy the largest number of circulating banknotes. At the end of the first half-year, 232.4 million of BGN 50 banknotes were in circulation, and their share in the total number of banknotes outside BNB vaults was

⁵³ This refers to banknotes with nominal values of BGN 5, 10, 20, 50 and 100, issued after 5 July 1999, and circulating coins with nominal values of BGN 0.01, 0.02, 0.05, 0.10, 0.20 and 0.50, and BGN 1 and 2, issued after 5 July 1999, which are legal tender.

40.81 per cent. In the first six months of 2025, their share fell by 0.61 percentage points, and within a year: by 0.31 percentage points. Banknotes of BGN 5 had the smallest share in number at 5.96 per cent.

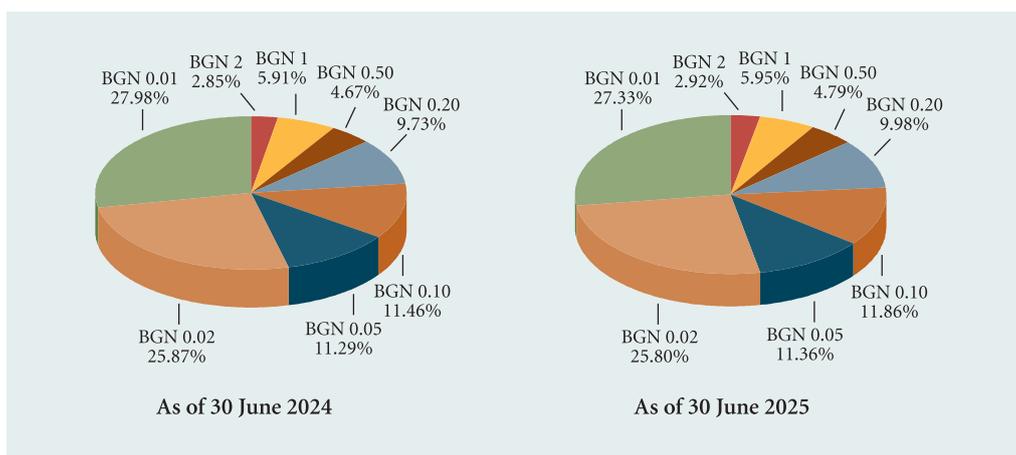
By the end of June 2025, the total value of banknotes outside BNB vaults with a nominal value of BGN 100 was BGN 14,402.0 million, occupying the largest share (50.28 per cent) in the structure of circulating banknotes. BGN 5 banknotes occupied the smallest share (0.59 per cent).

The average banknote circulating at the end of June 2025 was worth BGN 50.30, up BGN 0.54 on end-2024. In a year, its value rose by BGN 1.59 or 3.3 per cent, reflecting, on the one hand, continued growth in the number of BGN 100 banknotes and the decrease in the number of BGN 10, 20 and 50 banknotes in circulation, on the other.

In late June 2025, 3379.4 million of coins circulated, worth BGN 632.9 million. From the beginning of the year, their number increased by 1.2 per cent and their value by 1.3 per cent. In a year, circulating coins outside BNB vaults grew by 98.5 million (3.0 per cent), their value rising by BGN 28.0 million (4.6 per cent).

Unlike banknotes, coins retained the upward trend in their number in currency circulation, but the growth rate slowed down in all denominations on both end-2024 and on an annual basis.

Individual Nominal Value Shares in the Total Number of Circulating Coins



Note: The sum may differ from 100 per cent due to rounding.

Source: BNB.

In the first half of 2025, BGN 0.02, 0.05, 0.10, 0.20 and 0.50 and BGN 2 circulating coins increased more in percentage, and their growth ranged from 1.2 per cent (BGN 0.02) to 2.0 per cent (BGN 0.10). On an annual basis, BGN 0.10, 0.20 and 0.50 and BGN 2 circulating coins recorded more sizeable percentage growth, ranging from 4.6 per cent to 5.7 per cent.

By the end of June 2025, the largest number of coins in circulation (923.7 million) were BGN 0.01 coins, which accounted for the largest share (27.33 per cent) of the total number of coins in circulation. The share of BGN 0.02 coins was also high compared to other denominations. At the end of the first half of 2025, 871.8 million of coins of this denomination were in circulation, accounting for 25.80 per cent. The BGN 2 coin held the smallest share at 2.92 per cent.

By end-June 2025, the value of BGN 1 coins was BGN 200.9 million, occupying the largest share (31.75 per cent) of circulating coins. The share of BGN 2 coins by value was also high at 31.21 per cent. The value of circulating coins of BGN 0.01 and BGN 0.02 held the smallest shares at 1.46 and 2.75 per cent.

At the end of June 2025, the average circulating coin was BGN 0.19 and remained unchanged from end-2024, up BGN 0.01 in a year.

Non-genuine Banknotes and Circulating Coins

In the first half of 2025, the BNB retained 1412 non-genuine banknotes; of these 1368 had entered into circulation. The share of all retained non-genuine banknotes was 0.000248 per cent of total circulating banknotes by end-June 2025.

The BGN 100 banknote accounted for the largest share of retained non-genuine banknotes in the first half of 2025 (52.12 per cent). As compared with the respective number of BGN 100 banknotes in circulation by the end of this period, the share of non-genuine banknotes amounted to 0.000511 per cent. Non-genuine BGN 50 banknotes accounted for 39.59 per cent of retained non-genuine Bulgarian banknotes over the review period. Over the same period, the share of retained non-genuine BGN 20 banknotes was 6.02 per cent. Twenty-four non-genuine BGN 10 and eight non-genuine BGN 5 banknotes were registered with the BNB, representing 1.70 and 0.57 per cent of the total number of non-genuine Bulgarian banknotes retained over the reporting period.

In the January–June 2025 period, the non-genuine Bulgarian coins retained at the BNB numbered 27. The distribution of retained non-genuine coins by nominal value is as follows: 14 BGN 2, 6 BGN 1, and 7 BGN 0.50. The share of retained non-genuine Bulgarian coins in the total number of circulating coins by 30 June 2025 was 0.000001 per cent.

Evaluating suspect foreign banknotes retained within Bulgaria, the BNB retained the following non-genuine foreign currency banknotes: 3214 euro banknotes (of these 3109 had entered into circulation), 300 US dollar banknotes (of these 297 had entered into circulation), and 12 other foreign currency banknotes which had entered into circulation.

BNB Issue and Cash Operations

BNB issue and cash operations include: banknote printing, coin minting, accepting, delivering, repaying, processing, authenticity and fitness checking of Bulgarian banknotes and coins and foreign currency, exchanging damaged Bulgarian banknotes and coins, and scrapping unfit Bulgarian banknotes and coins.

Between January and June 2025, 10.1 million of newly printed banknotes and 64.5 million of newly minted coins worth BGN 119.4 million were supplied under contracts with producers. On the grounds of Article 25, paragraph 1 of the LBNB and the Bank 2025 minting programme, the BNB issued six new commemorative coins⁵⁴ (including the gold commemorative coin ‘Virgin Mary – Golden Apple’, which is in four nominal values of BGN 10, 20, 50 and 100, with unlimited mintage).

Over the review period, Bulgarian banknotes and circulating coins deposited with the BNB came to BGN 21,052.7 million, up 13.1 per cent on the corresponding period of 2024. Between January and June 2025, Bulgarian banknotes and circulating coins worth BGN 19,388.9 million were withdrawn from the BNB: up 4.5 per cent in a year.

Over the first six months of 2025, banknote processing machines tested 592.1 million of banknotes and 38.2 million of circulating coins. BGN 10, BGN 20 and BGN 50 banknotes and BGN 0.01, BGN 0.50, BGN 1 and BGN 2 circulating coins were most often processed by nominal value.

In the first half of 2025, 25.7 million of banknotes were retained during the processing and fitness testing. Banknotes of BGN 10, BGN 20 and BGN 50 held a larger share of banknotes retained as unfit for circulation at 20.57, 29.51 and 22.83 per cent, respectively. Retained unfit coins numbered 0.8 million. Unfit coins of BGN 0.01, BGN 0.02, BGN 0.10 and BGN 0.20 held the largest share at 23.53, 14.09, 13.65 and 15.66 per cent, respectively.

⁵⁴ See the BNB website for new issues of banknotes, circulating and commemorative coins put in circulation.

Between January and June 2025, the BNB purchased available reserve currency (EUR 5.3 million) from budget organisations, natural persons and legal entities. BNB reserve currency sales were EUR 753.2 million, including EUR 4.5 million to budget organisations and EUR 748.7 million to individuals and legal entities.

To establish compliance with identification and fitness standards, the BNB carried out 212 tests of sorting machines and customer-operated machines situated in eight credit institutions, five service providers and two service operators.

VI. Maintaining Banking System Stability and Protecting Depositor Interests

Assessment of the State of the Banking System⁵⁵

In the first half of 2025, Bulgaria's banking sector maintained its resilient liquid and capital position, with assets further growing. Banks operated amid an increased uncertainty, caused by geopolitical conflicts and new highlights in the US policy, changing foreign trade relations between leading economies and exacerbating financial markets volatility. At the same time, bank intermediation benefited from domestic environment factors, such as the moderate pace of economic activity supported by private consumption growth, and increases in household income and employment. Against this background, credit growth rates remained robust, especially in loans to households. The quality of banking system's credit portfolio remained very good. Regulatory capital increased and the potential residual credit risk in bank balance sheets (measured by net non-performing loans and advances) remained entirely covered by the excess of regulatory capital over capital requirements and applicable capital buffers.

Increased credit volumes continued to have a favourable effect on banking system profitability. Compared with the first half of 2024, profits grew at a lower annual rate than assets and balance sheet equity, but banking sector's return indicators as of 30 June 2025 remained broadly unchanged.

Current capital ratios remained significantly above the minimum regulatory requirements and capital buffer requirements, and leverage ratio indicated a high capital coverage of the overall risk exposure and low indebtedness of the banking system. Given persistently high credit growth rates and economic environment uncertainty, a decision of the BNB Governing Council confirmed the countercyclical buffer rate of 2.0 per cent until the end of the third quarter of 2026.

The liquidity position of the banking system remained sound, with liquidity coverage ratio and net stable funding ratio exceeding significantly regulatory requirements.

Total balance sheet assets in the first half of 2025 grew by 5.4 per cent (BGN 10.4 billion) and by the end of June were BGN 201.9 billion, with their growth rate being higher than in the same period of 2024 (3.7 per cent, BGN 6.3 billion). This growth reflected mainly the increase in total banking loans and advances: by BGN 11.1 billion (9.4 per cent), occupying 63.6 per cent of the balance sheet figure (61.3 per cent at end-December 2024). Debt securities in bank portfolios rose by BGN 683 million (2.1 per cent), their share in assets comprising 16.7 per cent by end-June (17.3 per cent by end-December 2024). The most liquid item of cash, cash balances at central banks and other demand deposits decreased, mainly in cash balances at central banks (by BGN 3.6 billion or 12.8 per cent) and its share in the structure of balance sheet assets fell from 17.8 per cent to 15.8 per cent.

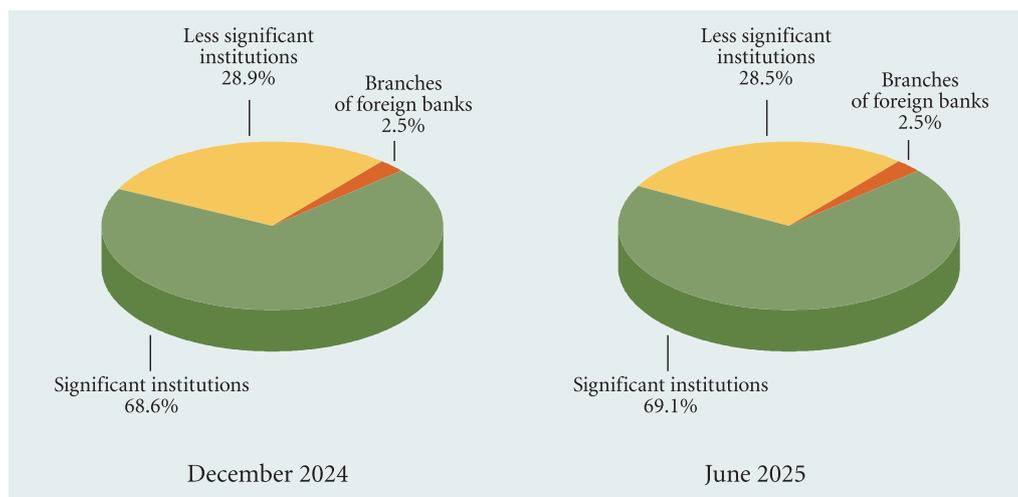
The market share of significant institutions (banks directly supervised by the ECB) grew from 68.6 per cent to 69.1 per cent of banking balance sheet assets. The share of less significant institutions fell from 28.9 per cent to 28.5 per cent, while that of foreign bank branches remained similar to that at the end of December 2024: 2.5 per cent of the system's balance sheet figure.

By end-June 2025, credit portfolio, the most significant component of balance sheet assets⁵⁶ accounted for 56.5 per cent of total assets in net value (against 56.0 per cent at the end of December 2024).

⁵⁵ Based on data of supervisory reports on an individual basis, reflected in quarterly reporting forms and summarised on 25 August 2025 for the second quarter of 2025 and four previous quarters.

⁵⁶ Credit portfolio includes the sectors of non-financial corporations, households, other financial corporations and the general government.

Banks' Market Shares by Asset Size and ECB's Significance Criteria



Note: The sum may differ from 100 per cent due to rounding.

Source: BNB.

Gross credit portfolio amounted to BGN 117.4 billion. For the first six months of 2025, it rose by BGN 6.8 billion (6.2 per cent) against growth of BGN 6.7 billion (6.9 per cent) a year earlier. At the end of June 2025, loans to non-financial corporations occupied 46.4 per cent of credit portfolio and those to households were 44.9 per cent (47.7 per cent and 43.4 per cent at the end of 2024). Loans to non-financial corporations went up by BGN 1.7 billion (3.2 per cent) reaching BGN 54.5 billion by end-June. Over the same period, loans to households increased by BGN 4.8 billion (10.0 per cent) to BGN 52.8 billion. Loans collateralised by residential real estate⁵⁷ grew by BGN 3.8 billion (13.8 per cent) and consumer loans by BGN 1.5 billion (7.0 per cent). Loans to other financial corporations recorded an increase of BGN 360 million or 4.0 per cent, while those to the general government sector decreased by BGN 4 million or 0.5 per cent. Compared to the end of 2024, claims on credit institutions (excluding other demand deposits) rose by BGN 4.0 billion (40.1 per cent) to BGN 14.0 billion.

At the end of the first half-year, the currency structure of gross loans and advances shows that BGN-denominated ones occupied 69.9 per cent and euro-denominated 26.9 per cent (from 70.3 and 26.9 per cent, respectively, by end-December 2024). Claims in other currencies comprised 3.3 per cent (2.7 per cent at the end of 2024). Developments in claims on credit institutions affected the residency structure of loans and advances. The share of gross loans and advances to residents declined from 89.7 to 87.9 per cent at the expense of the increased non-residents' share: from 10.3 to 12.1 per cent.

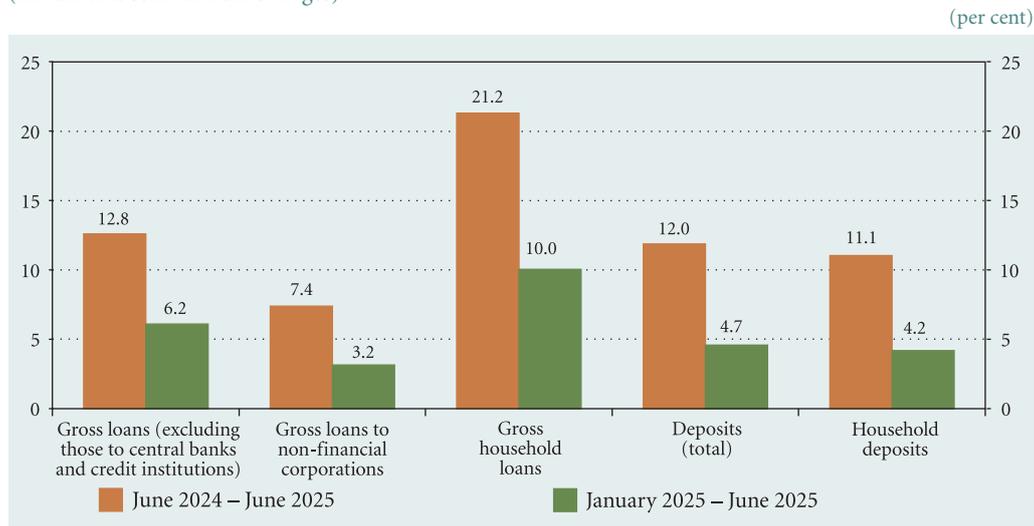
At end-June 2025, the gross amount of debt securities was BGN 33.7 billion, up BGN 676 million from the end of 2024. In the first half year, general government bonds rose by BGN 663 million (2.3 per cent) to reach at the end of the period 88.2 per cent of total bank securities (other than held for trading). In the first half of the year, an increase was reported in debt securities of non-financial corporations (by BGN 35 million) and credit institutions (by BGN 14 million) and those of other financial corporations declined (by BGN 37 million). The amount of capital instruments was unchanged from the end of December 2024 (BGN 0.7 billion), their share in total banking assets remaining insignificant at 0.4 per cent.

⁵⁷ Part of this increase is due to the inclusion of loans in the category of loans to households collateralised by residential real estate property that were not reported in this category over the previous reporting periods. The total amount of loans to the household sector is not a mechanical sum of consumer loans and loans secured by residential real estate, owing to the methodological specificities in supervisory reporting that suggest overlapping under predefined criteria.

Deposits attracted in the banking system rose by BGN 7.7 billion (4.7 per cent) to BGN 170.6 billion by end-June at a rate higher than that in the same period of 2024 (BGN 5.0 billion, 3.4 per cent). This growth reflected mainly the increase in deposits of households by BGN 3.9 billion (4.2 per cent) to BGN 96.1 billion and of credit institutions – by BGN 2.2 billion (15.7 per cent) to BGN 16.2 billion. Deposits of the general government sector also increased: by BGN 1.6 billion (50.2 per cent) along with those of other financial corporations (by BGN 322 million or 7.5 per cent). Concurrently, deposits of non-financial corporations decreased by BGN 276 million (0.6 per cent) to BGN 49.0 billion by end-June. In the structure of deposits, households and non-financial corporations which are the two main sectors, occupied 56.3 and 28.7 per cent, respectively. The deposit currency structure experienced no essential changes over the half year. By end-June, the shares of lev-denominated and euro-denominated deposits were 60.7 and 34.0 per cent, compared to 61.2 and 33.3 per cent at the end of December 2024. By end-June, deposits in other currencies accounted for 5.3 per cent (from 5.5 per cent as of 31 December 2024). Within the resident structure, deposits attracted from domestic sources reached 88.7 per cent at the end of June 2025 and those from non-residents 11.3 per cent (against 89.5 and 10.5 per cent at end-December 2024).

Dynamics of Selected Balance Sheet Indicators

(annual and semi-annual changes)



Source: BNB.

The gross amount of all non-performing exposures⁵⁸ at the end of June 2025 was BGN 4.0 billion, up BGN 113 million (2.9 per cent) against end-December 2024. The gross non-performing exposures ratio remained close to the 2.1 per cent level reported at the end of 2024.

At end-June 2025, gross loans and advances in the banking system amounted to BGN 131.7 billion, according to the narrowed scope (applied since June 2020 under EU Regulation⁵⁹). In the first half of 2025, they grew by BGN 11.1 billion (9.2 per cent). Gross non-performing loans and advances in the banking system amounted to BGN 3.94 billion, increasing by BGN 112 million (2.9 per cent) from the end of 2024. The ratio of non-performing loans, calculated on the basis of the narrowed scope, fell to 3.0 per cent (from 3.2 per cent at the end of 2024). Under the broad scope, which includes also cash balances at central banks

⁵⁸ Exposures under the EBA methodology include gross loans and advances along with cash balances at central banks and other demand deposits, and debt securities other than those held for trading.

⁵⁹ These changes comply with Commission Implementing Regulation (EU) 2020/429 of 14 February 2020 amending Implementing Regulation (EU) 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions. Unlike the June 2015–March 2020 period, according to the changes, cash balances at central banks and other demand deposits should not be included in the scope of gross loans and advances but reported separately. With effect from 28 June 2021, Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 is applied repealing Implementing Regulation (EU) 680/2014, and from 28 June 2025 – Commission Implementing Regulation (EU) 2024/3117 of 29 November 2025 repealing Implementing Regulation (EU) 2021/451.

and other demand deposits, the total amount of gross loans and advances rose by BGN 8.9 billion (5.9 per cent) to BGN 160.7 billion. The ratio of non-performing loans calculated on the basis of the broad scope⁶⁰ remained similar to the end-2024 level of 2.5 per cent.

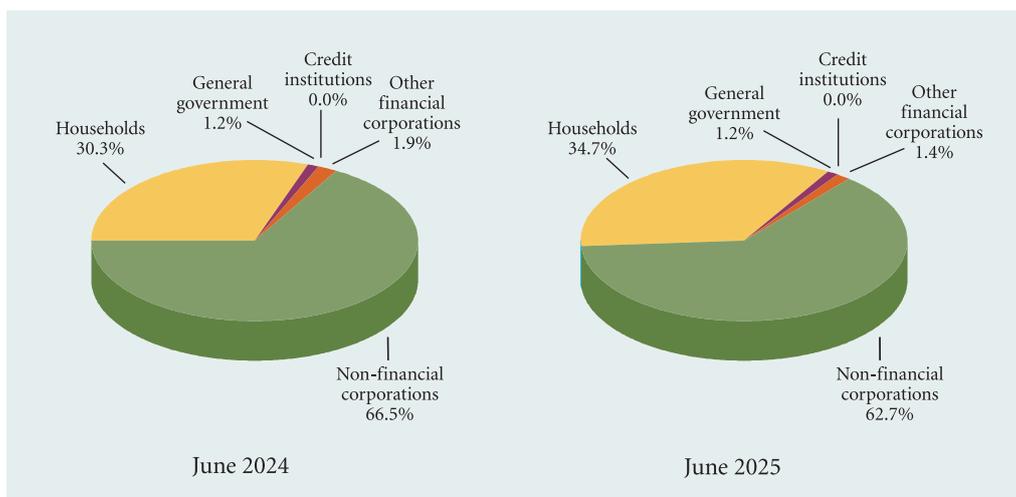
Regarding the quality of the banking system's gross credit portfolio, non-performing loans in the first half of 2025 rose by BGN 112 million (2.9 per cent). Concurrently, the non-performing portion ratio decreased to 3.4 per cent (from 3.5 per cent by end-2024) driven by the total increase in the amount of gross credit portfolio and write-offs and sales of loans.

Gross non-performing loans to non-financial corporations accounted for 62.7 per cent of total gross non-performing loans at the end of June 2025. For non-financial corporations, the total amount of credit increased by 3.2 per cent and the non-performing portion decreased by 0.3 per cent, resulting in a decrease of non-performing loans ratio to 4.5 per cent (from 4.7 per cent at the end of 2024). At the end of June 2025, the share of loans to households in total gross non-performing loans accounted for 34.7 per cent. The non-performing loans ratio for this sector fell from 2.7 to 2.6 per cent, while their total amount went up by 10.0 per cent and its non-performing part by 5.8 per cent.

In the structure of total gross non-performing loans, those past due over a year occupied 35.4 per cent (compared to 36.1 per cent as of 31 December 2024).

Total gross non-performing loan and advance impairment coverage ratio came to 50.5 per cent by end-June (49.4 per cent at the end of 2024).

Non-performing Loans and Advances by Sector



Note: The sum may differ from 100 per cent due to rounding.

Source: BNB.

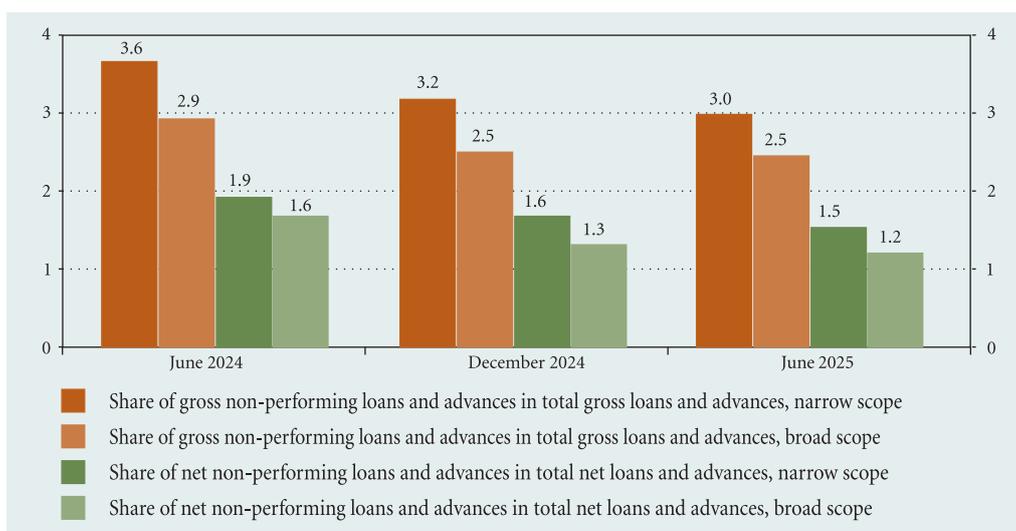
The net value of non-performing loans and advances⁶¹ was BGN 1.9 billion by end-June 2025. It represents the potential residual credit risk in bank balance sheets that remains fully covered by the excess of regulatory capital over capital requirements and applicable capital buffers. In the first half of 2025, the net value of non-performing loans and advances within the narrow scope rose by 0.7 per cent (BGN 14 million) and its ratio was 1.5 per cent (1.6 per cent by end-2024). Within the broad scope, the ratio of net non-performing loans and advances was 1.2 per cent at the end of June 2025, against 1.3 per cent at the end of 2024.

⁶⁰ The AQT 3.2 indicator used by the EBA to measure the share of gross non-performing loans and advances is based on a broad definition encompassing all counterparties on loans and advances, including cash balances at central banks and other demand deposits.

⁶¹ The net value of non-performing loans and advances is calculated using the EBA methodology: their gross amount less accumulated impairment thereon. In calculating the share of net non-performing loans and advances, their net value is used along with that of total loans and advances. Concurrently, the indicator does not report the collaterals placed in favour of banks on the loans and advances thus classified.

Non-performing Loans and Advances in Total Loans and Advances

(per cent)



Source: BNB.

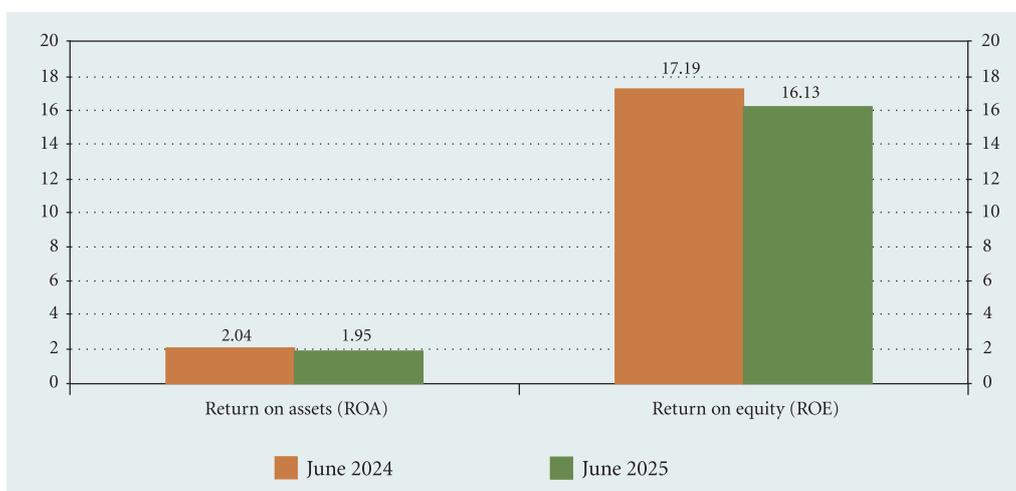
As of end-June 2025, banking system balance sheet equity was BGN 24.4 billion, posting a BGN 1.2 billion increase (5.2 per cent) compared to end-2024. Developments in retained earnings, other reserves and accumulated other comprehensive income contributed positively over the period.

Banking system profit was BGN 2.0 billion as of 30 June 2025, up BGN 149 million (8.2 per cent) than a year earlier. Gross interest-bearing assets⁶² rose by 14.4 per cent and net interest income continued to grow at a lower rate, increasing by 1.1 per cent over the same period (against 20.6 per cent of annual growth as of 30 June 2024). Impairment costs decreased from those levied in the first six months of 2024, while operating expenses increased.

At the end of June 2025, the return on assets indicator (ROA) was 1.95 per cent (2.04 per cent as of 30 June 2024). Return on equity (ROE) was lower (16.13 per cent) than that as of 30 June 2024 (17.19 per cent) driven by the higher rate of capital growth than that of profit.

Return on Assets and Return on Equity

(per cent)

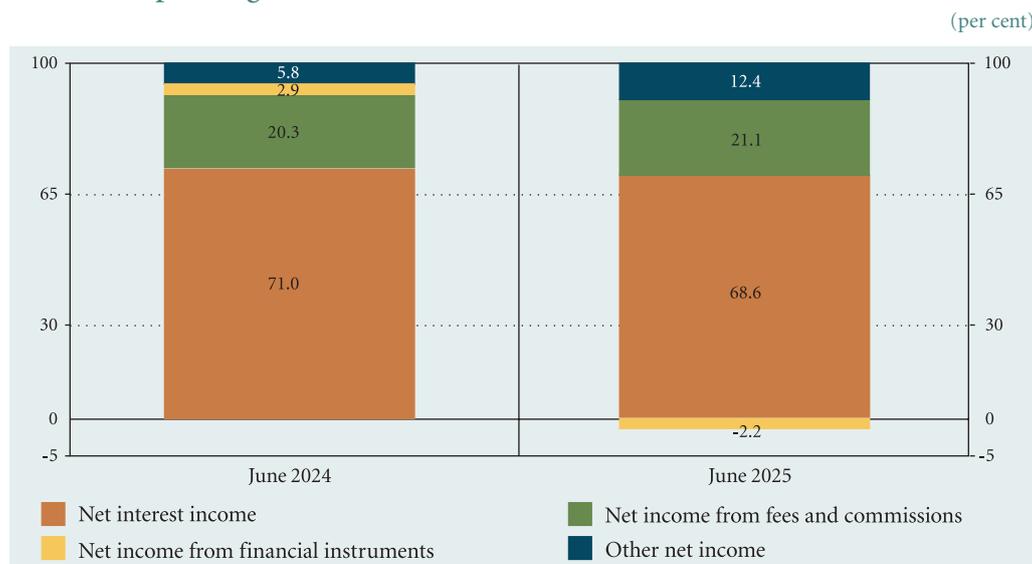


Source: BNB.

⁶² Interest-bearing assets are the sum of debt securities and loans and advances (excluding those to central banks) at gross value, to which net other demand deposits were added from 30 June 2020.

Total net operating income *vis-à-vis* 30 June 2024 rose by BGN 177 million (4.6 per cent) to BGN 4.0 billion. The share of net interest income, which is its main component, was 68.6 per cent at the end of June 2025 (71.0 per cent at the end of June 2024). Compared to the first half of 2024, net interest income rose by BGN 31 million (1.1 per cent) to BGN 2.8 billion. Interest income rose by BGN 64 million (1.9 per cent) to BGN 3.4 billion. Interest expenditure grew by BGN 32 million (5.5 per cent) to BGN 614 million. Net interest margin fell to 3.25 per cent and return on gross interest-bearing assets to 3.97 per cent (against 3.67 per cent and 4.45 per cent as of 30 June 2024). The price of interest liabilities measured at amortised cost (containing deposits, bonds issued and other financial liabilities) also fell: to 0.61 per cent (0.64 per cent as of 30 June 2024).

Total Net Operating Income Structure



Note: The sum may differ from 100 per cent due to rounding.

Source: BNB.

Compared to the first half of 2024, income from fees and commissions increased by BGN 119 million (12.1 per cent) to BGN 1.1 billion, and expenses on fees and commissions picked up by BGN 50 million (24.7 per cent) to BGN 254 million. Net income from fees and commissions grew by BGN 69 million (8.8 per cent) to BGN 849 million by end-June, reaching 21.1 per cent in the structure of net operating income (20.3 per cent by end-June 2024).

Net income from financial instruments declined by BGN 199 million to a negative value (net loss) of BGN 87 million, which was also reflected in its share in total net operating income (down from 2.9 per cent to -2.2 per cent). Over the same period, other net income⁶³ rose by BGN 276 million to BGN 499 million, its share in net operating income reaching 12.4 per cent (against 5.8 per cent as of 30 June 2024).

The cost-to-income ratio⁶⁴ of the banking system improved to 38.0 per cent (39.5 per cent by 30 June 2024) due to a higher growth rate of net operating income compared to that of expenditure. Operating expenditure (administrative expenses and depreciation) rose by BGN 67 million (5.1 per cent) to BGN 1.4 billion, and bank expenses on cash contributions to resolution funds and deposit guarantee schemes declined by BGN 55 million (29.0 per cent) to BGN 134 million.

⁶³ The increase in other net income is mainly due to net exchange rate gains.

⁶⁴ The cost-to-income ratio is the sum of administrative expenditure, depreciation costs and (from June 2020) expenses on resolution funds and deposit guarantee schemes relative to the net operating income.

The ratio of impairment costs to total operating income fell to 6.2 per cent at the end of June 2025 (7.1 per cent as of 30 June 2024). In the first half of 2025, impairment costs of financial assets which are not carried at fair value through profit or loss were BGN 249 million, down BGN 24 million (8.9 per cent) on the first six months of 2024.

In the first two quarters of 2025, the capital position of the banking system remained solid, with capital indicators significantly exceeding regulatory requirements. Compared to 31 December 2024, regulatory equity (own funds) increased by BGN 1.7 billion (8.1 per cent), reaching BGN 23.0 billion at the end of June. The increased amount of retained earnings and other reserves, which are common equity tier 1 items, contributed most significantly to this growth. Within the structure of own funds, tier 1 capital amounted to BGN 21.5 billion and common equity tier 1 capital, BGN 21.3 billion.

The total amount of risk exposures increased by BGN 4.8 billion (5.2 per cent) to BGN 97.4 billion. Over the review period, the amount of exposures was also affected by regulatory changes applied by credit institutions since the beginning of 2025.⁶⁵ The main component of total risk exposures – risk-weighted exposures for credit, counterparty credit and dilution risks and free deliveries (referred to as ‘risk – weighted exposures for credit risk’) increased by BGN 2.7 billion (3.2 per cent) to BGN 88.3 billion.

Over the same period, risk-weighted exposures to central governments and central banks rose from BGN 0.5 billion to BGN 1.9 billion at the end of June. Their growth was driven by the removed more favourable temporary treatment of 0 per cent for exposures to EU central governments and central banks where these exposures are denominated and funded in the domestic currency of another Member State, with 20 per cent of the risk weight assigned to these exposures being applied from 1 January 2025.⁶⁶

The second most important component of total risk-weighted exposures – ‘the total risk exposure for operational risk’ – grew by BGN 2.0 billion (30.1 per cent) to BGN 8.6 billion, reflecting the regulatory change in treating and reporting operational risk. The third largest element of total risk-weighted exposures, *i.e.* the total risk exposure for business exposed to market risk, increased by BGN 45 million (11.8 per cent) to BGN 430 million as of end-June.

Capital adequacy ratios compared to end-2024 increased due to the higher growth rate of regulatory own funds compared to total risk exposures. At the end of June 2025, common equity tier 1, tier 1 capital and total capital adequacy ratios were 21.83, 22.10 and 23.61 per cent, respectively (from 21.30, 21.59 and 22.97 per cent at end-December 2024).

⁶⁵ Data on the regulatory capital with reference dates of 31 March and 30 June 2025 are aggregated for the banking system on the basis of regulatory reporting in force since the beginning of 2025 pursuant to [Regulation \(EU\) 2024/1623](#) of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the capital requirement floor (CRR III) and [Commission Implementing Regulation \(EU\) 2024/3117](#) laying down implementing technical standards with regard to supervisory reporting of institutions and repealing Commission Implementing Regulation (EU) 2021/451.

⁶⁶ As per Regulation (EU) No 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 amending Article 500a, for the reporting periods from 31 January 2025 to 31 December 2025, credit institutions apply a 20 per cent risk weight to exposures to central governments and central banks of EU Member States where these exposures are denominated and funded in the domestic currency of another Member State. This Regulation was published in the EU Official Journal on 19 June 2024, with certain amendments applicable from 9 July 2024.

Selected Capital Indicators



Source: BNB.

At end-June 2025, risk-weighted exposures for credit risk occupied 90.7 per cent (92.4 per cent at end-2024). Over the first half of 2025, the share of risk exposures for operational risk in the structure of total risk exposures rose from 7.2 per cent to 8.9 per cent by end-June, while the share of risk exposures for business subject to market risk remained at 0.4 per cent.

All banks met the capital requirements and buffers applied.⁶⁷ As of 30 June 2025, the excess of capital above the Pillar 1 regulatory minimum stood at BGN 15.2 billion for the banking system, up by BGN 1.3 billion (9.6 per cent) compared to the end of 2024. Capital exceeding capital requirements under Pillar 1 and Pillar 2 and applied buffers grew by BGN 0.5 billion (9.4 per cent) to BGN 5.7 billion and continued to exceed significantly the amount of net non-performing exposures (BGN 2.0 billion), thus ensuring additional coverage of balance sheet items, a source of potential residual credit risk in the banking system.

At the end of June 2025, banking system's aggregated leverage ratio⁶⁸ (when a fully phased-in definition of tier 1 capital is applied) rose to 10.46 per cent (from 10.12 per cent by end-2024). Total risk exposure (formed by bank assets, off-balance sheet items, derivatives, securities financing transactions and standard purchases and sales with pending settlement) increased at a slower pace than tier 1 capital. The ratio by end-June shows high capital coverage of the total risk exposure and a low level of indebtedness of the banking system. All banks reported a leverage ratio exceeding significantly the minimum regulatory requirement (3.0 per cent).

Banking system's liquidity position remained stable, with liquidity coverage ratios of all credit institutions exceeding significantly the minimum regulatory requirement of 100 per cent. Banking liquidity coverage ratio⁶⁹ rose to 254.0 per cent, from 241.3 per cent by end-2024. The liquidity buffer (ratio numerator) decreased by BGN 3.4 billion (5.9 per cent) to BGN 53.5 billion. This decline reflected the fall in reserves at the central

⁶⁷ For more information on the actual levels of capital buffers, see [the BNB website](#).

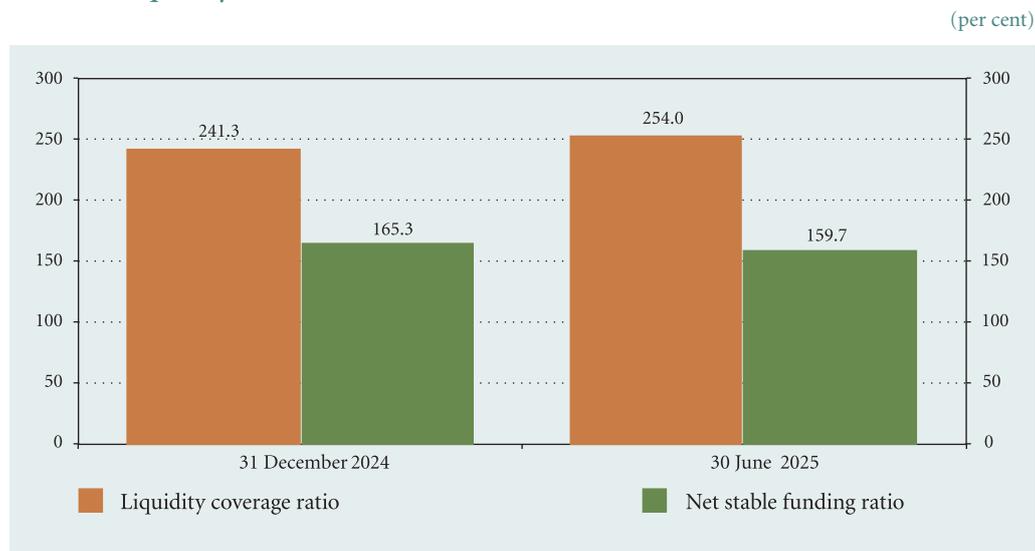
⁶⁸ The regulatory requirement for a leverage ratio (when a fully phased-in definition of tier 1 capital is applied) is introduced in compliance with Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013, with effect from 28 June 2021. Reporting templates comply with Commission Implementing Regulation (EU) 2024/3117 of 17 December 2020 laying down implementing technical standards for Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Commission Implementing Regulation (EU) 2021/451. The 3 per cent rate is defined in compliance with the Basel III regulatory framework.

⁶⁹ The liquidity coverage ratio indicates the extent to which available high-quality liquid assets of credit institutions cover the estimated net cash outflows that would materialise for 30 days under a liquidity stress scenario.

bank with an option for withdrawal by BGN 2.6 billion (11.5 per cent) to BGN 20.1 billion. Assets in the central government rose by BGN 192 million (0.8 per cent) to BGN 25.5 billion by end-June 2025. The review period saw a decrease in assets at the central bank (down BGN 806 million, 19.6 per cent) and in coins and banknotes (down BGN 56 million, 1.9 per cent) to reach BGN 3.3 billion and BGN 2.8 billion, respectively. Reflecting these developments, the share of reserves at the central bank with an option of withdrawal in the liquidity buffer structure was 37.6 per cent, that of assets in the central government 47.6 per cent and that of coins and banknotes 5.3 per cent (compared to 40.0, 44.5 and 5.1 per cent as of end-2024). The share of assets at the central bank was 6.2 per cent (7.2 per cent by end-2024) and the three most liquid items⁷⁰ in the liquidity buffer accounted for 49.2 per cent (52.4 per cent as of 31 December 2024).

Net liquidity outflows (the denominator of the liquidity coverage ratio) fell from the end of 2024 by BGN 2.5 billion (10.6 per cent) to BGN 21.1 billion.

Selected Liquidity Indicators



Source: BNB.

Loan-to-deposit ratio (LTD)⁷¹ for the banking system increased from 74.3 per cent at the end of 2024 to 76.1 per cent as of June 2025, driven by the stronger growth rate of the credit portfolio (6.2 per cent) compared to the deposit portfolio (3.7 per cent).

The aggregate net stable funding ratio (NSFR)⁷² was 159.7 per cent (165.3 per cent at the end of 2024), with all banks in Bulgaria adhering to the minimum regulatory requirement of 100 per cent. Available stable funding (the NSFR nominator) was BGN 157.9 billion and required stable funding (the NSFR denominator) stood at BGN 98.8 billion (against BGN 150.4 billion and BGN 91.0 billion by end-December 2024).

General Overview of the Activities of Financial Institutions Recorded in the BNB Register under Article 3a of the LCI

As of 30 June 2025, financial institutions entered in the Register under Article 3a of the LCI numbered 266, including 15 financial institutions from EU Member States conducting

⁷⁰ High liquid items are: coins and banknotes, reserves at the central bank with an option for withdrawal and assets of the central bank.

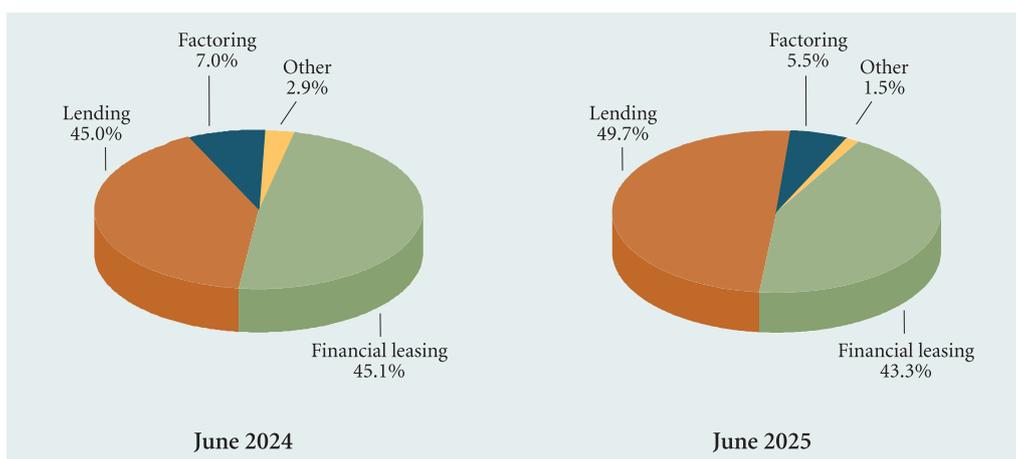
⁷¹ The ratio is calculated excluding central banks and credit institutions sectors.

⁷² The net stable funding ratio illustrates the extent to which credit institutions' liabilities and own funds items can ensure funding for their exposures over a one-year horizon. The regulatory requirement is introduced in compliance with Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013.

activities on the territory of Bulgaria *via* a branch or directly (under Articles 24 and 27 of the LCI) and two funds established under the procedure of the Law on the Bulgarian Development Bank.

As of end-June 2025, the balance sheet figure of this sector was BGN 18.3 billion. The assets of the 20 largest financial institutions were BGN 13.7 billion, their share accounting for 74.96 per cent of the sector's assets on an annual basis.

Breakdown of Financial Institutions' Assets by Type of Business in the Register under Article 3a of the LCI⁷³

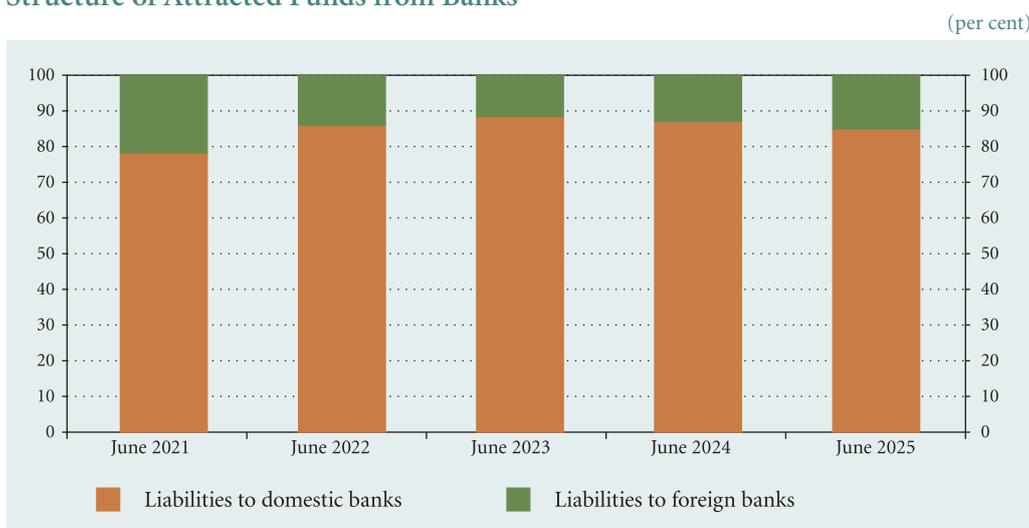


Source: BNB.

Gross credit portfolio of financial institutions including claims on loans and financial leasing reached BGN 17.2 billion, with performing loans accounting for 92.8 per cent of the sector's portfolio as of 30 June 2025, while non-performing loans and advances were BGN 2.3 billion. In the first half year, accumulated impairment increased by 28.1 per cent on the same period of the previous year.

Attracted funds in the sector grew by 14.1 per cent on an annual basis, reaching BGN 14.6 billion, of which BGN 9.8 billion from banks. As of 30 June 2025, attracted funds from domestic banks occupied 86 per cent of attracted bank resources.

Structure of Attracted Funds from Banks



Source: BNB.

⁷³ The breakdown of assets by type of business is based on book values.

In the first half of 2025, sector's profit came to BGN 346 million, up 26 per cent from that realised in the same period of 2024. The 20 largest companies retained their high profit share at 52.6 per cent of the sector's financial result.

By end-June 2025, sector's ROA came to 3.8 per cent and ROE to 22.9 per cent. Equity rose by 8 per cent year on year, coming to BGN 3 billion. The capital position of the 20 largest financial institutions provided an essential portion (42 per cent) of the sector's financial resources.

Banking Supervision's Activity

The Bulgarian National Bank's functioning as a full member of the Single Supervisory Mechanism (SSM) takes place through establishing close cooperation between the ECB and the BNB, and the supervisory activities of the BNB are in full statutory and methodological compliance with SSM practices. The Bulgarian National Bank is completely integrated into all horizontal and vertical supervisory structures at the ECB level. The BNB is the national competent authority in exercising supervisory activities *vis-à-vis* less significant institutions, participating with its representatives in joint supervisory teams through which the ECB supervises systemic institutions at the SSM level.

Activities Related to the Cooperation between the BNB and the ECB

In the first half of 2025, in close cooperation with the ECB within the SSM, the Banking Supervision Department continued to exchange and share experiences in implementing Directive (EU) 2024/1619 of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches and environmental, social and governance risks (CRD VI). The two institutions also cooperate in the application of Regulation (EU) 2024/1623 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the capital requirement floor (CRR III).

Off-site Supervision

Supervisory Review and Evaluation Activities and Ongoing Monitoring of Credit Institutions' Risk Profile

Ongoing monitoring of credit institutions' financial state continued in the first six months of 2025. Risk profile analysis was performed by tracking key risk indicators, with quarterly reports being prepared on the financial state of banks and branches as of the end of the fourth quarter of 2024 and of banks as of the first quarter of 2025. In the supervisory dialogue, communication continued with credit institutions to obtain additional information on reported amendments in supervisory templates, including daily developments in liquidity buffers and attracted funds.

In line with the annual Supervisory Examination Programme, meetings were held with external audit firms on annual financial statements of banks. The planned meetings with members of credit institutions' management boards took place.

In applying EBA criteria, supervisors reviewed and assessed banks' Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports submitted by LSIs with a reference date of 31 December 2024. Funding plans of banks for 2025–2027 were also analysed along with reviewing and assessing updated recovery plans of LSIs to determine their degree of credibility and to implement the recommendations made by the BNB. Monitoring of the targets set by banks to reduce NPLs in their strategies and operational plans continued.

SREP reports for LCIs as of 31 December 2023 were finalised in line with the SSM LSI SREP Methodology, version 2024.

The Supervisory Review and Evaluation Process for significant institutions with a reference date 31 December 2024 was completed in the first half of 2025, and preparations of draft SREP reports for LSIs as of 31 December 2024 started.

Work on Drafting Opinions and Follow-up of Supervisory Measures

Supervisory dialogue with credit institutions on their capital plans and dividend payment intentions began in January–June 2025. Banks' capital trajectories and capacity to meet capital requirements were assessed within a three-year period in relation to the planned dividend payments of three banks. Opinions were also prepared to include interim profits into banks' capital, to assess the suitability of management staff and persons holding key positions. Corrective action taken by banks to implement supervisory measures and recommendations from conducted supervisory inspections were followed up.

Close Cooperation within the Single Supervisory Mechanism

In the first half of 2025, BNB representatives continued to participate in the ECB's joint supervisory teams (JST) for conducting direct supervision of significant institutions in Bulgaria. At the regular JST meetings, issues were discussed on the approach to risk assessments, priority areas, results from thematic checks and on-site inspections, SREP analyses, and other important matters concerning the ongoing monitoring of subsidiaries. SREP reports on significant institutions with a reference date of 31 December 2024 were prepared to reflect their risk profile and financial state along with proposals on additional capital requirements and recommendations for additional own funds to be maintained by banks from the beginning of 2026. Supervisory colleges took place to discuss recovery plans of European banking groups, of which the four significant institutions in Bulgaria are part. Opinions were prepared for prior coordination of the selection of external auditors and analyses on outsourcing. Procedures were conducted to incorporate interim profits into the capital of significant institutions. Regular meetings were also held with significant institutions' management (on a monthly and quarterly basis) to discuss financial results, the risk profile, and risk control framework. Within supervisory colleges, a meeting was hosted by the BNB concerning a European banking group.

In June, the BNB participated in the SSM Staff Visit Campaign 2025, hosting a meeting of European supervisory bodies. This initiative is intended to foster the exchange of knowledge, experience and best practices among national competent authorities, focusing on the supervision of LSIs.

Regular communication between BNB representatives and an ECB team (Country Desk Bulgaria) on the supervision of less significant institutions in Bulgaria continued to discuss topics and issues relevant to the supervisory review and evaluation process, major risks and trends in banks' financial state, the current macroeconomic environment, *etc.*

Working Formats under the SSM at the ECB

The Capital Adequacy Expert Group addressed key SREP aspects, including capital plans, distribution of dividends, ICAAP and capital risk control. A benchmark was also developed for SSM SIs in terms of capital ratios and requirements, capital surpluses, leverage ratios and unrealised losses.

Within the Business Model & Profitability Expert Group, the discussed topics and projects concerned the main conclusions drawn from the benchmarking exercise on digitalisation, the pricing assessment and analytical tools, as well as findings from qualitative analyses of banks' financial projections in funding plans.

Topics within the Credit Risk Expert Group focused on analysing the quality of certain sectoral exposures, identifying structural vulnerabilities in SME portfolios, the impact of US tariffs on euro area banks' credit exposures, as well as the main findings of in-depth surveys on the probability of default, an instrument for the comparative analysis in Ana-Credit, key risk indicators and granularity.

The SSM Network of Enforcement and Sanctions Experts provided data *via* questionnaires on administrative sanctions pursuant to Bulgaria's national legal framework.

Within the Working Group on *Effective follow-up of Findings & Measures for LSIs*, a questionnaire was developed to collect quantitative and qualitative data on banks' lifecycle findings and measures to exchange best practices and promote effective processes and regular reporting.

Over the review period, the ECB's annual Significance Exercise was conducted to assess compliance of banks with criteria for their classification as significant or less significant.

In addition, supervisors participated in the ECB's Next Level Supervision project aimed at strengthening timely supervisory response and focusing on areas of higher risk and complexity, along with reducing the administrative burden for banks by streamlining supervisory processes.

In February, a SSM project was launched to develop a common supervisory approach for banks relying on deposit collection *via* online platforms, given the increasing dependence of LSIs on the SSM and different supervisory practices applied by the respective supervisory bodies. In the first half of 2025, phased examinations were carried out through questionnaires in the following areas: liquidity, operational risk, crisis management, money laundering prevention and supervisory actions of competent authorities.

On-site Inspections

Over the review period, supervisory inspections were conducted in seven banks (defined as less significant banks) for which the BNB is a directly responsible national competent authority, including three completed inspections which were launched in previous reporting periods and four new inspections. They covered credit risk and credit concentration risk on exposures to non-financial corporations, including checks of their correct reflection in regulatory reporting. Supervisory assessments were based on the documentation and information reviewed in IT systems, including internal policies and methodologies, credit files/registers, established business practices. Based on the findings, recommendations were made to improve business processes related to governance, risk assessment and control, internal regulatory framework, internal control mechanisms, identification of related parties, as well as to ensure sufficient independence in the organisational structure (of various functions/units/persons relevant to risk management/control) and to address reporting gaps for supervisory and internal audit purposes.

In the first half of 2025, an inspection was conducted at a significant bank subject to direct supervision by the ECB. The inspection was coordinated through a centralised process based on a request from the respective ECB's Joint Supervisory Team, and three-party consultations with the JST and the ECB were held. The scope of this inspection carried out by a BNB team covered operational risk in the part of the outsourcing risk.

Within the close cooperation between the BNB and the ECB, BNB staff continued to be involved in dedicated ECB working groups in view of implementing and developing work processes and tasks in various strands of relevance to internal model assessments, on-site inspections, planning and coordinating supervisory inspections, analysing and furthering modules and functionalities of the single information system for managing supervisory business processes within the SSM (IMAS) concerning supervisory inspections, SREP activities, licensing, approvals, supervisory sanctions.

Macroprudential Supervision

Macroprudential supervision of the banking system is based on an insightful and systematic analysis of the risks. The BNB prepares such an analysis of a quarterly frequency that includes most recent data on key developments in capital adequacy, liquidity, asset quality and earnings, as well as research on certain aspects of banking activities of macroprudential interest. It ensures timely monitoring on structural features of financial intermediation, emerging trends and dynamics in the banking system operation. It is built on a wide range of indicators, selected and grouped with a view to fully capturing cyclical and structural risks in bank activities and environmental factors. Special attention is paid to the

continuous upgrade and renewal of the data set in reporting for macroprudential purposes. It is enriched by the research experience of the ECB and Member States, reflecting the specificities of bank business models in Bulgaria. The quality and completeness of data reported by banks are checked and communicated on an ongoing basis.

Various quantitative assessment methods, simulations and scenario analysis of specific areas of systemic risk are also part of regular macroprudential monitoring. A BNB team explores and regularly complements these methods to make proposed assessments and measures justified and supported by data and to raise awareness in pursuing the macroprudential policy. In addition, the BNB participated in initiatives aimed at improving the expertise and technical skills for data handling.

The requirements for credit standards in extending and renegotiating loans secured by residential immovable property, introduced as of 1 October 2024, continued to be subject to a periodic analysis. The review in the first half of 2025 reported a positive effect of the requirements on credit institutions' risk appetite, as reflected in a significant decline in new loans secured by residential real estate, with ratios of the indicators at high intervals of distributions, especially in terms of the debt payments to income ratio.

The countercyclical capital buffer is a macroprudential tool, intended to serve as a protection of the banking system against potential losses resulting from the build-up of a cyclical systemic risk in periods of excessive credit growth. The BNB assesses and revises the buffer rate on a quarterly basis in line with statutory requirements by disclosing information about the decision, the applicable loans-to-GDP ratio and its deviation from the long-term trend, the reference indicator supporting judgements in setting the countercyclical buffer and corresponding justification. On 17 March and 19 June 2025, the BNB Governing Council set the countercyclical capital buffer rate applicable to credit risk exposures in the Republic of Bulgaria at 2.0 per cent for the second and third quarters of 2026.

Monitoring of banking system exposures to EEA countries and macroprudential measures taken to assess cross-border effects and the need for voluntary reciprocity in line with Recommendation ESRB/2015/2 continued in the first half year. Banking system exposures to third countries are also subject to an annual review, and the first half-year analysis shows that their size is insignificant and therefore no significant third country was identified.

The BNB is an active participant in the ECB Macroprudential Forum where it is represented by the Deputy Governor heading the Banking Supervision Department, member of the management committee of the Forum. The BNB has the opportunity to fully exchange analytical experience and protect the effectiveness and rationality of its macroprudential policy.

Within the ESRB's Advisory Technical Committee and the ECB's Financial Stability Committee, observations, analyses and information are shared in the area of the specific application of risk assessment methodologies and calibration of macroprudential tools.

The BNB participated in the country dialogue for accession to the Organisation for Economic Cooperation and Development (OECD). Trends in the development of the banking system and macroprudential policy were discussed in the materials and questionnaires at the Financial Markets Committee, and bilateral meetings discussed banking trends and BNB macroprudential policy with a view to obtaining confidence that the state of the Bulgarian banking system and pursued policy comply with OECD standards, good practice and principles.

The BNB participated actively in discussions at the European Commission's Working Group on Banks, Payments and Insurance concerning the development, calibration and improvement of the macroprudential regulatory framework. Discussed issues were: application of the countercyclical capital buffer in a neutral or standard risk environment; simplification of administrative requirements for competent authorities; introduction of a minimum set of indicators related to the use of measures for borrowers; application of measures to address risks arising from climate change, as well as a review of the regulation for the establishment of the ESRB.

An integral part of the macroprudential supervisory work is linked to the meetings on IMF visits under Article IV of its Statute, the EBRD, rating agencies and other international partner organisations. The BNB contributed to expert discussions on banking system performance and stability maintenance using macroprudential policy tools.

Specific Supervisory Activities

In the first half of 2025, BNB control activities continued to ensure compliance by credit institutions with the requirements of the Law on the Measures against Money Laundering (LMML) and the Law on the Measures against the Financing of Terrorism and Proliferation of Weapons of Mass Destruction.

On-site inspections which started in early 2025 were completed in line with the approved annual plan for three credit institutions: a less significant institution, a foreign bank branch and a significant institution. Inspections under a risk-based approach focused on the fulfilment of banks' obligations in line with LMML requirements for internal organisation and operational control and compliance with due diligence requirements *vis-à-vis* new customers.

Two *ad hoc* inspections in a LSI and a SI were also launched in the first half of 2025. Inspections were conducted and responses were prepared to complaints, alerts, inquiries and other information received from citizens, legal entities or institutions, part of which under consultation procedures with the Banking Department. BNB experts continued participating in assessing requests for acquisitions of credit institutions, changes in their capital structure, and fit and proper assessments of bank management and key personnel.

The first meeting of the Forum on Money Laundering and Terrorist Financing Risks was organised by the BNB and banks, including also representatives of the banking sector in Bulgaria, the Association of Banks, the non-government sector and the Specialised Financial Intelligence Directorate of the State Agency for National Security. This Forum aims to encourage the public-private partnership with banks to examine the risks of money laundering, terrorist financing and proliferation of weapons of mass destruction and the need to maintain effective risk mitigation systems. In addition, information, circulars, guidelines and instructions on implementing regulatory and international standards in this area were exchanged with representatives of credit institutions and other supervisors/control authorities.

BNB representatives participated in the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (Moneyval) to the Council of Europe and the inter-service working group on the assessment follow-up. Work continued on the action plan on recommendations of the report for Bulgaria from the Fifth Evaluation Round and commitments and participation in a number of inter-service working groups at national level, such as the group transposing Directive (EU) 2024/1640 and introducing implementing measures under Regulation (EU) 2024/1624 and Regulation (EU) 2024/1620 of the European Parliament and of the Council. A committee of competent authorities overseeing implementation of preventive legislation against the use of the financial system for money laundering and terrorist financing was established in January 2025.

Amendments to the Law on Real Estate Loans for Consumers (LRELC) of June 2025 extended BNB's control powers, whereby the Bank may issue recommendations and orders to put an end to violations of the persons subject to control under this Law. These amendments aim to extend possible impact mechanisms with a view to limiting poor practices, taking into account the extent and gravity of the violation.

Interest in registering credit intermediaries continued, with 12 new companies from Bulgaria and two EU Member States being entered in the register and four companies voluntarily delisted. By end-June, registered companies from Bulgaria were 132. Inspections of companies suspected to operate without the necessary registration continued.

With regard to the strict application of the Law on Bank Deposit Guarantee (LBDG), targeted checks were carried out in two less significant credit institutions with a view to correctly determining the amount of guaranteed deposits. One joint inspection was also

carried out with the Financial Supervision Commission in a systemically important bank acting as supplementary pension insurance and payment fund custodian, with no breaches of the applicable legal framework being identified.

All complaints, questions and enquiries received from customers of financial institutions were subject to checks, of which the persons were notified or directed to the relevant competent authority.

In the first half of 2025, seven legal entities were listed in the register of financial institutions under Article 3a of the LCI with commercial registration in Bulgaria. One foreign financial institution, as notified by the relevant supervisory authority, enjoys the freedom to provide services right under the mutual recognition of the single European passport. Three financial institutions were deleted due to termination of business. Two companies were refused entry to the register under Article 3a of the LCI for reasons of unclear origin and lack of evidence of own funds in generating contributions to the capital. A judicial decision was closed confirming a pecuniary penalty decree issued by the BNB to a financial institution registered under Article 3a of the LCI.

BNB monitoring and control of strict compliance with the requirements under Article 3a of the LCI and BNB Ordinance No 26 involved checks and analyses of information and documents submitted to the central bank, both on initial registration of a company under Article 3a of the LCI and subsequent changes in registration. Cooperation continued with law enforcement authorities, prosecution and other institutions in exchanging information on companies operating without registration. Letters and enquiries received from foreign institutions and citizens on the legal framework and financial institutions' operation were properly examined.

Financial statements reported to the BNB by financial institutions registered under Article 3a of the LCI continued to be monitored on a regular basis with regard to significant business and compliance with own funds requirements. A major focus was kept on technical preparations of financial institutions for the introduction of the euro as the national currency in Bulgaria.

Supervisory Information Service and IT Audit

Collecting, processing, storing and disseminating supervisory information was provided for the analytical needs of the Banking Supervision Department. Timely implementation of reporting commitments to the ECB and the EBA was ensured.

Various new supervisory information products were updated and launched to ensure the proper functioning of supervisory processes. Schedules for preparing standard supervisory products were completed within the deadline, and requested non-standard information products were developed in a flexible and qualitative manner.

On-site inspections to identify the IT risk were planned and implemented, including various technological and organisational areas. The IT audit unit performed IT risk checks in two LSIs, and in one SI, together with the ECB, a specialised inspection was conducted. All recommendations made in supervisory inspection reports with deadlines during the reporting period were followed up and implemented by supervised institutions.

In the first half of 2025, two significant incidents were reported by a bank, classified as operational. The sectoral cyber incident team in banks coordinates and monitors reporting and recovery processes.

Regarding BNB commitments under Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (DORA), internal responsibilities of the units were structured. All supervised institutions were informed about their obligations stemming from the implementation of this Regulation from 17 January 2025, and a meeting was organised on 21 May 2025 to improve coordination with banks.

To effectively integrate DORA Regulation requirements, BNB and ESCB experts prepared amendments to the on-site inspection methodology which was approved by the BNB for less significant credit institutions and is now being applied in conducting IT risk on-site inspections.

Technological Preparations of Credit Institutions, Foreign Bank Branches in Bulgaria and Financial Institutions for the Introduction of the Euro in Bulgaria

To follow up and support technological preparations of credit institutions, foreign bank branches in Bulgaria and financial institutions for the euro introduction in Bulgaria, specific instructions were given through active communication. Over the review period, the test information system was updated, calibrated and supplemented for submitting the full volume of supervisory and prudential reports in euro. With regard to dual display of prices under the Law on the Introduction of the Euro in the Republic of Bulgaria, information on implemented technological changes was requested from banks and foreign bank branches in Bulgaria. Instructions for addressing deficiencies were given. Plans for the euro-related technological preparation and for IT continuity and recovery were requested and analysed. Recovery plan analysis results show that the banking system demonstrates a high degree of preparedness for the euro changeover process, with resources and safeguards being foreseen according to a risk-based approach.

Regulatory Activity and Supervisory Policy

Work on Amending the Existing Regulatory Framework

In view of the forthcoming introduction of Directive (EU) 2024/1619 (CRD VI), BNB experts prepared in the first half of 2025 draft amendments to the Law on Credit Institutions. They also lay down the requirements applicable to banks under Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives in connection with the establishment and functioning of the European single access point.

Banking Supervision experts continued participating in the EBA and ECB standing committees and working groups in discussing and developing common supervisory policies and standards, as well as in exchanging, assessing and converging national practices on applying and developing the EU prudential and supervisory framework. In the context of the EBA work programme, opinions were prepared on proposals for adopting various regulatory acts, such as guidelines, recommendations, standards, *etc.*, which addressed a wide range of topics in the area of prudential credit institutions supervision.

BNB representatives contributed to the development and introduction in the EU of the revised regulatory and reporting framework for capital requirements, mostly on the following streams: the new method for calculating capital requirements for operational risk; regulatory products related to prudential consolidation; the new reporting framework resulting from the CRR III for both institutions and branches from third countries; requirements regarding the guarantee capital of third country branches. As part of ECB and national competent authorities activities, Bank experts were also involved in revising directly applicable European liquidity reporting framework, improving analytical capabilities of existing SSM liquidity analysis platforms and tools, updating documents related to the exercise of the right of choice by the competent authority, and in all processes aimed at simplifying requirements and removing unnecessary reporting burdens identified as one of EBA priorities.

Steps were taken to enforce decisions of the relevant European authorities within the effective regulatory framework *vis-à-vis* supervised entities in Bulgaria.

Application of the Regulatory Framework

In January–June 2025, work started on introducing amendments to a number of BNB ordinances, including to Ordinance No 7 of 24 April 2014 on the Organisation and Risk Management in Banks, Ordinance No 37 on Internal Exposures of Banks *etc.*

As regards correct submission of regular reporting from credit institutions and maintenance of high quality data, the Banking Supervision Department continued to support and instruct banks in the event of problems and inaccuracies in received data, including through its horizontal review of prudential consolidation scope applied by supervised entities.

The Banking Supervision Department updated reporting requirements as of 31 March 2025, reflecting amendments to the Reporting Regulation.

In line with an EBA decision on information required for monitoring of Basel supervisory standards, the annual exercise included three credit institutions based on 31 December 2024 data.

In cooperation with the ECB, supervisors at the BNB carried out the regular operational risk management self-assessment by analysing risks and efficiency of control mechanisms in supervisory processes.

The Banking Supervision Department organises and coordinates implementation of Article 102 of the LCI and Commission Implementing Regulation (EU) No 650/2014 related to annual public disclosures by supervisors to allow comparison of the approaches adopted by the BNB and the other competent authorities of the Member States.

Banks operating in the Bulgarian market agreed on the choice of auditors in line with Article 76, paragraph 4 of the LCI to conduct independent financial audits of 2025 financial statements.

The Banking Supervision Department continued to keep up-to-date and structured information on the status of Bulgarian supervised entities (credit institutions, financial holding companies and branches of foreign banks) with regard to their specific characteristics, as set out in the ECB's Register of Institutions and Affiliates Data (RIAD).

Issue of Licences, Permits, and Approvals

In the first half of 2025, no new credit institutions were licensed to carry out banking activities in Bulgaria, and no licensing procedures⁷⁴ were initiated.

No requests to acquire qualifying holdings in banks were received.

In the first half of 2025, approvals for own funds were issued:

- to one significant institution to include its interim profit for the first half of 2024 into common equity tier 1 (CET1);
- to one bank to include its interim profit as of 30 September 2024 in common equity tier 1 (CET 1) capital;
- to a significant bank to reduce its own funds by repaying an additional tier 1 instrument and replace it with a CET1 instrument;
- to one significant bank to classify T2 bonds as a tier 2 instrument;
- to one significant bank following a decision of the BNB Governing Council to include its interim profit as of 31 December 2024 on an individual and consolidated basis into common equity tier 1 (CET 1).

The BNB Governing Council approved amendments to the statutes of five credit institutions under Article 71, paragraph 5 of the LCI.

Following a fit and proper assessment, ten approvals for holding positions in the management and supervisory bodies of banks were issued by the BNB Governing Council⁷⁵ (five for less significant institutions and five for significant institutions after ECB instructions),

⁷⁴ By Decision (EU) 2020/1015 of the ECB of 24 June 2020 on the establishment of close cooperation between the European Central Bank and the Bulgarian National Bank (ECB/2020/30), a close cooperation mechanism was established, and from 1 October 2020, the ECB, in accordance with Article 4(1)(a) of Regulation (EU) No 1024/2013, is the competent authority for authorisation of credit institutions, subject to specific rules reflecting the role of the national competent authority.

⁷⁵ Information on approvals issued pursuant to Article 11, paragraphs 1 and 3 of the Law on Credit Institutions is available on the [BNB website](#).

one approval for a manager of a foreign third-country branch, one approval for a member of the board of directors and one approval for a procurator of a parent mixed financial holding company from a Member State. Fourteen approvals were also issued for assessing the suitability of key function holders (nine in relation to less significant institutions and five to significant institutions following ECB instructions).⁷⁶

Six new EU credit institutions exercised the freedom to provide services in Bulgaria under the mutual recognition of passporting procedures through notices to the BNB from bank operation licensing supervisors. Thus, the number of first time notifications was 371.

As a result of the close cooperation between the ECB and the BNB⁷⁷, the following procedures on specific instructions from the ECB were implemented, leading to the adoption of national decisions by the BNB Governing Council and issuance of orders by the Deputy Governor heading the Banking Supervision Department:

- ten national decisions on issuing approvals for holding positions in management and supervisory bodies and for holding key positions in four significant credit institutions;
- 13 national decisions on invoicing 2024 annual supervisory fees due to the ECB for the supervised entities and supervised groups established in Bulgaria;
- two national decisions on internal models – to one significant institution;
- four national decisions in relation to own funds – to three significant banks;
- an order to conduct a supervisory inspection in a significant bank;
- a national decision on an approval of amendments to the Statute of a significant bank;
- a national decision on data collection in relation to outsourcing – to a significant institution.

In the first half of 2025, the Banking Supervision Department registered and handled 74 complaints from bank customers on specific cases.

⁷⁶ Following the established close cooperation between the BNB and the ECB, in accordance with Article 4(1) (e) of Regulation (EU) No 1024/2013, the ECB is exclusively competent to assess and adopt decisions on the suitability of members of the management bodies and of key function holders in significant banks. The ECB assesses the relevant persons in cooperation with national supervisory authorities.

⁷⁷ Decision (EU) 2020/1015 of the ECB, with effect from 27 July 2020.

VII. BNB Activities as the Resolution Authority of Credit Institutions

The Law on the Recovery and Resolution of Credit Institutions and Investment Firms (LRRCIIF) tasks the Bulgarian National Bank with resolution of credit institutions and other legal entities, which are subject to supervision or consolidated supervision by the central bank. Following the establishment of close cooperation with the ECB with effect from 1 October 2020, the BNB performs the function of a resolution authority within the framework of the Single Resolution Mechanism (SRM) and in close cooperation with the Single Resolution Board (SRB).

Credit institutions established in the Republic of Bulgaria in respect of which the ECB exercises all powers under Article 4 of Regulation (EU) No 1024/2013⁷⁸ fall within the direct remit of the SRB, which exercises the functions of a resolution authority and makes decisions on all aspects of resolution.⁷⁹ As the national resolution authority of credit institutions under the direct remit of the SRB, the BNB participates and is represented in Internal Resolution Teams set up by the SRB⁸⁰, which perform tasks on drawing up resolution plans and taking decisions related to resolution. The SRB replaces the BNB also when cooperating with resolution authorities of non-participating Member States, including in resolution colleges and European resolution colleges established under Directive 2014/59/EU.⁸¹ In respect of credit institutions and groups respectively, whose resolution authority is the SRB, the BNB participates in the resolution colleges as an observer.

In respect of credit institutions and groups established in the Republic of Bulgaria which do not fall under the direct remit of the SRB, the BNB adopts decisions on all aspects of resolution, taking into account its cooperation commitments with the SRB and implementing Regulation (EU) No 806/2014⁸².

As part of the SRM, the Bulgarian National Bank is represented with a voting right in the management bodies of the SRB in the form of the Plenary session⁸³ and the Extended Executive Session⁸⁴ by the Deputy Governor heading the Banking Department.

In its capacity as a resolution authority, the BNB is fully responsible for the administration and management of the Banks Resolution Fund (BRF, the Fund).

In the first six months of 2025, work continued on developing and updating the BNB's internal methodological framework relevant to the resolution function in the

⁷⁸ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

⁷⁹ As of 30 June 2025, these are four credit institutions as follows: United Bulgarian Bank AD, DSK Bank AD, UniCredit Bulbank AD and Eurobank Bulgaria AD.

⁸⁰ They include representatives of the SRB and national resolution authorities and are established under Article 83(3) of Regulation (EU) No 806/2014.

⁸¹ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council.

⁸² Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010.

⁸³ Including permanent members of the SRB and representatives of all national resolution authorities within the SRM.

⁸⁴ The Extended Executive Session includes permanent SRB members and representatives of national resolution authorities in whose jurisdiction the entities in respect of which issues are discussed and decisions are adopted.

context of the SRB policy integration, as far as applicable, while complying with national specificities.

Over the review period, the BNB activity as a resolution authority and national resolution authority was focused primarily on preparing, reviewing, updating and adopting by the BNB Governing Council resolution plans of credit institutions and monitoring the implementation of target levels of minimum requirements for own funds and eligible liabilities (MREL) as set out for credit institutions.

In the beginning of 2025, the 2023 resolution planning period ended related to credit institutions falling within the direct powers of the BNB and one credit institution, part of a cross-border EU group.⁸⁵

In the first half of 2025, reviewing and updating 2024 resolution plans began related to credit institutions falling within the direct powers of the BNB. Resolution plans are reviewed annually and include an assessment of resolvability, an assessment and analysis of the business model and critical functions of the institution or group concerned, as well as the preferred resolution strategy and tools. The resolution plans of nine credit institutions provide for the application of a resolution tool, while evaluations in the remaining four institutions justify the liquidation of the business through insolvency proceedings as appropriate and feasible. Along with reviewing and revising the resolution plans, a review of the specified level of MREL was carried out. In addition, the progress made by credit institutions towards their defined work priorities was also examined and assessed with a view to ensuring resolvability and implementing the preferred resolution strategy.

In line with the procedural commitments of the BNB within the SRM, 2024 updated resolution plans for credit institutions falling within the scope of BNB's direct powers were submitted to the SRB for opinion in the first half of the year.

The Bulgarian National Bank in its capacity as a resolution authority of a credit institution, part of a cross-border EU group, participated as a member in the resolution college set up by the group-level resolution authority. In the first half of 2025, within the deadline for reaching a joint decision on the group resolution plan for 2024 and on MREL, the members of the college reached a joint decision and adopted the 2024 group resolution plan. According to the plan, the subsidiary credit institution in the Republic of Bulgaria was identified as a resolution entity⁸⁶ in view of the identified critical function and the conclusion that the resolution objectives could not be achieved to the same extent in the case of liquidation under insolvency proceedings. Within the same time limit, the members of the college also reached a joint decision on setting MREL on an individual basis for the subsidiary credit institution in the Republic of Bulgaria as a resolution entity.

In the course of reviewing and updating the resolution plans of the four credit institutions which fall within the direct remit of the SRB, in the first half of 2025 the BNB Governing Council adopted decision-voting positions at the SRB Extended Executive Session concerning a prior, and consequently final approval of joint decisions on resolution plans for 2024 of two cross-border groups with subsidiaries licensed in the Republic of Bulgaria, and on setting MREL for resolution entities and their subsidiary banks, within the remit of the SRB⁸⁷. The BNB Governing Council approved also a position on voting draft decisions of the SRB Extended Executive Session concerning an approval of a resolution plan and setting out of an MREL for a cross-border group with a subsidiary

⁸⁵ In the context of the allocation of functions and powers between the BNB and the SRB, the Bulgarian National Bank is responsible for the resolution planning of thirteen credit institutions licensed in the Republic of Bulgaria and falling within its direct powers.

⁸⁶ Within the meaning of § 1, item 71a of the Additional Provisions of the LRRCIIF.

⁸⁷ Pursuant to Article 54(2)(a) and (c) of Regulation (EU) No 806/2014, the SRB at its Executive Session prepares, assesses and approves resolution plans and determines MREL for entities and groups falling within the scope of its powers. Decisions of the Executive Session of the SRB are taken by consensus, and in case of a failure to reach a joint agreement by consensus, by a simple majority of the votes of permanent SRB members.

bank licensed in Bulgaria for which there is no organised resolution college, given the lack of presence of the group in Member States outside the SRM.

In line with its positions, the BNB supported the draft decisions of the SRB's Extended Executive Session on the resolution plan and the resolvability assessment for 2024 and on the determination of MREL for the three cross-border groups with subsidiaries in the Republic of Bulgaria, falling under the direct remit of the SRB. The BNB positions as a national resolution authority were expressed within the Extended Executive Session of the SRB by the BNB representative in accordance with the BNB applicable internal acts and the Rules of Procedure of the SRB Executive Session.

The resolution plans for 2024 of the three groups, the bulk of which are credit institutions established in the Republic of Bulgaria, include an assessment of banking group resolvability, an assessment of significant corporations and an analysis of their legal and financial structure, and of their business model, critical functions, preferred strategy and resolution tool, MREL calculations and an analysis of the tools serving to implement the MREL. The three subsidiary banks licensed in Bulgaria, part of the relevant banking groups, were designated as significant with identified critical functions. A MREL was set out on a individual or (sub)-consolidated basis in accordance with the approach taken by the SRB for the three subsidiary banks, that are not resolution entities, according to the strategy provided for in resolution plans of the relevant group.

Under the BRF governance function, on 17 April 2025, the BNB Governing Council adopted the annual financial statements of the Banks Resolution Fund for 2024, including Performance Report⁸⁸ and all components of the BRF financial statements as of 31 December 2024. The audited financial statements were published within statutory deadline (30 April) in the *Darjaven Vestnik*⁸⁹. Within the same period, the report presenting the Fund's activities and its assets, financial position, cash flows, financial result and changes in net assets, along with the report of the independent auditor⁹⁰, are published on the BNB website under the corresponding section.

For the purposes of BRF current funds management, in January 2025 the BNB Governing Council determined eligible classes of assets and investment restrictions for market and credit risks with regard to the possibility for BRF financial means to be invested through structured indexed account (SIA) with the BNB. In the first half of 2025, the BNB Governing Council took decisions to leave unchanged the applied investment strategy regarding BRF financial means, which continued to be kept on current accounts with the BNB and were subject to the General Terms and Conditions of the Bulgarian National Bank on Servicing Accounts of Banks, Budget Organisations and Other Customers. When making the decision to invest the BRF's resources, the Governing Council reviewed and took into account the expected returns and risk in the event of a choice of SIA, as well as the market situation at that time.

In line with the allocation of powers between the SRB and the BNB, the function of determining and collecting contributions from branches of third-country credit institutions for the purposes of resolution financing is exercised entirely by the BNB, and the collected funds are transferred to a separate BRF sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF. In April 2025, the BNB Governing Council set the annual contributions by branches of third-country credit institutions to the BRF for 2025 at BGN 130 thousand. Funds were transferred to the respective sub-fund account within the time-limit under Article 139, paragraph 5 of the LRRCIIF (30 days from the date of notification). As of 30 June 2025, funds collected in the sub-fund established

⁸⁸ It includes information and analyses concerning the dynamics and trends in the international environment, economic activity in Bulgaria and the state of the banking system, given their interconnectedness and determining role for BRF management activities, as well as information on the management of the BRF and the main indicators representing its performance in 2024.

⁸⁹ *Darjaven Vestnik*, issue 36 of 29 April 2025.

⁹⁰ Ernst & Young Audit OOD, appointed by Decision No 352 of the BNB Governing Council of 17 July 2024.

to raise contributions by branches of third-country credit institutions amounted to BGN 1175 thousand.

Contributions of credit institutions licensed in the Republic of Bulgaria for the purposes of resolution financing are due to the Single Resolution Fund (SRF) and are determined by the SRB. As a national resolution authority, the BNB is responsible for notifying credit institutions about their *ex-ante* annual contributions set by the SRB, for their collecting and transferring to the SRF. To this end, a separate earmarked sub-fund is used, set up under Article 134, paragraph 1, item 2 of the LRRCIIF. Within the procedure for determining the individual *ex ante* contributions to the SRF for 2025, the SRB verified whether the SRF target level has been reached⁹¹ and found out that the available financial means in the SRF represented at least 1 per cent of the amount of guaranteed deposits of all credit institutions licensed in the Member States participating in the SRM. On 10 February 2025, the SRB published a press release on compliance with the target level of the SRF as of 31 December 2024, and the intention not to collect regular annual contributions to the SRF in 2025.⁹² Accordingly, within the procedure for determining the individual annual contributions to the SRF for 2025, the SRB only followed its procedure for the recalculation of the individual annual *ex-ante* contributions of the institutions that submitted corrective data in respect of previous procedures⁹³. In April 2025, following a notification by the SRB of a decision on the calculation of adjustments to individual *ex-ante* annual contributions, including one credit institution licensed in the Republic of Bulgaria which submitted corrective data for 2023, the BNB Governing Council decided to adjust the amount of the funds in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF, deducted from the liabilities of this credit institution for *ex-ante* contributions to the SRF for 2023, and to recover funds of BGN 33 thousand in the earmarked sub-fund. Recovered funds can be used in accordance with the provisions of § 56, paragraph 2 of the Transitional and Final Provisions of the Law on the Amendment to the LRRCIIF.

As of 30 June 2025, funds in the earmarked BRF sub-fund established to raise and transfer contributions of credit institutions to the SRF were BGN 482,830 thousand.

⁹¹ According to Article 69(1) of Regulation (EU) No 806/2014.

⁹² See [No additional SRF bank levies needed for 2025; Fund continues to meet target level](#), press release, SRB, 10 February 2025.

⁹³ Procedures for determining individual annual *ex-ante* contributions for the 2016–2023 period.

VIII. Participating in the ESCB and EU Bodies

The work of EU bodies and institutions in the first half of 2025 focused on strengthening the Union's financial system, enhancing the resilience of the European banking sector and reinforcing its capacity to manage crises, as well as harmonising the rules on the functioning of the payment services market. BNB representatives participated actively in discussions on amendments of the EU regulatory framework for the banking sector and contributed to the drafting and coordination of national positions on relevant legislative proposals.

The European System of Central Banks

The BNB Governor sits on the ECB General Council with EU central bank governors and the ECB President and Vice President. In the first half of 2025, the two ECB General Council meetings discussed issues related to the macroeconomic, monetary and financial developments in the EU and the report on prospects, risks and monetary policies of non-euro area Member States. The ECB General Council adopted the 2025 extraordinary Convergence Report, prepared at the request of the Republic of Bulgaria, previously endorsing the application of economic convergence criteria.

The BNB is represented by Deputy Governors in the ECB Supervisory Board, the Steering Committee of the ECB Macroprudential Forum and the High-Level Task Force on the ESCB Integrated Reporting Framework.

BNB representatives took part in 17 ESCB committees⁹⁴ and 70 working groups thereto. Bank representatives on ECB bodies, ESCB committees and working groups helped elaborate ECB's acts on monetary and banking policies, payment and settlement systems, prudential supervision, statistical reporting and research, and other central banking issues. The Bank also took part in coordinating draft ECB opinions with regard to written consultations between EU Member States on draft legislative bills, as well as proposals for EU legal acts falling within the ECB field of competence⁹⁵.

The European Systemic Risk Board, European Banking Authority

The BNB Governor and Deputy Governors are members of the ESRB General Board. A regular assessment of the risks to financial stability in the EU carried out at the two meetings held in the first half of 2025 showed that risks remain elevated amid persisting trade and geopolitical uncertainty. It was noted that tighter trade restrictions could worsen economic growth prospects, which would increase corporate insolvency and weaken household balance sheets. In addition, any escalation of geopolitical tensions would lead to

⁹⁴ The Accounting and Monetary Income Committee (AMICO), the Financial Stability Committee (FSC), the Banknotes Committee (BANCO), the Eurosystem/ESCB Communications Committee (ECCO), the Information Technology Committee (ITC), the Internal Auditors' Committee (IAC), the International Relations Committee (IRC), the Legal Committee (LEGCO), the Market Operations Committee (MOC), the Monetary Policy Committee (MPC), the Market Infrastructure and Payments Committee (MIPC), the Statistics Committee (STC), the Organisational Development Committee (ODC), the Committee on Controlling (COMCO), Human Resources Committee, Heads of Administration Conference and the Eurosystem Procurement Coordination Office (EPCO).

⁹⁵ Outside the reporting period, in early July 2025, the BNB contributed to the coordination of a draft ECB opinion in the context of the abrogation of Bulgaria's derogation and the introduction of the euro. On 2 July, the ECB adopted an Opinion on a proposal for a Council Regulation amending Regulation (EC) No 974/98 as regards the introduction of the euro in Bulgaria and on a proposal for a Council Regulation amending Regulation (EC) No 2866/98 as regards the conversion rate to the euro for Bulgaria (CON/2025/15), OJ C, C/2025/3948, 10 July 2025.

disorderly corrections in global financial markets, affecting the real economy and amplifying volatility, particularly in foreign currency and commodity markets. The General Board recognised that banks and market participants were able to withstand increasing volatility, and capital inflows proved that the EU was a safe place for investment. However, it was emphasised that the ongoing uncertainty requires swift action to further strengthen the resilience of the EU financial system through stringent regulations and strict supervision.

Amid heightened security concerns and the associated need for Member States to rapidly and substantially increase defence expenditure, the risks associated with public debt sustainability were also discussed during the meetings. Members of the General Board agreed that the ability to defend national sovereignty is a prerequisite for financial stability, but at the same time higher defence expenditure can narrow the fiscal space of Member States and pose risks to countries with high levels of debt. In this regard, with a view to meeting defence needs and limiting concerns about increasing debt burden, the members of the General Board called for a balanced approach combining financing instruments at both national and European level.

Among the topics discussed during the reporting period, as part of discussions focusing on risks to the financial stability in the EU, was the growing relation between the crypto-asset sector and the financial sector. It was emphasised that not all jurisdictions have fully implemented the recommendations of the Financial Stability Board for global stablecoins, unlike the EU, where these recommendations have been implemented in the Regulation on Markets in Crypto-assets. In this regard, concerns have been raised that the fungibility of stablecoins issued both in Europe and in third countries may pose risks to financial stability. It was therefore decided that the ESRB should accelerate its work aimed at assessing the systemic risks associated with stablecoins and identifying ways to prevent or mitigate them.

At its June meeting, the General Board held discussions on financial stability risks, resilience and macroprudential policies in the European Economic Area countries in order to assess the macroprudential policy stance. It was noted that in the context of high uncertainty, it is crucial to maintain the current levels of macroprudential buffers, which will enable the absorption of various shocks. Countries with a high degree of economic openness were called upon to assess the impact of ongoing uncertainty in global trade on the financial sector and to develop strategies to address this risk.

In addition to work on identifying systemic risks, the General Board also addressed other topics, including the resilience of the EU financial system to changes in interest rates, the impact on financial stability of applying the framework for simple, transparent and standardised securitisation compared to synthetic securitisations, and proposals aimed at implementing the ESRB's strategic priorities, based on the recommendations of the report of the High-Level Group on the ESRB Review.

During the review period, BNB representatives participated in EBA committee and working group meetings, where, in addition to the usual topics for discussion, reports and studies were prepared on issues related to consumer lending and financial innovation.

As part of specific supervisory activities, interaction with regulatory authorities of the EU Member States continued through participation in three colleges, where the actions of banking groups to improve the efficiency of the monitoring and control systems in ML/TF prevention were discussed.

The Ecofin Council and the Economic and Financial Committee (EFC)

Finance and economy ministers and central bank governors took part in the informal EU Ecofin Council in April. The BNB Governor and a Deputy Governor attended the meeting. Ministers and Governors discussed ways to enhance the competitiveness of European

financial markets, their role in supporting investment in an uncertain economic environment and Europe's response to developments in financial markets in the short and long term. The discussions addressed the main challenges that European capital markets face, including fragmentation resulting from different national regulations and supervisory practices, the lack of deep and liquid markets for venture capital, especially for start-ups and innovative companies, and the challenges resulting from the uncertainty caused by tariffs imposed by the US. To this end, it was emphasised that increasing transparency, harmonising regulations, and promoting financial literacy are essential for strengthening capital markets and ensuring their long-term sustainability and attractiveness.

A Deputy Governor represents the BNB on the Economic and Financial Committee. In the first half of 2025, the Committee continued discussions on financial market developments and risks to financial stability in the EU amid a changing global environment. A major concern for financial stability was the possibility of a substantial change in trade policy due to its potential impact on inflation. The need to strengthen the EU economy and its strategic autonomy and to reduce vulnerabilities in the Union's financial system was highlighted.

Committee members continued to discuss Ukraine's financial needs and the use of proceeds from immobilised Russian assets and reserves to support the country.

During the reporting period, Committee members were made aware of initiatives aimed at reducing regulatory burden and simplifying EU legislation, as well as legislative proposals related to the foundation of the Savings and Investments Union. The Committee continued its work on the preparation of international meetings through in-depth discussions on the EU's strategic priorities. The Economic and Financial Committee was also involved in the procedures provided for in the TFEU, in relation to the abrogation of Bulgaria's derogation.

In the first half of 2025, the Ecofin Council addressed the issue on the euro area enlargement and the adoption of the euro by the Republic of Bulgaria. On 4 June 2025, the Convergence Reports of the European Commission and the ECB, prepared at the request of the Republic of Bulgaria and adopted on the basis of Article 140(1) of the TFEU, were published. Analyses of both institutions show that Bulgaria fulfils the conditions for joining the euro area. The Republic of Bulgaria meets the criterion on price stability. The average inflation rate in Bulgaria during the 12-month period prior to April 2025 was 2.7 per cent, which is below the reference value of 2.8 per cent. The review of a broad set of indicators did not identify any concerns regarding the sustainability of price stability. Bulgaria fulfils the criterion on public finances. The country is not subject to an EU Council decision on the existence of an excessive deficit. For the reference year 2024, the general government budget deficit amounted to 3 per cent of GDP with the same reference value, and the consolidated government debt to GDP ratio was 24.1 per cent, well below the 60 per cent reference value. The Bulgarian lev participated in ERM II during the two-year reference period from 20 May 2023 to 19 May 2025. During this period, the lev did not exhibit any deviation from its central rate of BGN 1.95583 per euro. The long-term interest rate was 3.9 per cent on average over the reference period from May 2024 to April 2025 and was thus below the 5.1 per cent reference value for the interest rate convergence criterion. Bulgarian legislation is compatible with the Treaty on European Union, the TFEU, and the Statute of the European System of Central Banks and of the European Central Bank.

Following the publication of the Convergence Reports, the procedures laid down in Article 140(2) and (3) of the TFEU were initiated. On 4 June 2025, the EC presented a proposal for a Council Decision on the adoption by Bulgaria of the euro on 1 January 2026⁹⁶ and a proposal for a Council Regulation amending Regulation (EC) No 974/98 as regards the introduction of the euro in Bulgaria⁹⁷. The Economic and Financial Committee endorsed these proposals, as well as a draft letter from the President of the ECOFIN Council to the

⁹⁶ COM(2025) 304 final/2, 4.6.2025.

⁹⁷ COM(2025) 301 final/2, 4.6.2025.

European Council on euro area enlargement. On 19 June 2025, the Eurogroup⁹⁸ endorsed a Recommendation of the Members of the Council Representing Member States Whose Currency Is the Euro, to the Council on the adoption by Bulgaria of the euro on 1 January 2026. On 20 June, the ECOFIN Council adopted the recommendation endorsed by the Eurogroup⁹⁹ and endorsed the letter from the President of the ECOFIN Council to the European Council on euro area enlargement. At its meeting on 26 June, the European Council discussed the Commission's proposal for Bulgaria to adopt the euro on 1 January 2026, and endorsed it¹⁰⁰. On 30 June, the EC presented a proposal for a Council Regulation amending Regulation (EC) No 2866/98 as regards the conversion rate to the euro for Bulgaria¹⁰¹. The remaining steps leading to the adoption of the legal acts necessary for the introduction of the euro in the Republic of Bulgaria as of 1 January 2026 took place outside the reporting period¹⁰².

The Council of the EU continued to discuss the legislative initiatives aimed at building the regulatory framework for the completion of the Banking Union.

In first half of 2025 as well, BNB experts actively assisted within the remit of the central bank the representatives of the Ministry of Finance in negotiating legislative proposals in the Financial Services and the Banking Union Working Party to the Council of the EU.

Progress was made on the package for reviewing the bank crisis management and deposit insurance (CMDI) framework.¹⁰³ A political agreement on the acts of the legislative package was reached between the European Parliament and the Council and, once the legal text has been finalised at technical level, the requirements shall finally be adopted. The amendments aim to improve the resolution process for small and medium banks by giving them access to industry-funded safeguard arrangements, such as an additional tool for resolution financing. BNB representatives participated actively in the negotiations held in the EU Council's Working Party on Financial Services and the Banking Union on draft legal acts.

Discussions continued in 2025 on the three legislative proposals incorporated into the so-called single currency package. The proposal on the legal tender status of euro banknotes and euro coins¹⁰⁴ aims to safeguard the role of cash and ensure its wide acceptance and

⁹⁸ The Eurogroup is an informal body within which ministers of the euro area Member States discuss issues relating to their countries' shared responsibilities in relation to the single currency.

⁹⁹ OJ C, C/2025/3950, 14.7.2025.

¹⁰⁰ Conclusions adopted by the European Council at its meeting on 26 June 2025, item 34.

¹⁰¹ COM(2025) 372 final/2, 9.7.2025.

¹⁰² The Economic and Financial Committee endorsed the proposal for a Council Regulation amending Regulation (EC) No 2866/98 as regards the conversion rate to the euro for Bulgaria at its meeting on 1 July 2025. On 2 July, the ECB adopted an Opinion on a proposal for a Council Regulation amending Regulation (EC) No 974/98 as regards the introduction of the euro in Bulgaria and on a proposal for a Council Regulation amending Regulation (EC) No 2866/98 as regards the conversion rate to the euro for Bulgaria (CON/2025/15), OJ C, C/2025/3948, 10.7.2025. On 8 July, the European Parliament adopted a Legislative Resolution on the proposal for a Council Decision on the adoption by Bulgaria of the euro on 1 January 2026 (P10_TA (2025) 0139).

On 8 July 2025 the ECOFIN Council adopted the following legal acts:

- Council Decision (EU) 2025/1407 on the adoption by Bulgaria of the euro on 1 January 2026, OJ L, 2025/1407, 14.7.2025;
- Council Regulation (EU) 2025/1408 amending Regulation (EC) No 974/98 as regards the introduction of the euro in Bulgaria, OJ L, 2025/1408, 14.7.2025;
- Council Regulation (EU) 2025/1409 amending Regulation (EC) No 2866/98 as regards the conversion rate to the euro for Bulgaria, OJ L, 2025/1409, 14.7.2025.

¹⁰³ The package is comprised of four legislative proposals:

- Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 806/2014 as regards early intervention measures, conditions for resolution and funding of resolution action, COM (2023) 226 final, 18.4.2023;
- Proposal for a Directive of the European Parliament and of the Council amending Directive 2014/59/EU as regards early intervention measures, conditions for resolution and funding of resolution action, COM (2023) 227 final, 18.4.2023;
- Proposal for a Directive of the European Parliament and of the Council amending Directive 2014/49/EU as regards the scope of deposit protection, use of deposit guarantee schemes funds, cross-border cooperation, and transparency, COM (2023) 228 final, 18.4.2023;
- Proposal for a Directive of the European Parliament and of the Council amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities, COM (2023) 229 final, 18.4.2023.

¹⁰⁴ Proposal for a Regulation of the European Parliament and of the Council on the legal tender of euro banknotes and coins, COM (2023) 364 final, 28.6.2023.

easy access. The other two proposals for regulations¹⁰⁵ set out the legal framework for a possible new digital form of the euro, which the ECB will issue in the future in addition to euro banknotes and coins. Over the reporting period, significant progress was achieved on a number of issues related to the preparatory work for the project and its possible introduction, including the distribution of the digital euro, the enhancement of the resilience and readiness of the EU payment systems, the legal status of the digital euro and of cash as legal tender, as well as ensuring the highest possible level of personal data protection and privacy for users of the digital euro. BNB representatives participated constructively and provided assistance to the Ministry of Finance in negotiations on draft legal acts within the EU Council's Working Party on Financial Services and the Banking Union.

Negotiations continued on the legislative proposals presented in June 2023 in the area of payment services.¹⁰⁶ Proposed new rules aim to further improve consumer protection and competition in electronic payments, as well as to allow consumers to share their data securely so that they can obtain a wider range of better and cheaper financial products and services. The proposals address the remaining challenges identified by the EC in the context of the impact assessment and implementation of Directive (EU) 2015/2366 on payment services in the internal market (PSD2), as well as adapting the rules for payments to market developments. In June 2025, the Council of the EU agreed on a mandate for negotiations with the European Parliament on the proposed directive and regulation with a view to reaching an agreement at first reading. The Council of the EU continued discussions on the proposal for a Regulation on a framework for Financial Data Access, which aims to promote digital transformation and speed up adoption of data-driven business models in the EU financial sector, thereby contributing to improving access to financing for consumers and firms. BNB representatives actively participated in discussions on the legislative measures held in the first half of the year.

In the first half of the year, progress was made on the proposal for a regulation on benchmarks¹⁰⁷. The proposal presented in 2023 aims to reduce the regulatory burden, especially for small benchmark administrators and users, by rationalising reporting requirements, licensing and registration. The proposal adapts the regulatory framework to the systemic importance of benchmarks and removes identified shortcomings in the current framework. BNB representatives assisted the Ministry of Finance on central bank issues related to the discussions in the Financial Services and the Banking Union Working Party of the EU Council. In March 2025, the Council of the EU adopted its position at first reading, and in May 2025, the legislative proposal was finally adopted by the European Parliament. In the same month, the legal act was published in the Official Journal of the EU¹⁰⁸.

¹⁰⁵Proposal for a Regulation of the European Parliament and of the Council on the establishment of the digital euro, COM (2023) 369 final, 28.6.2023; Proposal for a Regulation of the European Parliament and of the Council on the provision of digital euro services by payment service providers incorporated in Member States whose currency is not the euro and amending Regulation (EU) 2021/1230 of the European Parliament and of the Council, COM (2023) 368 final, 28.6.2023.

¹⁰⁶Proposal for a Regulation of the European Parliament and of the Council on payment services in the internal market and amending Regulation (EU) No 1093/2010, COM (2023) 367 final, 28.6.2023; Proposal for a Directive of the European Parliament and of the Council on payment services and electronic money services in the Internal Market amending Directive 98/26/EC and repealing Directives (EU) 2015/2366 and 2009/110/EC, COM (2023) 366 final, 28.6.2023; Proposal for a Regulation of the European Parliament and of the Council on a framework for Financial Data Access and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010, (EU) No 1095/2010 and (EU) 2022/2554, COM (2023) 360 final.

¹⁰⁷Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2016/1011 as regards the scope of the rules on benchmarks, the use in the Union of benchmarks provided by an administrator located in a third country, and certain reporting requirements, COM (2023) 660 final, 17.10.2023.

¹⁰⁸Regulation (EU) 2025/914 of the European Parliament and of the Council of 7 May 2025 amending Regulation (EU) 2016/1011 as regards the scope of the rules on benchmarks, the use in the Union of benchmarks provided by an administrator located in a third country, and certain reporting requirements (OJ L, 2025/914, 19.5.2025).

In first half of 2025, negotiations continued on a legislative framework on certain reporting requirements in the field of financial services and investment support.¹⁰⁹ The legislative proposal updates the existing rules on data exchange between the European supervisory authorities and other financial sector bodies in order to reduce the administrative burden for EU financial sector supervisors and to avoid duplication of reporting requirements. BNB representatives participated in discussions on the legislative measures within the Financial Services and the Banking Union Working Party of the EU Council.

Over the review period, the BNB continued its intensive work on harmonising national legislation with European requirements. Bank representatives took part in the drafting of the Law amending the Law on the Recovery and Resolution of Credit Institutions and Investment Firms, introducing the requirements of Regulation (EU) 2022/2036¹¹⁰ and Directive (EU) 2024/1174¹¹¹, as well as other amendments related to specifying provisions of the current legislative framework. Bank experts contributed to the drafting of a Law amending the Law on Payment Services and Payment Systems, which provides for amendments aimed at adapting the national legal framework governing payment supervision and provision of payment services for the period following Bulgaria's accession to the euro area. The draft law includes amendments introducing measures necessary for the implementation of Regulation (EU) 2024/886¹¹² in order to secure the provision of euro instant credit transfers in an efficient and competitive manner, as well as Regulation (EU) 2023/606¹¹³ with a view to creating favourable conditions for the offering of shares or units of European long-term investment funds to retail investors. Representatives of the BNB also participated in the preparation of the draft Law on Markets in Crypto-assets transposing measures to ensure conditions for enforcing the requirements of Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain crypto-assets¹¹⁴, and Regulation (EU) 2023/1114 on markets in crypto-assets¹¹⁵, as well as measures implementing Regulation (EU) 2022/2554¹¹⁶ and transposing the amendments to Directive (EU) 2022/2556¹¹⁷ on digital operational resilience requirements for the financial sector.

During the review period, the BNB continued to participate in the Council for European Affairs to the Council of Ministers, contributing to the formation of Bulgarian standpoints on key economic governance areas and the financial sector.

¹⁰⁹Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1092/2010, (EU) No 1093/2010, (EU) No 1094/2010, (EU) No 1095/2010 and (EU) 2021/523 as regards certain reporting requirements in the field of financial services and investment support, COM(2023) 593 final, 17.10.2023.

¹¹⁰Regulation (EU) 2022/2036 of the European Parliament and of the Council of 19 October 2022 amending Regulation (EU) No 575/2013 and Directive 2014/59/EU as regards the prudential treatment of global systemically important institutions with a multiple-point-of-entry resolution strategy and methods for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities (OJ L 275/1, 25.10.2022).

¹¹¹Directive (EU) 2024/1174 of the European Parliament and of the Council of 11 April 2024 amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities (OJ L, 2024/1174, 22.4.2024).

¹¹²Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024 amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro (OJ L, 2024/886, 19.3.2024).

¹¹³Regulation (EU) 2023/606 of the European Parliament and of the Council of 15 March 2023 amending Regulation (EU) 2015/760 as regards the requirements pertaining to the investment policies and operating conditions of European long-term investment funds and the scope of eligible investment assets, the portfolio composition and diversification requirements and the borrowing of cash and other fund rules (OJ L 80/1, 20.3.2023);

¹¹⁴Regulation (EU) No 2023/1113 of the European Parliament and of the Council of 31 May 2023 on information accompanying transfers of funds and certain crypto-assets and amending Directive (EU) 2015/849 (OJ L 150/1, 9.6.2023).

¹¹⁵Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (OJ L 150/40, 9.6.2023).

¹¹⁶Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (OJ L 333/1, 27.12.2022).

¹¹⁷Directive (EU) 2022/2556 of the European Parliament and of the Council of 14 December 2022 amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341 as regards digital operational resilience for the financial sector (OJ L 333/153, 27.12.2022).

During the first half of 2025, activities related to Bulgaria's accession to the Organisation for Economic Cooperation and Development (OECD) continued. The BNB is a partner institution in the course of technical reviews on the compliance of Bulgarian legislation, policies and practices with existing OECD instruments in the following committees and working groups thereto: the Financial Markets Committee, the Economic Policy Committee, the Committee on Statistics and Statistical Policy, the Economic and Development Review Committee, the Insurance and Private Pensions Committee, and the Trade Committee.

In February 2025, within the framework of the Economic and Development Review Committee, a structural technical mission of the OECD was conducted with a view to preparing the OECD Economic Review for Bulgaria for 2025. Representatives of the BNB participated in the meetings within the mission, discussing issues related to financial stability, macro-economic development, and external competitiveness.

In March 2025, the Interdepartmental Coordination Mechanism on Bulgaria's accession to the OECD, in which the BNB is represented by a Deputy Governor, met to examine the progress made in the negotiation process. Over the review period, BNB representatives assisted the Ministry of Finance in discussing topics related to consumer protection against financial fraud within the Financial Markets Committee's Working Group. In May 2025, the Interdepartmental Working Group on Self-Assessment of Legal Instruments to the Investment Committee updated the self-assessment under the OECD Council Recommendation on the Benchmark Definition of Foreign Direct Investment. BNB representatives assisted the Ministry of Economy and Industry in preparing amendments to the self-assessment.

IX. International Relations

The Law on the Bulgarian National Bank entitles the Bank to participate organisationally and contribute financially to international financial organisations furthering international cooperation in the foreign currency, monetary, and credit policies. In the cases where Bulgaria participates in international financial institutions, the BNB acts as government's fiscal agent and depository.

The Bulgarian National Bank holds equity in the Bank for International Settlements (BIS). The BNB Governor sat on BIS central bank governors' regular meetings: a major forum for cooperation and debate on the issues of world economic developments and prospects, and international financial markets. At the Annual General Shareholder Meeting in late June 2025, it was decided to pay regular and extraordinary dividend to shareholders for 2025. As a result, the BNB received a dividend of EUR 3,549,150 on its 8000 shares.

The BNB Governor represents Bulgaria as member on the IMF Board of Governors. Bulgaria's IMF quota is SDR 896.3 million or 10,415 voting shares: 0.21 per cent of IMF members' voting shares.

At the end of April 2025, during the Spring Meetings of the IMF and the World Bank in Washington, the BNB Governor and the Governor of the People's Bank of China re-signed a Memorandum of Cooperation between the two institutions.

Over the reporting period, the BNB continued to participate as a partner in the three-year programme for further strengthening of the central banks and supervisory authorities in the Western Balkans – candidates and potential candidates for EU membership, which started in 2022. The programme is funded by the EU and is run together with the Deutsche Bundesbank and other central banks of the European System of Central Banks.

As one of the six central banks that founded the Group of Banking Supervisors from Central and Eastern European Countries (BSCEE) in 1991, the BNB regularly participates with its experts in the work and annual conferences of the group. A high-level meeting was held during this period, attended by representatives of national competent authorities (NCAs), members of the BSCEE, the BIS, the Basel Committee on Banking Supervision, the BIS Financial Stability Institute, the EBA, the ECB and the central banks of the ESCB. Various topics and aspects of economic growth and financial stability, asymmetry in supervisory regulations, and competitiveness were presented and discussed during the meeting. Topics related to certain challenges and practical issues concerning supervision in areas such as cyber risks, digitalisation and artificial intelligence, and the interaction between micro- and macroprudential requirements in banking sector supervision were also discussed.

In the context of bilateral cooperation during the review period, requests were received from other central banks and information was provided on various central banking topics.

X. Statistics

The BNB prepares statistical information under Article 42 of the Law on the Bulgarian National Bank and as ESCB member under Article 5 of the Statute of the ESCB and the ECB. In its statistical activities, the Bank applies harmonised European standards based on international statistical methodologies of relevant leading institutions (the ECB, Eurostat, the IMF, the BIS, the OECD, the UN, and the World Bank).

The BNB collects, processes, analyses and disseminates official monetary¹¹⁸ and interest statistics¹¹⁹, external sector statistics¹²⁰, quarterly financial accounts statistics for all institutional sectors¹²¹, statistics of non-bank financial institutions, including leasing companies and investment funds¹²², specialised lenders, insurance and reinsurance undertakings¹²³ and pension funds.¹²⁴

Compiled statistical data are also used for economic research and forecasting, financial stability analyses, other major BNB operations, and a number of foreign publications and reports.

In the first half of 2025, the Bank continued to collect, compile and disseminate up-to-date statistical data on its website and by regular communications with the ECB, Eurostat, the ESRB, the IMF, the BIS, the OECD and other international and national institutions. The amount of prepared statistical series was retained compared with same period of 2024.

All statistical data were published on the BNB website as scheduled.

In addition to the preparation of statistical data, the BNB continued to actively participate in a number of national, European and international fora in discussing and solving methodological issues in the area of statistics. All statistical data published by the BNB were accompanied by the relevant metadata which were periodically revised, where necessary.

In view of the amendments to the ECB Guidelines on the Register of Institutions and Affiliates Data (RIAD), the BNB statistical databases including individual reference information (the Register of Domestic Economic Agents and the Bulgarian securities database) continued to be developed and improved in the first half of 2025. Along with analytical options at national level, these databases allow the BNB to fulfil its commitments to the ESCB in managing data for Bulgaria in the Register of Institutions and Affiliates Database and the Centralised Securities Database (CSDB).¹²⁵

¹¹⁸Pursuant to Regulation (EU) 2021/379 of the European Central Bank of 22 January 2021 on the balance sheet items of credit institutions and of the monetary financial institutions sector (recast) (ECB/2021/2).

¹¹⁹Pursuant to Regulation (EU) No 1072/2013 of the European Central Bank of 24 September 2013 concerning statistics on interest rates applied by monetary financial institutions (recast) (ECB/2013/34).

¹²⁰Pursuant to Regulation (EC) No 184/2005 of the European Parliament and of the Council of 12 January 2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment and Guideline of the European Central Bank of 9 December 2011 on the statistical reporting requirements of the European Central Bank in the field of external statistics (ECB/2011/23) and the subsequent amendments thereto.

¹²¹Pursuant to the European System of Accounts (ESA 2010) provided for in Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013, Guideline of the European Central Bank of 25 July 2013 on the statistical reporting requirements of the European Central Bank in the field of quarterly financial accounts (ECB/2013/24) and subsequent amendments thereto.

¹²²Regulation (EU) No 1073/2013 of the European Central Bank of 18 October 2013 concerning statistics on the assets and liabilities of investment funds (recast) (ECB/2013/38).

¹²³Pursuant to Regulation (EU) No 1374/2014 of the ECB of 28 November 2014 on statistical reporting requirements for insurance corporations (ECB/2014/50).

¹²⁴Pursuant to Regulation (EU) 2018/231 of the ECB of 26 January 2018 on statistical reporting requirements for pension funds (ECB/2018/2).

¹²⁵Pursuant to Guideline and Recommendation of the ECB of 26 September 2012 on the data quality management framework for the Centralised Securities Database (ECB/2012/21 and ECB/2012/22).

In the first half of 2025, the Bank continued volunteering to help ESCB national central banks identify and supplement RIAD reference information on resident institutional units as parties to credit relations under the AnaCredit project (Analytical credit datasets)¹²⁶ on granular credit and credit risk data. Besides information on credit institutions and other participants in the credit process for the purposes of AnaCredit, the BNB maintains in the RIAD register up-to-date reference information on financial vehicle corporations, investment funds and their management companies, payment service providers and payment system operators, insurance and reinsurance companies, pension funds, as well as holding companies, and head offices and issuers of securities. The BNB actively participated in the ECB Securities Holdings Statistics project (SHS)¹²⁷ which is important for both gathering various statistical data and analysing financial stability.

In the first half of 2025, work continued on developing the BNB Integrated Information System, which ensures optimisation and integration of information flows for the purposes of statistics, CCR functioning, supervisory and credit institutions' resolution reporting, cash operations, and technical support of Eurosystem's monetary policy implementation and other processes related to the euro adoption in the Republic of Bulgaria. The reporting forms and processes for providing information for the Register of Persons, Institutions and Affiliates and for AnaCredit were tested in cooperation with the working group with the Association of Banks in Bulgaria and banks. Tests began also with financial institutions under Article 3a of the LCI, payment institutions and electronic money institutions extending credit under Article 21 of the LPSPS and operating in Bulgaria. Work started with investors having provided a loan under a project through a crowdfunding service provider. Other statistical information systems – the Integrated Statistical Information System and the Information System for Monetary and Interest Rate Statistics – continued to be developed along with preparations for testing and implementing all reporting requirements for joining the euro area. These systems automate management, improve the reliability and high quality of statistical information the BNB receives, processes and disseminates, and greatly reduce the administrative burden on individuals and legal entities by offering electronic submission of statistical reports and declarations.

The BNB follows the principles of the Public Commitment on European Statistics by the European System of Central Banks, based on the fundamental principles of UN official statistics. Along with regular procedures for data validation, the BNB participated actively in ESCB and European Statistical System reports on data quality assessments measuring compliance with these principles of central bank statistical products and national statistical institutes through set indicators: accessibility and clarity, punctuality, reliability, comparability, and coherence. Published reports ensure transparency and allow for a comparative analysis of the quality of these statistical products for all EU Member States, and in early June 2025, the ECB published its annual report on the quality of the BNB-compiled quarterly financial accounts. The BNB as coordinator for Bulgaria also adheres to the requirements of the IMF Data Quality Assessment Framework, part of the Special Data Dissemination Standard Plus (SDDS Plus) which Bulgaria has joined.

In the field of statistics, the BNB continued cooperating with the NSI and the Ministry of Finance, national and international statistical authorities and central banks. In early May 2025, the BNB attended the regular mission of ECB and Eurostat experts on notification tables on debt deficit/surplus and general government debt, hosted by the NSI.

¹²⁶Pursuant to Regulation (EU) 2016/867 of the ECB of 18 May 2016 on the collection of granular credit and credit risk data (ECB/2016/13).

¹²⁷Pursuant to Regulation (EU) No 1011/2012 of the European Central Bank of 17 October 2012 concerning statistics on holdings of securities (ECB/2012/24) and its subsequent amendments, ECB Guideline of the European Central Bank of 22 March 2013 concerning statistics on holdings of securities (ECB/2013/7) and the subsequent amendments thereto, Recommendation of the European Central Bank of 2 August 2016 on the data quality management framework for statistics on holdings of securities (ECB/2016/24).

XI. The Fiscal Agent and State Depository Function

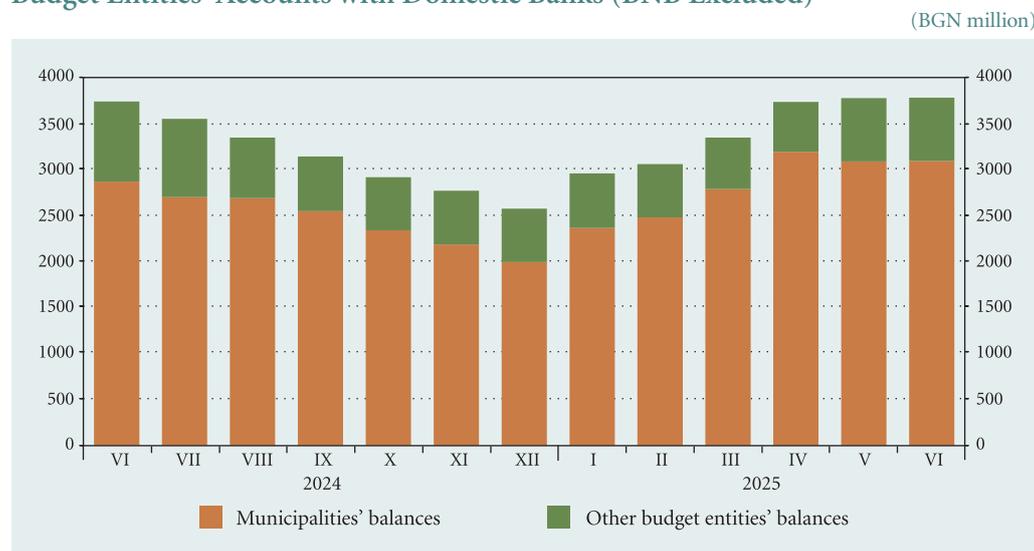
In line with the Law on the BNB, the Bank acts as the fiscal agent and official depository pursuant to contracts concluded with the Ministry of Finance (MF). These commitments call for a continuing improvement of the GSAS system for conducting government securities auctions; the ESROT electronic system for registering and servicing government securities trading; the GSSS government securities settlement system; the Register of Special Pledges; and the IOBFR system for budget and fiscal reserve information servicing.

Revenue raised in the first half of 2025 by system participants under the Tariff of Fees and Commissions Charged on Processing Government Securities Transactions and by the MF under Article 43 of the Law of the BNB were BGN 2431.1 thousand against BGN 1300.8 thousand for the same period of the previous year.

Information Service

Providing state budget information under the MF contract involved issuing 1834 statements on budget entity operations and balances at the BNB and Bulgarian banks *via* the IOBFR system. As of 30 June 2025, summarised information sets the overall balance of budget entities' accounts (including municipalities) at BGN 15,634.4 million¹²⁸, up 29.1 per cent on 30 June 2024, with 75.8 per cent (BGN 11,856.2 million) on BNB accounts and the rest (BGN 3778.2 million) with 15 domestic banks.

Budget Entities' Accounts with Domestic Banks (BNB Excluded)



Source: BNB.

Budget entities' account balances outside the central bank rose by 1.1 per cent compared to 30 June 2024, of which 74.9 per cent at six banks.

Approximately 79.5 per cent of budget funds at the BNB and domestic banks formed the fiscal reserve's¹²⁹ liquidity portion:¹³⁰ BGN 12,424.2 million as of 30 June 2025. Of this,

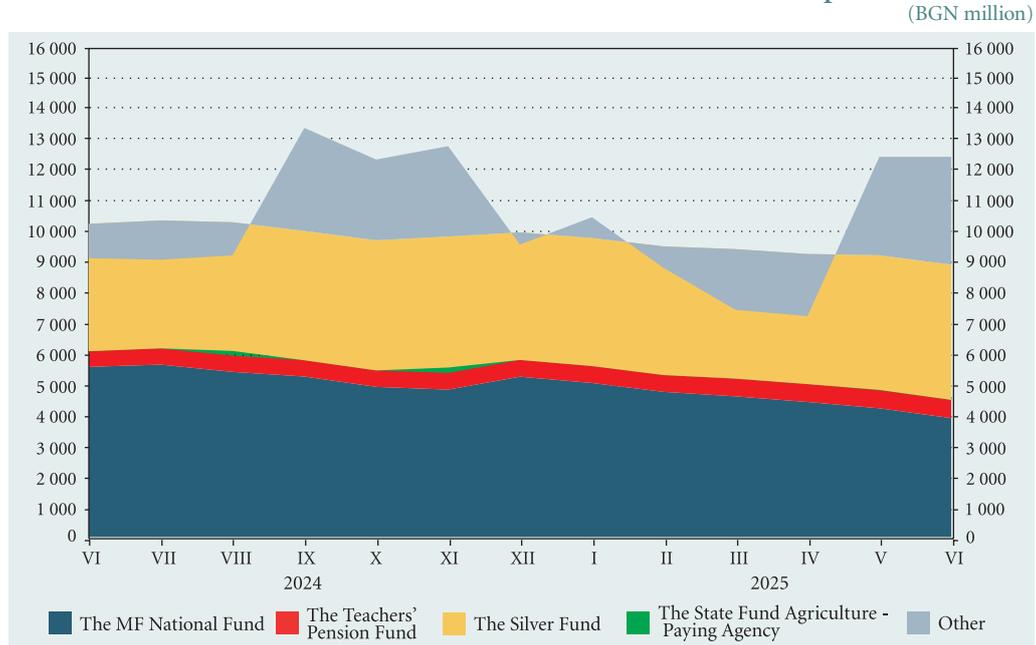
¹²⁸ Foreign currency account balances are recalculated in leva at the BNB exchange rate on 30 June 2025.

¹²⁹ According to the Law on Public Finance Additional Provisions § 1, item 41.

¹³⁰ Including balances of all Bulgarian budget entities' bank accounts, except for those of municipalities and their budget spending units and holdings reported on letter of credit and technical accounts.

BGN 8905.9 million was allocated to earmarked funds: the State Fund for Guaranteeing the Stability of the State Pension System (the Silver Fund), the MF National Fund, the State Fund Agriculture – Paying Agency, and the Teachers’ Pension Fund.

Structure of Bank Account Balances within the Fiscal Reserve Scope

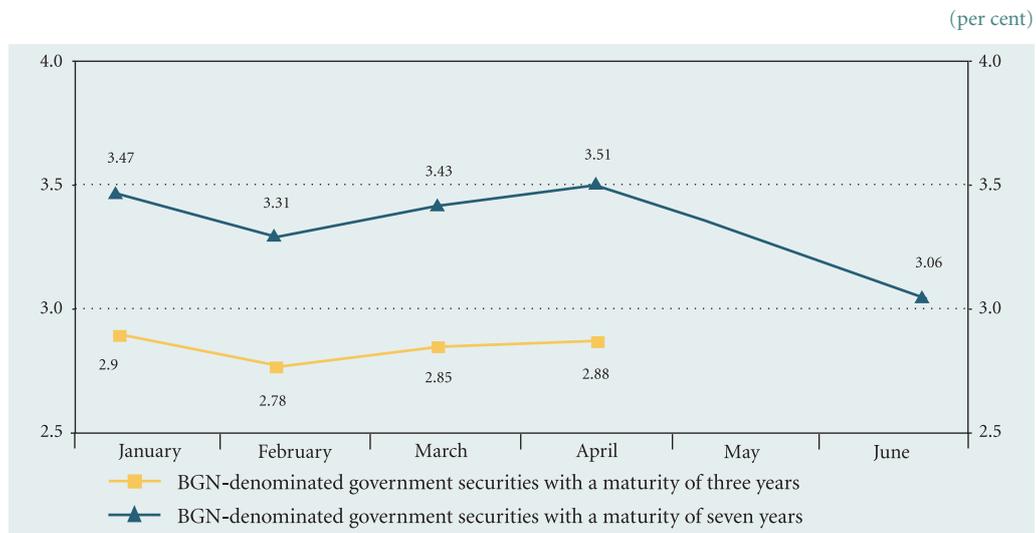


Source: BNB.

Servicing Government Securities Trading

In line with the MF issuing policy, nine auctions for selling government securities were organised and conducted *via* the GSAS system in the first half of 2025. Two lev-denominated issues were offered, of which one medium-term issue with an original maturity of three years at 2.75 per cent of annual interest rate and one long-term issue with an original maturity of seven years and 3.25 per cent of annual interest rate.

Average Annual Yield Attained at Domestic Government Securities Auctions in the First Half of 2025



Source: BNB.

The total nominal value of government securities offered for sale was BGN 2100 million. Auction bids were BGN 3872.7 million, with 75.49 per cent of all bids at the expense of banks (BGN 2923.4 million) and BGN 949.4 million of non-bank institutions. Government bond sales volume was BGN 2100 million, or 100 per cent of the scheduled volume. Banks (including primary dealers)¹³¹ bought nearly 70.3 per cent of all sold bonds. The average annual yield attained at the government bond auctions was 2.87 per cent for three-year issues and 3.35 per cent for seven-year bonds.

The ESROT system registered corporate event payments on behalf and for the account of the issuer to a total amount of BGN 2955.1 million¹³² or BGN 2903.6 million more (5638.1 per cent) than in the corresponding period of 2024. The total volume of the 14 circulating issues in nominal value was BGN 11,150.4 million¹³³ or 4.8 per cent less than in June 2024. Bond currency structure did not change, with BGN-denominated issues redeemable in levs occupying the largest share at 95.9 per cent, followed by EUR-denominated issues redeemable in euro at 4.1 per cent. The maturity structure underwent no essential change from end-June 2024, with medium and long-term bonds comprising 35.3 and 64.7 per cent.

Volume of Transactions in Tradable Government Securities in the First Six Months of 2024 and 2025



Source: BNB.

In the first half of 2025, the nominal value of transactions in government securities registered in ESROT was BGN 55,298.7 million, up 33.6 per cent on the same period of 2024.

Repos had the largest share at 67.8 per cent, including one-day ones (41.1 per cent), mostly in lev-denominated government securities. Bond sales and purchases came to BGN 150.6 million. Of this, transactions between ESROT participant banks were BGN 36.8 million. The volume of transactions between ESROT participants and customers was BGN 17,365.1 million, and that between participants' customers¹³⁴ BGN 302.0 million.

¹³¹Eight primary dealers were selected under Ordinance No 15 of the MF and the BNB.

¹³²The lev equivalence of payments on foreign currency denominated government securities issues was calculated at the BNB rate on the date of payment.

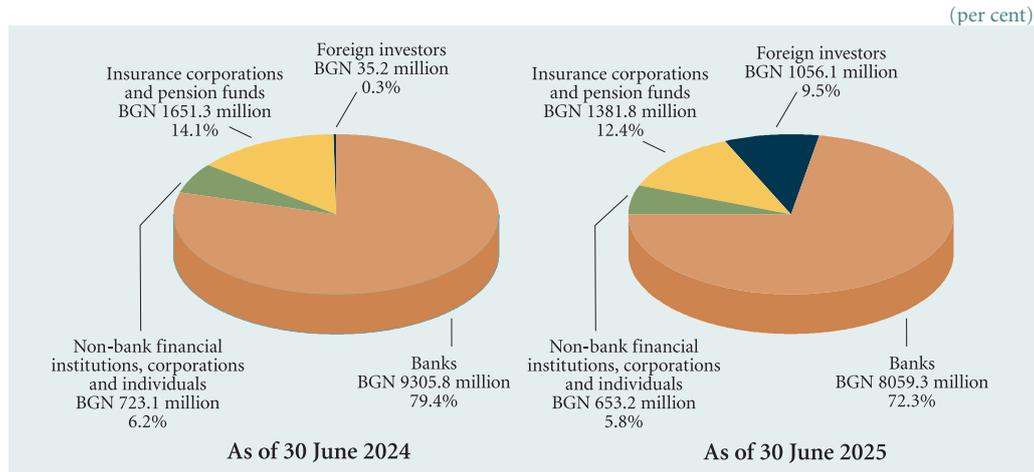
¹³³The lev equivalence of government securities issues denominated in foreign currency is calculated on the basis of the BNB exchange rate valid for 30 June 2025.

¹³⁴The ESROT system registered no transactions between customers of the same participant.

The secondary market liquidity ratio¹³⁵ in the first half of 2025 was 5.0 against 3.6 in the first half of 2024. ESROT participants encountered no problems and provided government bonds and cash in levs and euro for the delivery *versus* payment settlement of government securities transactions, the average settlement ratio¹³⁶ being 99.9 per cent.

Between January and June, there were BGN 13,156.3 million of blocking and unblocking operations in domestic government securities registered in ESROT in relation to securing funds in budget entities' bank accounts and registered pledges under the Law on Public Finance and the Law on Special Pledges (from BGN 22,726.6 million for the same period of 2024).

Holders of Government Securities Issued in the Domestic Market



Notes: According to BNB and ESROT participants data.

The lev equivalence of government securities issues denominated in foreign currency is calculated on the basis of the BNB exchange rate valid for the last business day of the relevant period.

Source: BNB.

Compared with end-June 2024, investments in government securities increased in foreign investor portfolios (up BGN 1020.9 million), while those in bank portfolios decreased (down BGN 1246.5 million) along with those of insurance corporations and pension funds (down BGN 269.5 million), and of non-bank financial institutions, corporations and individuals (down BGN 69.9 million). This changed the share of individual government bond holder categories as of 30 June 2025 to: 72.3 per cent of banks, 12.4 per cent of insurance corporations and pension funds, 9.5 per cent of foreign investors, and 5.8 per cent of non-bank financial institutions, corporations and individuals (against 79.4, 14.1, 0.3 and 6.2 per cent as of 30 June 2024).

The ESROT offered 100.0 per cent availability,¹³⁷ with no call for contingency rules for interaction between systems operated by the BNB.

As of 30 June 2025, there were 468 accounts in the government securities settlement system under BNB Ordinance No 31. Of them, 14 were for government securities of the issuer (the MF), 189 for participants' own government securities portfolios, 123 for encumbered bonds, and 142 accounts of participants' customers. Account nominals tallied with the amount of outstanding issues at BGN 11,150.4 million.¹³⁸

¹³⁵Liquidity ratio is the ratio between the volume of secondary market government bond transactions concluded over the relevant period of a given year and the volume of government securities circulating at the close of the period.

¹³⁶Settlement ratio is the ratio of the number of transactions settled on a specific date to all transactions subject to registration and settlement within the system for the reporting period.

¹³⁷The ratio of time when the system is operational to scheduled operating time.

¹³⁸The lev equivalence of government securities issues denominated in foreign currency is calculated on the basis of the BNB exchange rate valid for 30 June 2025.

XII. The Central Credit Register and the Register of Bank Accounts and Safe Deposit Boxes

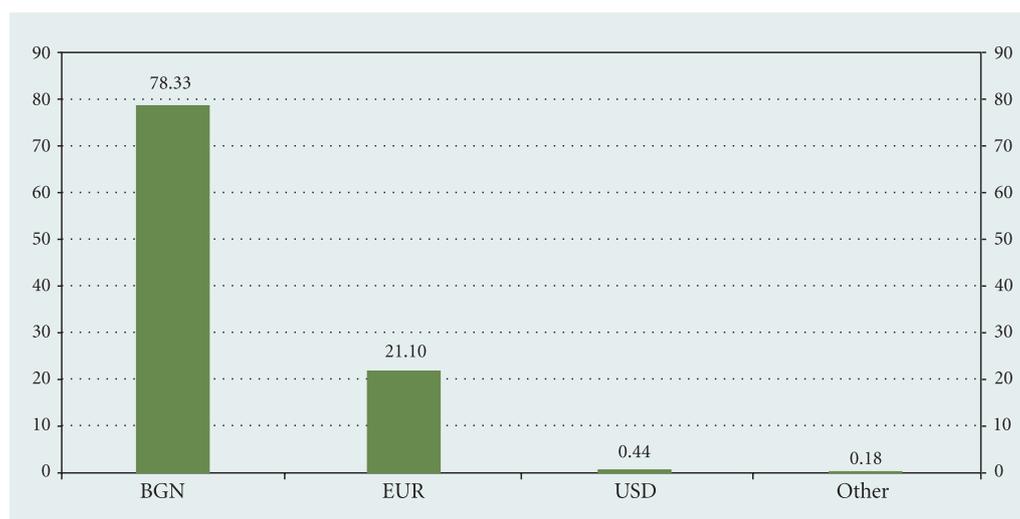
The Central Credit Register

The BNB keeps an information system (IS) on customer debt to banks, financial institutions, payment institutions and electronic money institutions extending loans under Article 21 of the Law on Payment Services and Payment Systems and operating in Bulgaria, as well as to investors granting project loans through a crowdfunding service provider, excluding foreign providers conducting activities directly in Bulgaria, and to credit purchasers under Article 7 of the Law on Credit Servicers and Credit Purchasers that acquire claims on non-performing loans extended by credit institutions (pursuant to Article 56, paragraph 1 of the LCI). BNB Ordinance No 22 establishes the operation, scope, terms, procedure and timeliness of information flows to and from the Central Credit Register (CCR). It maintains data on all loans (irrespective of their amount) extended by the institutions and persons under Article 56, paragraph 1 of the LCI. The CCR provides information on credit indebtedness of customers in real time and includes data on the current loan status, arrears on active and repaid loans for a five-year retrospective period, on new loans, co-borrowers and loan guarantors.

As of 30 June 2025, 274 institutions under Article 56, paragraph 1 of the LCI submitted information to the CCR, of which 24 banks, 245 financial institutions, one payment institution, two electronic money institutions and two crowdfunding service providers. In the first half of 2025, 12 new financial institutions and two crowdfunding service providers were included in and two financial institutions were deleted from the CCR information system. In connection with a transformation of a bank under the LCI, credit data were transferred to the recipient bank, resulting in an exclusion of the bank from the Register.

Breakdown of Loan Balance Sheet Exposure by Currency as of 30 June 2025

(per cent)



Source: BNB.

Registered loans in the CCR system as of 30 June 2025 were 7210 thousand (against 6747 thousand as of 30 June 2024) and their balance sheet exposure amounted to BGN 138,350 million (30 June 2024: BGN 124,361 million). Borrowers numbered 2641 thousand, of whom 2454 thousand of individuals, 111 thousand of legal entities, 75 thousand

of non-residents not registered at Bulgarian addresses or BULSTAT/PIK coded, and one thousand of self-employed persons practising liberal professions or crafts.

By currency type and balance sheet exposure, lev-denominated loans accounted for the largest share at 78.3 per cent, followed by euro-denominated ones at 21.1 per cent.

As of 30 June 2025, according to the agreed repayment terms and the balance sheet exposure of credit liabilities, the proportion of debt repayable over three years was the highest at 87.9 per cent.

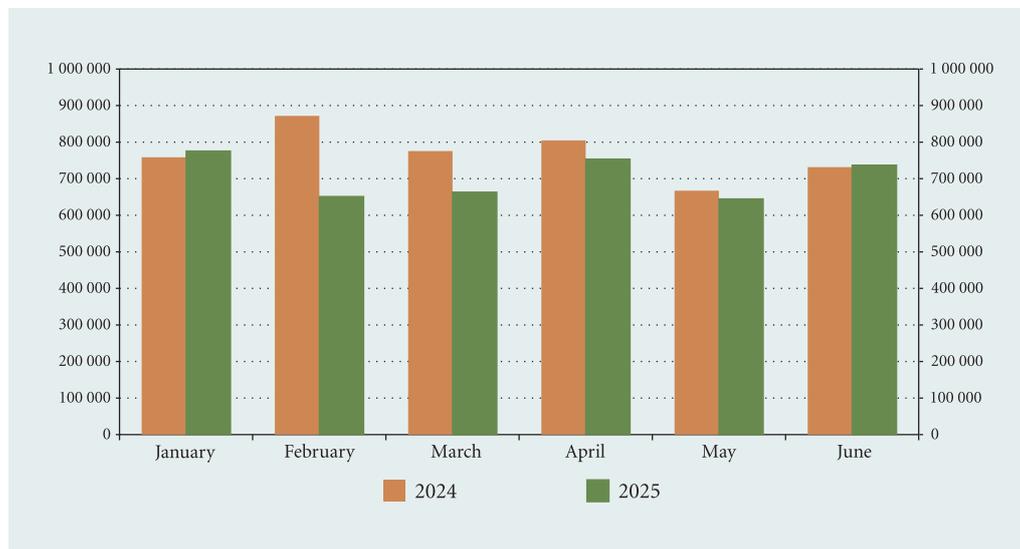
Residual debt of up to BGN 5 thousand predominated with natural persons (50.2 per cent), while debts of BGN 5000 to BGN 50,000 predominated with legal entities (29.8 per cent).

LCI Article 56, paragraph 3 grants Register information access to judicial authorities (the Prosecutor's Office and criminal investigation authorities), the Ministry of Interior National Police General Directorate, the General Directorate for Combating Organised Crime and Ministry of Interior regional directorates, the State Agency for National Security, the National Revenue Agency, the Committee for Combating Corruption, the Committee for Withdrawal of Illegally Acquired Property, the Customs Agency, the Financial Supervision Commission and other bodies listed in the Law. Technical conditions necessary for authorised bodies to gain electronic access to the system were ensured.

Over the same period, institutions and bodies entitled to Register access under Article 56, paragraphs 1 and 3 of the Law on Credit Institutions conducted searches on 4230 thousand of individuals, with the average monthly number of checked persons reaching 705 thousand (4624 thousand in June 2024, with an average monthly number of 771 thousand).

Monthly CCR Searches by Bodies and Institutions under Article 56, Paragraphs 1 and 3 of the Law on Credit Institutions

(number)



Source: BNB.

BNB Ordinance No 22 on the Central Credit Register grants natural persons (including for probate purposes) and legal entities access to debt information. From 1 January to 30 June 2025, there were 14,670 paper applications for CCR statements: 14,306 by individuals (of which 2200 by non-residents, or 15 per cent of all natural persons), 360 by legal entities, and four under Article 21a of Ordinance No 22 on the Central Credit Register for obtaining information under Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016.

Monthly CCR Searches Based on Paper Applications by Individuals and Legal Entities



Source: BNB.

The BNB provides CCR electronic services to natural persons holding a qualified certificate for electronic signatures issued by a certification service provider under the Electronic Document and Certification Services Law. Electronic services of the CCR are also accessed *via* the Single Portal for access to electronic administrative services operated by the Ministry of E-government. Fees charged for electronic services accounted for 50 per cent of those submitted on paper.

Between 1 January and 30 June 2025, there were 4569 electronic applications for CCR statements by individuals (3532 electronic applications as of 30 June 2024).

The CCR continuously develops and improves its activities following regulatory initiatives and improvements to meet changing national and international lending criteria. All specificities in services are taken into account in accordance with national legislation, standards, regulations of the European Parliament and the Council of the European Union, as well as best international practices in the field of network and information security.

In this context, ongoing research and requests are conducted to gain experience from other ESCB credit registers in order to keep CCR policies and practices up to date.

The CCR information system provides business continuity in Register services, allowing for an upgrade, change, development and integration with other systems. This ensures more flexibility in including new entrants in the Register as a result of changes in the legal framework governing its operation. In this context, high criteria apply to data security and access for all participants. Measures required by Regulation (EU) 2016/679 of the European Parliament and of the Council are applied in processing personal data.¹³⁹

The CCR cooperates with the World Bank, the ECB, the IMF and other international bodies, providing periodical information for research, statistical analyses and annual studies.

The Register of Bank Accounts and Safe Deposit Boxes

The BNB maintains an electronic information system on bank and international bank account numbers (IBAN) kept by banks, payment institutions and electronic money institutions, holders and attorneys, beneficial owners of the account holders, data on account preservation orders, bank deposit box holders and attorneys. BNB Ordinance No 12 on the

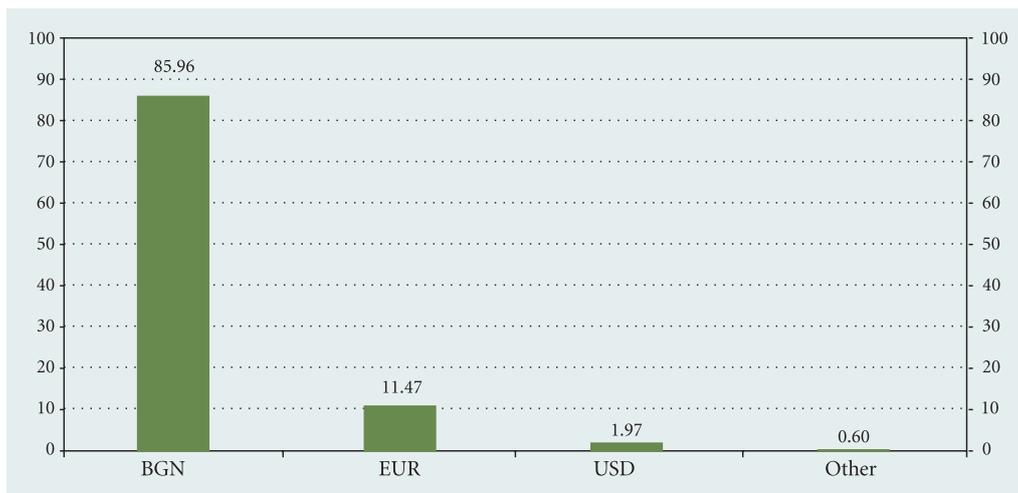
¹³⁹Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.

Register of Bank Accounts and Safe Deposit Boxes (RBASDB) establishes the operation, scope, terms, procedure and timeliness of information flows to and from the Register. Information on bank and payment accounts and safe deposit box hires is provided in real time, with institutions specified under Article 3 of Ordinance No 12 on the RBASDB submitting data to the BNB at least once a week within five business days under Article 7. Information in the RBASDB is kept five years from the date of closure of an account, respectively five years from the date of termination of a safe deposit box contract.

As of 30 June 2025, institutions under Article 56a, paragraph 1 of the LCI numbered 36, including 26 banks, nine electronic money institutions and a payment institution.

Distribution of Bank and Payment Accounts by Currency Type as of 30 June 2025

(per cent)



Source: BNB.

The RBASDB logged 15.323 million of bank accounts (against 14.989 million as of June 2024), 1.146 million of payment accounts (against 865.035 thousand as of June 2024), kept by payment institutions and electronic money institutions, and 37.174 thousand of safe deposit box hires (against 35.182 thousand as of June 2024). The RBASDB information system included records of 1.419 million of new accounts (from 1.366 million in June 2000), 1.141 million of closed accounts (from 1.131 million in June 2024) and 3.412 million of account preservation orders (from 2.975 million in June 2024).

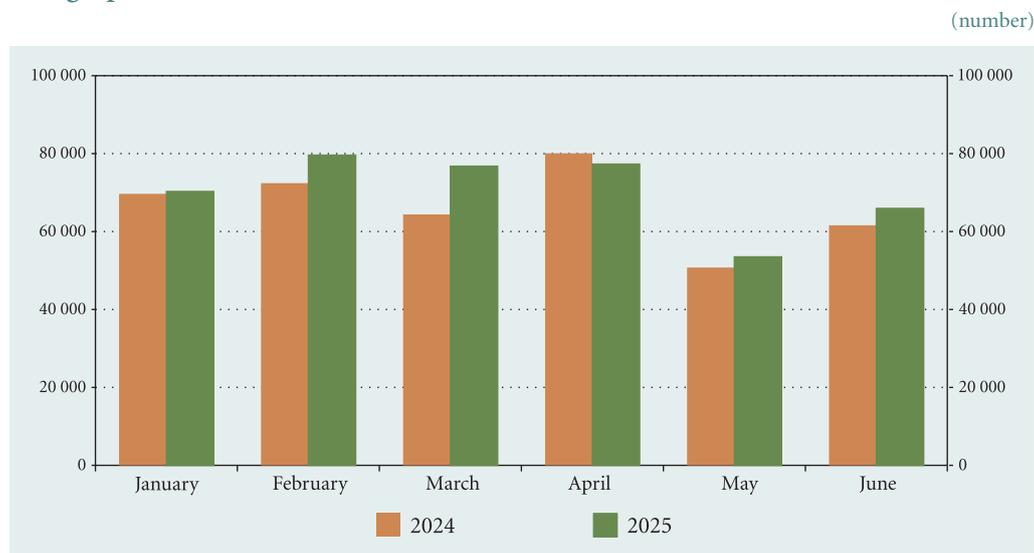
By currency of bank and payment accounts, lev-denominated accounts occupied the largest share at 85.96 per cent of the total, followed by euro accounts at 11.47 per cent.

Pursuant to Article 56a, paragraph 3 of the LCI, access to the Register information is granted to judicial authorities (Courts, the Prosecutor's Office, and criminal investigation authorities), the Ministry of Interior National Police General Directorate, the General Directorate for Combating Organised Crime, the General Border Police Directorate, the Internal Security Directorate and Ministry of Interior regional directorates, the Protection of the EU's Financial Interests Directorate, the State Agency for National Security, the National Revenue Agency, the Committee for Combating Corruption and the Committee for Withdrawal of Illegally Acquired Property, the Customs Agency, the Financial Supervision Commission, as well as to private and state bailiffs in enforcement proceedings, and other bodies listed in the Law. Technical conditions necessary for authorised bodies and institutions to gain electronic access to the system are available.

Between 1 January and 30 June 2025, bodies and institutions entitled to access to the RBASDB's information system under Article 56a, paragraph 3 of the LCI conducted searches on 424,439 individuals. The average number of searches *per month* was 70,740

(compared to 400,594 searches in June 2024, and an average monthly number of 66,766, including 138 on a beneficial owner of a titleholder).

Monthly RBASDB Searches by Bodies and Institutions under Article 56a, Paragraph 3 of the Law on Credit Institutions



Source: BNB.

BNB Ordinance No 12 on the Register of Bank Accounts and Safe Deposit Boxes grants natural persons (including for probate purposes) and legal entities access to information on available bank and payment accounts and safe deposit boxes. From early January to the end of June 2025, there were 2804 paper applications for Register statements, of which 2701 by individuals, including two under Article 12a of Ordinance No 12 on the RBASDB on receiving information under Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016, and 103 applications by legal entities.

Monthly RBASDB Searches Based on Paper Applications by Individuals and Legal Entities



Source: BNB.

The BNB provides electronic RBASDB services to natural persons holding a qualified certificate for electronic signatures issued by a certification service provider under the Electronic Document and Certification Services Law. The electronic RBASDB services

were also accessed *via* the Single Portal for an access to electronic administrative services operated by the Ministry of E-government. Fees charged for electronic services accounted for 50 per cent of those submitted on paper.

Electronic statements were submitted by 717 individuals for the information available thereon, against 622 individuals who received electronic statements in the same period of 2024.

Measures under Regulation (EU) 2016/679 of the European Parliament and of the Council are applied in processing personal data.¹⁴⁰

RBASDB work is constantly evolving and improving to enhance the quality and reliability of the information collected and maintained. Data in the Register's information system comply with the mandatory set of information, and additional information is collected to enable the timely identification of any natural person or legal entity. The RBASDB development uses the best EU practices in creating and operating bank account registers.

In line with euro adoption from 1 January 2026 and Article 47 of the Law on the Introduction of the Euro in the Republic of Bulgaria, the RBASDB automated its data submission functionality for reporting units to reflect changes in active bank and payment accounts from leva to euro.

Legislative amendments to EU law require new functionalities and updates in the Register's information system to be launched. Article 16(3) of Directive (EU) 2024/1640¹⁴¹ regulates the extension of information in bank account registers in EU countries to virtual IBAN data, securities accounts and crypto-assets. Directive 2024/1654¹⁴² require interconnection of bank account registers through a single access point in the EU (BARIS) through which competent authorities will be able to gain quick access to centralised registers of bank accounts of other Member States.

RBASDB experts organise regular meetings with representatives of banks, payment institutions and electronic money institutions, bodies and institutions entitled to the Register access to optimise the processes of filing and providing information to/from the BNB and maintain high technological criteria in the system operation.

The RBASDB cooperates with the ESCB, the IMF, the European Commission and other European institutions and provides regular information regarding studies, analyses and annual surveys prepared by them.

¹⁴⁰Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.

¹⁴¹Directive (EU) 2024/1640 of the European Parliament and of the Council of 31 May 2024 on the mechanisms to be put in place by Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Directive (EU) 2019/1937, and amending and repealing Directive (EU) 2015/849.

¹⁴²Directive (EU) 2024/1654 of the European Parliament and of the Council of 31 May 2024 amending Directive (EU) 2019/1153 as regards access by competent authorities to centralised bank account registries through the interconnection system and technical measures to facilitate the use of transaction records.

XIII. Research

Economic research, Bulgarian economic development analyses, and macroeconomic forecasts prepared at the BNB support the Bank management decisions and economic policy formulation.

In January–June 2025, the new BNB Research Plan for 2025–2026 was approved, including topics related to achieving objectives and tasks of the Bulgarian National Bank stemming from the Law on the BNB and BNB participation in the European System of Central Banks. This choice of topics was based on both the results obtained in the course of previous years' research activities and the need to expand and deepen research in relevant areas and cover topical issues of recent years. Developing these topics of the plan also contributes to improving the BNB's modelling and forecasting tools.

To implement the BNB Research Plan for 2025–2026, studies were focused on ECB's monetary policy transmission to the Bulgarian economy; developing models for short-term monthly inflation forecasting in Bulgaria; developing a semi-structural model for the Bulgarian economy; analysis of fiscal multipliers for Bulgaria and developing forecasting models of autonomous factors in the BNB balance sheet after its accession to the Eurosystem, including banknotes in circulation, government deposits, net assets denominated in foreign currencies, and gold.

In view of the BNB Governor's participation in monetary policy meetings of the ECB Governing Council after Bulgaria's accession to the euro area, building analytical capacity and tools to study Eurosystem's monetary policy objectives and its implications for the euro area economy continued over the review period. Analytical tools were developed to monitor and analyse economic and monetary developments in the euro area, and work started on adapting existing and building new macroeconomic models to be used for producing Eurosystem-wide forecast data for the Bulgarian economy.

Bank Discussion Papers series contributes to the research potential of Bulgarian economic science and practice in macroeconomics and finance. As part of the series, research on *The Impact of Labour Costs on Prices in Bulgaria* by Daniel Kasabov was published, and two studies were sent by the BNB Research and Publication Council for a peer review.

Part of the results from BNB analytical and forecasting activities are published in the Bank's quarterly editions *Economic Review* and *Macroeconomic Forecast*. *Economic Review* quarterly provides information about Bulgaria's economic development, analyses of the balance of payments flow dynamics, monetary aggregates, their link with the real economy development and effects on price stability. External developments directly affecting the Bulgarian economy are also analysed in this publication. It carries quantitative assessments of anticipated short-term developments in a set of key macroeconomic indicators. Issue 4 of 2024 includes a study on *The Exposure of Bulgarian Exports to German Economic Developments* and issue 1 of 2025 presents a study on *Changes in US Trade Policy*. The BNB quarterly *Macroeconomic Forecast* provides annual projections of major macroeconomic indicators for Bulgaria in the current and following two years. In view of the significant changes in the US foreign trade policy, the *Macroeconomic Forecast*, March 2025, includes a publication on the *Exposure of Bulgarian Exports to the United States*.

XIV. Human Resource Management

In the first half of 2025, the main priorities in human resource management at the BNB focused again on the provision of competitive working conditions and a favourable working environment for the effective implementation of the Bank's objectives, functions and tasks. These activities involved attracting and selecting suitable candidates, as well as training and retaining employees by providing professional and career development opportunities and applying an incentive pay system.

Given the continuing shortage of highly qualified people with specialised knowledge and skills, the active representation and validation of the BNB as a recognised employer for a professional and career development in finance and economy was a priority in the first half year. The Bank participated in six career forums where visitors had the opportunity to familiarise themselves with staff recruitment and work conditions at the BNB and Bank's internship, scholarship and guest researcher programmes which were found to be widely identifiable initiatives for further theoretical backgrounds, innovative research and initial practical experience. To attract young talent with an interest in the central banking and banking supervision, the BNB continued to develop its cooperation with university career centres, with Bank experts presenting to students the practical application of science and students asking questions and receiving competent and comprehensive answers.

A variety of communication channels and internet platforms were used to publish job posts. In the first half of 2025, 250 candidates submitted documents to work at the BNB. There were 26 new recruits and 25 employees left, of whom seven due to retirement. Staff turnover was 2.6 per cent on a six-month basis, an increase compared to the same period of the previous calendar year (1.8 per cent). Employees at the end of June were 960.

The share of university graduates was 79.5 per cent, and that of secondary education employees 20.5 per cent. Employees with doctorates numbered 38.

In the structure of staff by category, specialists held the largest share at 62.5 per cent, followed by management (18.9 per cent) and support staff (18.6 per cent).

Employees aged over 51 occupied the largest share in the age structure (49.1 per cent), followed by those in the age group of 41 to 50 years (30.4 per cent), 31–40 years (16.7 per cent) and up to 30 years old (3.8 per cent).

Gender distribution of staff shows a retained ratio between men and women: women at 63 per cent and men at 37 per cent.

The wage setting policy continued to build on ensuring competitive pay levels, providing opportunities to attract and retain highly skilled and motivated employees. Remuneration was based on the established principle of performance linking, taking into account each employee's contribution to Bank tasks and goals.

Training and qualification opportunities offered by the Bank remain essential for a quick and efficient entry of employees into the working process and their inclusion in the history, traditions and culture of the BNB. They also develop technical skills, enhancing general behavioural competencies and improving staff management and leadership capabilities. In accordance with the approved annual training programme, Bank employees attended specialised courses and seminars both domestically and abroad, remote and certification training programmes, IT training, foreign language courses and other educational attainments without discontinuing work.

International courses and seminars focused on financial modelling, monetary policy, cash demand and supply, payment and settlement systems, macroeconomic analysis and

forecasting, database processing. Banking supervision focused on operational, financial and market risks, capital requirements, anti-money laundering and countering the financing of terrorism issues, current practices in assessing recovery plans, artificial intelligence, green finance. By end-June, BNB employees completed successfully the extended ESCB and SSM central banking and banking supervision training programmes, set up in cooperation with leading European universities and training centres. Bank experts took part also in a professional certification programme for financial analysts. Newcomers had the opportunity to attend e-induction training to familiarise themselves with current tasks and challenges for the BNB, the ESCB and the SSM.

During the reporting period, dedicated IT trainings were held on: the use of artificial intelligence in compiling reports, data visualisation and risk management in the financial sector, improving the performance of functions and tasks in the global interbank payment system. Annual information security training was also launched for all staff working with computer equipment and other technical means having access to internet. The spring semester of foreign language training mainly included courses on conversation skills and intuitive use of modern business vocabulary.

Domestic specialised training courses aimed at developing technical skills of employees related to amendments in labour legislation in submitting electronic labour records, internal audit, procurement, management in crisis situations, the legal framework of personal data protection. Behavioural skills training focused on leading strategies for managing processes and people, as well as building and developing successful teams.

BNB employees participated in university programmes for boosting in-service education in finance, investments and fintech; integrating climate and environmental risks into banking supervision processes; EU economic research; human resource economics; cybersecurity; project management, *etc.*

Additional opportunities for enhancing professional qualifications, career development and exchange of knowledge and experience were ensured through internal and international mobility, moving to other business units and short-term assignments at European banking and supervisory institutions.

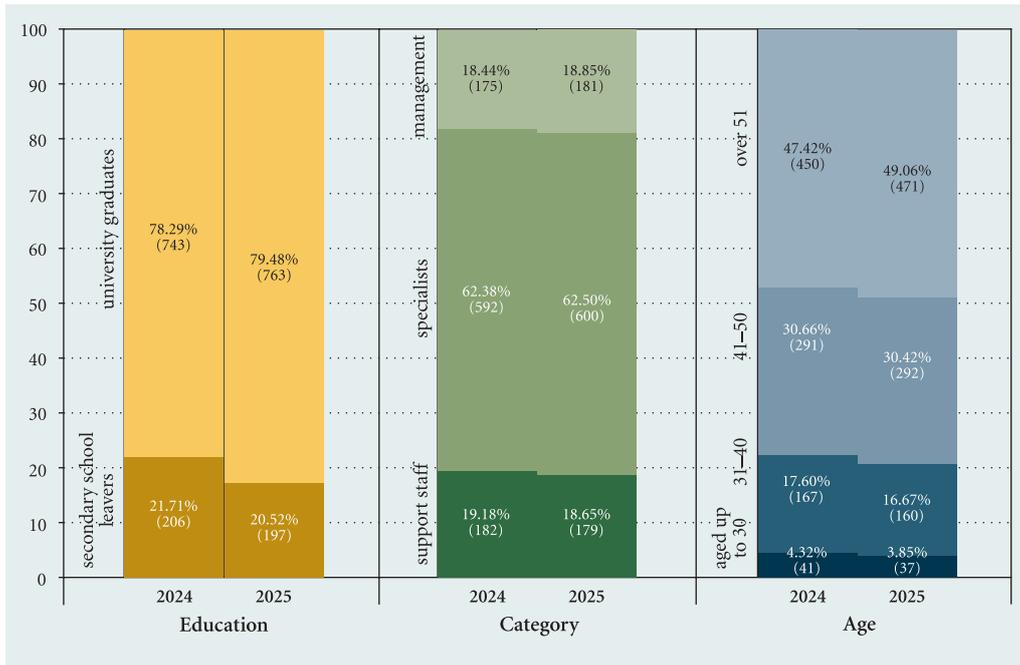
A labour legislation reform took place in the first half of 2025, introducing an unified electronic employment record, in force from 1 June. The Bank, as an employer, took steps to draw up labour books and make them available to employees in accordance with the time limits under the Law amending the Labour Code.

The BNB continued to support and encourage students and young professionals to acquire in-depth academic training and carry out research activities. Twenty-three applicants enquired into the annual postgraduate scholarship programme: six for doctors' and 17 for masters' degrees. Following a competition, candidates' achievements were evaluated, based on which the BNB Governing Council decided to award two masters' degree scholarships.

In March, the BNB announced its renewed traineeship programme for students, doctors and recent graduates with relevance to Bank activities, including in economics, maths, humanities, technical studies, *etc.* Under the new conditions, traineeships last up to three months and can take place throughout the whole year. In June, 12 students, trained in economics and business administration, international economics, finance, and information systems, participated in this programme. Trainees worked on a variety of topics, including: credit risk management and control in banking institutions, an analysis of banking liquidity factors, structural factors of equilibrium unemployment, Eurosystem monetary policy counterparties' eligibility criteria, modernisation and digitalisation of the EU supervisory process, an analysis of the content and functionalities of European central banks' websites, *etc.*

Staff Structure as of 30 June of the Respective Year

(per cent, number)



Source: BNB.

XV. BNB Internal Audit

Between January and June 2025, there were audits under the Annual Internal Audit Directorate Programme approved by the BNB Governing Council, reflecting also audit commitments to be implemented under the ESCB Internal Auditors Committee Programme.

Audits sought objective assurance of adequate and effective risk management, control and governance inherent in the activities concerned to ensure:

- effective attainment of objectives and tasks, as well as attainment of strategic objectives of the organisation;
- reliability and completeness of financial and operational information;
- effective and efficient operations and programmes;
- safeguarding assets;
- legal, regulatory, internal rule, policy, procedure, and contractual observance.

Audits Launched under the Annual Internal Audit Directorate Programme

BNB Functions	Audits Performed
Financial stability	Resolution of credit institutions
Information and communication technologies, service and maintenance	Security in creating, processing, storing and destructing information through network multifunctional devices
Security	Bank security and protection of classified information with a focus on protecting classified information at the BNB
Tracking performance	Follow-up on recommendations from past audits under the annual Internal Audit Directorate programme

Source: BNB.

Audits under the ESCB Annual Internal Auditors Committee Programme

BNB Functions	Audits Performed
Information and communication technologies	Audit of IT providers as a third party
Tracking performance	Follow-up on recommendations from past audits under the ESCB Annual Internal Auditors Committee Programme

Source: BNB.

In the first half of 2025, the BNB Chief Auditor organised and coordinated Internal Audit Directorate work with that of the BNB external auditor, providing also assistance to the audit team from the Bulgarian National Audit Office.

BNB Internal Audit continued to submit opinions on draft internal regulations concerning major BNB functions.

XVI. Preparation Activities for the BNB Accession to the Eurosystem

I. Legal integration of the BNB into the Eurosystem

Following the adoption of the new Law on the Bulgarian National Bank¹⁴³ which, as from the date specified in a Decision of the Council of the European Union on the adoption of the euro by the Republic of Bulgaria, will fully replace the Law on the Bulgarian National Bank¹⁴⁴, the Law on the State Budget of the Republic of Bulgaria for 2025¹⁴⁵ amended the new act of the central bank. Amendments were intended to reflect the recommendations made in the 2024 Convergence Reports on appointment of a caretaker government provided for in the 2023 amendments to the Constitution of the Republic of Bulgaria.

According to them, if the BNB Governor or a Deputy Governor, respectively, agrees to be appointed caretaker Prime Minister under Article 99, paragraph 5 of the Bulgarian Constitution, he shall resign from his position at the central bank. These amendments brought compliance with Article 130 of the TFEU and Article 14.2 of the Statute, ensuring compliance with the principles of institutional and personal central bank independence¹⁴⁶.

Following the adoption of the new Law on the BNB, work continued over the review period on drafting ordinances provided for therein. The priority and primary objective of the new Law on BNB, as well as of the relevant statutory instruments, intended to be issued on its basis is to ensure the legal integration of the Bulgarian central bank into the Eurosystem when introducing the euro as the currency of the Republic of Bulgaria. Establishing the regulatory framework is a necessary and important step to ensure that the new BNB functions arising from the accession to the Eurosystem are performed.

Over the review period, BNB Ordinance No 6 of 9 January 2025 on Provision of Emergency Liquidity Assistance¹⁴⁷ and BNB Ordinance No 45 of 17 April 2025 on the Establishment and Regulation of the Bulgarian National Bank's Legal Relationships with Monetary Policy Counterparties were adopted and published¹⁴⁸.

BNB Ordinance No 6 of 9 January 2025 on Provision of Emergency Liquidity Assistance¹⁴⁹

Upon Bulgaria's accession to the euro area, in accordance with Article 48, paragraph 1 of the new Law on the Bulgarian National Bank, the central bank may provide emergency liquidity assistance to a solvent bank outside the scope of Eurosystem monetary policy operations.

¹⁴³Published in the Darjaven Vestnik, issue 13 of 2024.

¹⁴⁴Published in the Darjaven Vestnik, issue 46 of 1997; last amended; issues Darjaven Vestnik, issue 64 of 2025.

¹⁴⁵Published in the Darjaven Vestnik, issue 26 of 27 March 2025.

¹⁴⁶Within the formal coordination procedure, on 5 July 2024 the ECB Governing Council adopted an Opinion on the potential appointment of the Governor or a Deputy Governor of the Bulgarian National Bank as a caretaker prime minister (CON/2024/23), thus welcoming these amendments.

¹⁴⁷Published in the Darjaven Vestnik, issue 8 of 28 January 2025, in force from the date of enforcement of the Law on the Bulgarian National Bank (published in the Darjaven Vestnik, issue 13 of 2024).

¹⁴⁸Published in the Darjaven Vestnik, issue 37 of 2 May 2025, in force from the date of enforcement of the Law on the Bulgarian National Bank (published in the Darjaven Vestnik, issue 13 of 13 February 2024), with the exception of § 3, which shall enter into force one month after the date of adoption of a Decision of the Council of the European Union abrogating the derogation of the Republic of Bulgaria on the basis of Article 140(2) TFEU.

¹⁴⁹Within the formal procedure of coordinating the Ordinance, the Governing Council of the ECB adopted an Opinion of the European Central Bank of 16 December 2024 on the provision of emergency liquidity assistance (CON/2024/40), thus welcoming the draft.

Within the meaning of this Ordinance, emergency liquidity assistance shall be considered to be the assistance, which the BNB, in its capacity as a Eurosystem central bank and outside the scope of Eurosystem monetary policy operations, provides to a bank experiencing liquidity stress, central bank money and/or any other form of assistance that may lead to an increase in central bank money.

The Bulgarian National Bank may provide emergency liquidity assistance in compliance with the TFEU, the Law on the BNB, the Emergency Liquidity Assistance Agreement¹⁵⁰ adopted by the Governing Council of the European Central Bank and other applicable ECB acts.

The requirements for providing emergency liquidity assistance by the BNB are: to a solvent bank that experiences liquidity stress for which it cannot quickly provide liquidity from other sources; only in exchange for collateral that meets the requirements laid down in the Ordinance; only in euro; and for a period of up to six months, except in the cases expressly provided for in this Ordinance. The Bulgarian National Bank shall not provide emergency liquidity assistance if its provision infringes the prohibition on monetary financing provided for in Article 123 TFEU or if the bank is an insolvent bank.

Ordinance No 45 of the BNB of 17 April 2025 on the Establishment and Regulation of the Bulgarian National Bank's Legal Relationships with Monetary Policy Counterparties

Under Article 37 of the new Law on the Bulgarian National Bank, the BNB shall be involved in defining and implementing the Eurosystem's monetary policy in accordance with the Treaty on the Functioning of the European Union, the Statute and the applicable ECB acts. The Law provides for the BNB to issue ordinances on the implementation of the Eurosystem's monetary policy in accordance with these European acts.

BNB Ordinance No 45 regulates the procedure for establishing legal relationships with Eurosystem monetary policy counterparties. The Ordinance provides that the rules for their subsequent implementation shall be governed by General Terms and Conditions adopted by the BNB Governing Council, which introduce Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60).

The Ordinance sets out the eligibility procedure and the requirements in respect of potential monetary policy counterparties. It provides for an obligation to conclude a framework agreement with each of them under the General Terms and Conditions adopted by the BNB, and certain general legal provisions relating to particular aspects of the legal relationship in connection with the delivery of notifications and communications, the rights of third parties, the determination of the applicable law and the powers of the BNB in carrying out checks, or in case of non-performance under the Contract (arising from Guideline (EU) 2015/510).

Without prejudice to the ECB's power to determine the eligibility criteria for Eurosystem monetary policy counterparties, the Ordinance establishes the procedure under which willing institutions may become BNB's counterparties by filling in a standard application (Appendix to the Ordinance).

The regulation of the procedure for establishing and regulating the legal relationships between Eurosystem counterparties and the BNB by means of an ordinance and general terms and conditions is in accordance with Guideline (EU) 2015/510 and Article 37 of the Law on the Bulgarian National Bank (Darjaven Vestnik, issue No 13 of 13 February 2024).

¹⁵⁰Agreement on Emergency Liquidity Assistance, 27 September 2024

Ordinance No 18 of the BNB on the Control over Quality of Banknotes and Coins in Circulation

Over the first half of the year, work continued on the draft Ordinance No 18 on the Control over Quality of Euro Banknotes and Euro Coins adopted at first reading at the end of 2024. Ordinance No 18 (in force as of 1 January 2026)¹⁵¹ was finally adopted by the BNB Governing Council after the reporting period on 31 July 2025.

The quality control of euro banknotes and euro coins in circulation in the euro area is largely regulated by directly applicable EU acts. These include: Decision of the European Central Bank of 16 September 2010 on the authenticity and fitness checking and recirculation of euro banknotes (ECB/2010/14); Decision of the European Central Bank of 19 April 2013 on the denominations, specifications, reproduction, exchange and withdrawal of euro banknotes (ECB/2013/10), OJ L 118, 30.4.2013; Council Regulation (EC) No 2182/2004 of 6 December 2004 concerning medals and tokens similar to euro coins, OJ Special Edition, Chapter 10, Volume 003, 2007; Regulation (EU) No 1210/2010 of the European Parliament and of the Council of 15 December 2010 concerning authentication of euro coins and handling of euro coins unfit for circulation, OJ L 399, 22.12.2010, p. 1.

Ordinance No 18 shall ensure the application of the relevant acts of the European Union, and shall lay down at national level the terms and procedure for: reproduction of euro banknotes and euro coins; the exchange by the BNB of mutilated or damaged genuine euro banknotes; the exchange of euro coins unfit for circulation; retention, authentication check and expert evaluation of euro banknotes and euro coins suspected as non-genuine or altered, hereinafter referred to as ‘counterfeit’; separation of euro banknotes and euro coins unfit for circulation; use of sorting machines and customer-operated machines (hereinafter jointly referred to as ‘machines’). This Ordinance shall lay down: the terms and conditions for the exchange by banks of mutilated or damaged genuine euro banknotes; the retention, authentication check and evaluation of foreign banknotes and coins suspected as counterfeit; monitoring and control of compliance with the requirements for banknotes and coins in circulation of the Law on the Bulgarian National Bank, this Ordinance and the instructions on its enforcement.

In addition, the ordinances provided for in the Law on the Introduction of the Euro in the Republic of Bulgaria under the competence of the central bank were prepared and adopted at first reading by the BNB over the reporting period. As provided for in this Law, the BNB was committed to establish a regulatory framework related to:

- frontloading of banks with euro banknotes, euro coins and starter sets and the sub-frontloading of Bulgarian Posts EAD and retailers by credit institutions (Article 23, paragraph 9 of this Law);
- the information to be provided by credit institutions to the BNB in connection with the exchange of banknotes and coins during the first year of introduction of the euro in the Republic of Bulgaria (Article 26, paragraphs 12 and 14 of the Law on the introduction of the euro);
- the exchange of damaged banknotes and coins from levs into euro after the introduction of the euro in the Republic of Bulgaria (Article 26, paragraph 15 of the Law on the introduction of the euro).

Pursuant to the Law on the introduction of the euro in the Republic of Bulgaria, the ordinances under Article 23, paragraph 9 and Article 26, paragraphs 14 and 15 had to be adopted and published within three months of the date of adoption of the Decision

¹⁵¹Published in the Darjaven Vestnik, issue 68 of 19 August 2026, effective as of 1 January 2026.

of the Council of the European Union on the adoption of the euro by the Republic of Bulgaria, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union. The three ordinances were finally adopted by the BNB Governing Council after the reporting period on 31 July 2025.

Ordinance No 46 of the BNB of 31 July 2025 on Frontloading and Sub-frontloading of Euro Banknotes, Euro Coins and Starter Euro Coin Kits¹⁵²

In accordance with Article 23, paragraph 1 of LIERB, pursuant to Guideline 2006/525/EC¹⁵³, until the introduction of the euro in the Republic of Bulgaria, the Bulgarian National Bank shall organise the supply of credit institutions with euro banknotes, euro coins and starter sets with euro coins (frontloading). Frontloading shall be carried out according to contracts concluded between the BNB and every credit institution (Article 23, paragraph 1 of LIERB). Pursuant to Article 23, paragraph 2 of the LIERB, until the date of the introduction of the euro in the Republic of Bulgaria, credit institutions shall organise the supply of Bulgarian Post EAD and retailers with euro banknotes, euro coins, and coin starter kits (sub-frontloading).

In accordance with Ordinance No 46, the Bulgarian National Bank shall frontload euro banknotes and euro coins to banks no earlier than two months before the euro introduction date under a concluded contract. Banks shall ensure that the frontloaded euro banknotes and euro coins are not put into circulation before the date of the introduction of the euro in the Republic of Bulgaria.

Sub-frontloading by banks shall take place in accordance with contracts concluded between the respective credit institution and Bulgarian Posts EAD, each retailer respectively. The Ordinance lays down a simplified procedure for sub-frontloading of micro-enterprises to take place no earlier than five days before the date of the introduction of the euro.

Under Ordinance No 46 of the BNB, sub-frontloaded entities may not use the euro banknotes and coins provided to them before 00:00 on the date of the introduction of the euro in the Republic of Bulgaria, in a manner other than that specified in this Ordinance.

Pursuant to Article 23, paragraph 3 of LIERB until the date of the introduction of the euro in the Republic of Bulgaria, credit institutions shall sell euro coin starter kits to natural persons and retailers. BNB Ordinance No 46 stipulates that euro coin starter kits shall be sold by the BNB to natural persons and by banks – to natural persons and retailers from 1 December 2025 to the day preceding the date of the introduction of the euro¹⁵⁴. After the date of the introduction of the euro, the euro coins included in the starter kits shall be legal tender.

By the date of the introduction of the euro, banks shall organise the loading with euro of customer-operated machines they serve, and from the date of the introduction of the euro in the Republic of Bulgaria, customer-operated machines, including ATMs, shall dispense only euro banknotes when withdrawing cash.

BNB Ordinance No 46 provides for the central bank's power to carry out on-site inspections of banks and sub-frontloaded entities to verify the presence of the frontloaded euro banknotes and euro coins and those sub-frontloaded.

¹⁵²Published in the Darjaven Vestnik, issue 68 of 19 August 2025.

¹⁵³Guideline of the European Central bank of 14 July 2006 on certain preparations for the euro cash changeover and on frontloading and sub-frontloading of euro banknotes and coins outside the euro area (ECB/2006/9).

¹⁵⁴The euro coin starter kits are of two types: for natural persons, consisting of 42 euro coins of all denominations with a total value of EUR 10 and 23 cents with a selling price of BGN 20 (twenty) *per* starter kit; for retailers, consisting of 420 euro coins of all denominations, with a total value of 102 euros and 30 cents, and sold at a price of 200 (two hundred) *leva per set*.

Ordinance No 47 of the BNB of 31 July 2025 on the Conditions and Procedure for Providing Information by Credit Institutions under Article 26 of the Law on the Introduction of the Euro in the Republic of Bulgaria and for Retaining and Evaluating Banknotes and Coins in Levs¹⁵⁵

Article 26 of the Law on the introduction of the euro in the Republic of Bulgaria lays down the procedure for the exchange of banknotes and coins.

In accordance with Articles 15 and 16 of Regulation (EC) No 974/98, the Bulgarian National Bank shall exchange free of charge unlimited amounts and without restriction in time banknotes and coins from levs into euro at the official exchange rate.

During the first six months from the date of introduction of the euro in the Republic of Bulgaria, credit institutions shall exchange an unlimited amount of banknotes and coins from levs into euro at the official exchange rate, and for amounts over BGN 30,000 *per* transaction, credit institutions shall exchange banknotes and coins free of charge from levs into euro after a prior request of three working days. This applies also to depositing and the related exchange of banknotes and coins in levs on the client's account in euro at the credit institution, where the exchange took place.

After expiration of the the six-month period, credit institutions may introduce a fee for the service of exchanging banknotes and coins from levs into euro in cash, as well as depositing and the related to this exchange of banknotes and coins in levs on an account.

Until expiration of 12 months from the date of introduction of the euro, credit institutions may not refuse to provide the services of exchanging banknotes and coins from levs into euro in cash, as well as depositing and the related to this exchange of banknotes and coins in levs on client's account in euro with the credit institution. After the expiration of the 12-month period from the date of introduction of the euro, banks may suspend the service for exchanging banknotes and coins from levs into euro in cash.

In compliance with the requirements of BNB Ordinance No 47, credit institutions shall provide weekly information to the BNB about the total value of available banknotes and coins in levs as of the end of the previous week. Banks are also obliged to inform the BNB if, after the end of the six-month period of free exchange, they introduce a fee for the service of exchanging banknotes and coins in levs into euro cash, including the amount, as well as in case that after the expiration of 12 months, they suspend the service of exchanging banknotes and coins in levs into euro cash.

The Ordinance shall also lay down the procedure for retention and evaluation of banknotes and coins in levs suspected as being non-genuine or altered.

Ordinance No 48 of the BNB of 31 July 2025 on the Exchange of Mutilated or Damaged Banknotes and Coins from Levs to Euro after the Introduction of the Euro in the Republic of Bulgaria¹⁵⁶

Pursuant to Article 26, paragraph 15 of the Law on the introduction of the euro in the Republic of Bulgaria, the exchange of mutilated or damaged banknotes and coins from levs into euro at the official exchange rate shall be carried out in accordance with the procedure established by an Ordinance of the Bulgarian National Bank.

Pursuant to Ordinance No 48, the Bulgarian National Bank shall carry out an immediate exchange of mutilated or damaged banknotes and coins from levs to euro in the period of dual circulation, as well as of those withdrawn from circulation with an unexpired

¹⁵⁵Published in the Darjaven Vestnik, issue 68 of 19 August 2025, effective three days after its publication, except for Chapter Four which will enter into force on the date of introduction of the euro as an official monetary unit in the Republic of Bulgaria.

¹⁵⁶Published in the Darjaven Vestnik, issue 68 of 19 August 2025, effective as of 1 January 2026, except for § 4 which will enter into force three days after its publication in the Darjaven Vestnik.

exchange term; as well as a deferred exchange for euro of mutilated or damaged banknotes in levs.

The Bulgarian National Bank shall not charge a fee for carrying out the exchange under paragraph 1, except in the cases of a deferred exchange under Article 14 of the Ordinance.

During the first six months from the date of the introduction of the euro in the Republic of Bulgaria, credit institutions shall carry out immediate exchanges of mutilated or damaged lev banknotes and coins with an unexpired exchange term into euro. Banks shall not charge fees and commissions for carrying out the exchange in this period.

The Bulgarian National Bank and banks shall exchange for euro mutilated or damaged lev banknotes and coins which arouse no suspicion of: an intentional mutilation or damage; a crime; that they are non-genuine or altered. Mutilated or damaged lev banknotes submitted for a deferred exchange for euro shall be paid in euro by the BNB within 30 business days from the date of receipt at the BNB.

Communication Activities Related to the Euro Area Accession Process

Over the review period, the BNB worked intensively on communication activities related to the euro area accession process.

On 9 May 2025, the BNB and the Economic and Social Council (ESC) signed a Memorandum of Cooperation. The aim is to deepen the partnership between the two institutions in the process of Bulgaria's accession to the euro area. On the basis of the memorandum, the BNB and the ESC carry out joint communication activities in the context of the introduction of the euro. During the period under review, work was carried out on drafting joint brochures with the ESC containing information on the accession to the euro area intended for different target groups.

On 19 May 2025, a Memorandum of Cooperation was signed between the BNB and the American Chamber of Commerce in Bulgaria. It will ensure that long-standing cooperation between the BNB and the American Chamber of Commerce deepens, with a focus on Bulgaria's successful accession to the euro area as of 1 January 2026 and better informed businesses and households about their deep and long-term benefits.

On 3 June 2025, the BNB and the Association for Modern Trade signed a Memorandum of Cooperation, focused, among others, on the implementation of a number of activities about the information campaign related to the introduction of the euro and overcoming people's fears of speculative price rises.

The BNB Governor participated in the opening of the *Money Growth: Banking, Investment, Technology* conference, organised by Capital newspaper, on 20 March 2025, as well as in *Financial policy and competitiveness of the Bulgarian economy* conference organised by the American Chamber of Commerce and the British-Bulgarian Chamber of Commerce on 15 April 2025, where he also commented on the introduction of the euro.

On 25 March 2025, a BNB Deputy Governor took part in the *Bulgarian tourism and Bulgaria's accession to the euro area* conference. On 20 June 2025, a Deputy Governor of the BNB participated in the opening of ESC's National Discussion on *The effect of the eurozone. The experience of Member States*.

Over the review period, the BNB prepared a Questions and Answers on the Euro booklet, which was also available on the Bank's official website with answers to frequently asked questions on the introduction of the euro in Bulgaria. A brochure 'What will the national side of Bulgarian euro coins look like' was also prepared and published.

Following the final decision on Bulgaria's accession to the euro area which was made at the end of the reporting period, the number and scope of communication activities related to informing the public about the accession process have been significantly extended.

XVII. BNB Budget Implementation in the First Half of 2025

The Governing Council adopted the BNB budget for 2025 by Resolution No 579 of 10 December 2024.

The report on the Bank's budget implementation comprises two sections pursuant to the Governing Council Internal Rules on Drafting, Implementing, and Reporting the BNB Budget: BNB Operating Expenditure and Investment Programme.

I. BNB Operating Expenditure

BNB half year operating expenditure was BGN 79,756 thousand or 21.7 per cent of the approved annual budget.

Currency circulation cost BGN 12,115 thousand, or 6.6 per cent of annual budget under this item and 15.2 per cent of operating expenditure budgeted for the reporting period. Minting of new coins cost BGN 9635 thousand, of which BGN 6507 thousand on circulation coins. Expenditure on commemorative coins was BGN 3128 thousand in line with the BNB Governing Council Monetary Programme. In the first half of 2025, the new banknote production costs amounted to BGN 1846 thousand.

Renting premises for the purpose of performing cash operations at the Cash Services Company AD and the State Mint EAD and storage and vault area rentals in Varna, Plovdiv and Bourgas cost BGN 547 thousand. Expenses on currency processing consumables were BGN 76 thousand and on designing new issues of banknotes and coins – BGN 8 thousand. Expenses on spare parts and repair of machines used for processing of banknotes and coins came to BGN 3000 and on destruction of banknotes and coins amounted to less than BGN 1000.

Materials, services, and depreciation cost BGN 22,114 thousand or 26.4 per cent of annual item budget and 27.7 per cent of half year operating expenditure.

Expenses on materials amounted to BGN 685 thousand, or 6.4 per cent of approved funds under this item and 0.8 per cent of Bank's operating total expenditure. The largest share in this group comprised BGN 306 thousand on inventories, followed by expenditure on office consumables at 139 thousand and BGN 134 thousand on fuel and spares for the BNB transport fleet. The Bank spent BGN 88 thousand on hygiene materials. Expenses on other materials amounted to BGN 12 thousand and on spare parts for the repair of fixed assets – BGN 6 thousand.

External services costs were BGN 12,036 thousand, or 31.5 per cent of annual item budget and 15.1 per cent of half year operating expenditure. Software maintenance subscriptions at BGN 3017 thousand, spending on security and fire protection at BGN 2383 thousand, and property and refuse collection levies and other charges in the amount of BGN 1419 thousand occupied the largest share in this group. Office equipment maintenance subscription costs came to BGN 1038 thousand. Bloomberg, Reuters, internet and other systems cost BGN 668 thousand. Major building maintenance cost BGN 803 thousand. Electricity expenditure came to BGN 675 thousand. Mail, telephone and telecommunication expenditure cost BGN 663 thousand, with a trend towards optimising and modernising BNB voice services. BORICA AD subscriptions cost BGN 630 thousand. Heating and water expenses were BGN 204 thousand. Health and safety at work and special clothing cost BGN 134 thousand. Banking and economic periodicals and economics publication translations cost BGN 89 thousand. Court and legal services expenses were

BGN 72 thousand. External repair services of BNB vehicles including repair works and spares were BGN 61 thousand. In the first half of the year, expenses were made on property insurance at BGN 50 thousand. Parking bay and freight vehicle garaging cost BGN 48 thousand. Consultancy services came to BGN 30 thousand. Machines and equipment repair expenditure was BGN 29 thousand. Advertisement spending was BGN 16 thousand. Preventive medical examinations cost BGN 7 thousand.

Depreciation in the first six months of 2025 cost BGN 9393 thousand, or 26.8 per cent of annual budget, its relative share reaching 11.8 per cent of total BNB operating expenditure for the review period.

Payroll, social, and healthcare cost BGN 40,729 thousand or 47.7 per cent of approved budget and 51.1 per cent of Bank's total operating expenditure for the reporting period. The BNB reported BGN 6257 thousand of current retirement obligations and unused paid leave under IAS 19 Employee Benefits.

Social expenditure was BGN 2164 thousand, or 62.5 per cent of annual budget and 2.7 per cent of Bank half year operating expenditure.

Miscellaneous administrative spending (inland and foreign business travel, training and representative expenses) was BGN 802 thousand, or 15.7 per cent of budget and 1.0 per cent of total operating expenditure. Training and qualification expenses to the amount of BGN 464 thousand were intended for participation in events, carried out online, on in-person sessions or in blended formats, while foreign travel unrelated to participation in the ESCB and other EU bodies cost BGN 258 thousand. Inland travel worth BGN 56 thousand involved mainly regional cash centre logistics and checks. The Bank's representative and protocol expenses were BGN 24 thousand.

The BNB spent BGN 1832 thousand on its Investment Programme on participation in the ESCB, or 26.9 per cent of the annual budget under this item and 2.3 per cent of all operating expenditure. The annual item fee for European Banking Authority membership was BGN 1458 thousand. BNB representatives sat on ESCB committees and working groups and other EU bodies, which cost BGN 266 thousand for foreign travel. The BNB paid expenditure on fees for lease of lines and telecommunications amounting to 72 thousand, according to the share determined by the ECB in the allocation of costs of these services to the national central banks of the ESCB. Training of representatives of committees and working groups cost BGN 27 thousand, while training organised by the ECB BGN 9 thousand.

II. The BNB Investment Programme

The Bank spent BGN 3618 thousand on its Investment Programme or 5.6 per cent of annual item budget.

The project on building a new BNB cash centre in Varna cost BGN 51 thousand in the first half of the year.

Machines and equipment, vehicle, and other equipment investment came to BGN 825 thousand, or 3.8 per cent of annual budget and 22.8 per cent of total investments for the half year. Funds were spent on purchasing Bank's cash operations equipment amounting to BGN 786 thousand on furniture in the BNB holiday home located in St Constantin and Elena resort and the BNB central building at 1, Knyaz Alexander I Square, Sofia and other equipment for total spending of BGN 39 thousand.

Funds invested into information systems totalled BGN 2733 thousand, or 6.7 per cent of annual budget and 75.5 per cent of half year investment. Funds under this item went mostly into keeping BNB information and communication technology infrastructure safe and sound. Software expenditure came to BGN 2538 thousand. They were used to

develop the Integrated Statistical Information System (ISIS), the Information System for Monetary and Interest Rate Statistics, the Central Credit Register (statements) and to develop the 'Core Banking Information System' (CBIS). Hardware expenditure came to BGN 195 thousand. Funds were used to purchase other communication equipment, network security and encryption devices, a scanner for digitising books and the construction of a power supply at BNB sites.

During the first half of the year, investment expenditure related to BNB participation in the ESCB amounted to BGN 9 thousand on purchasing new licenses for the ESCB's Documents and Records Web-based Information Network (DARWIN).

Investment programme expenditure involved implementation of interconnected actions depending directly on starting and completing those of the previous period. At the time of preparing this Report, some of the procurement procedures were in preparation or underway and therefore planned funds were not used. During the first half year, public procurement procedures for the purchase of equipment for cash operations were completed. As of the cut-off date of this Report, the equipment was not delivered, and payment thereof will take place in the second half of the year. Some public procurements for the supply of cash equipment depended on the date of the decision to adopt the euro as legal tender in Bulgaria and subsequent authorisation by the ECB thereto.

BNB Budget Implementation as of 30 June 2025

Indicators	Report 30 June 2025 (BGN thousand)	Budget 2025 (BGN thousand)	Implementation (per cent)
Section I. Operating expenditure	79,756	367,825	21.7
Currency circulation expenditure	12,115	183,065	6.6
Materials, services, and depreciation expenditure	22,114	83,921	26.4
Staff expenditure	40,729	85,464	47.7
Social expenditure	2,164	3,461	62.5
Other administrative expenditure	802	5,099	15.7
BNB expenditure related to ESCB membership	1832	6,815	26.9
Section II. Investment programme	3,618	64,447	5.6
Construction, refurbishment, and modernisation expenditure	51	2,123	2.4
Machines, vehicles, and other equipment	825	21,534	3.8
BNB information systems expenditure	2733	40,750	6.7
BNB expenditure on ESCB membership	9	40	22.5

Source: BNB.

The Bulgarian National Bank continues to actively work on adopting the euro as national currency, with this expenditure having an indirect effect on the overall implementation of the 2025 BNB budget.

Due to the changed date of euro adoption as national currency from 1 January 2024 to 1 January 2025, a larger portion of the expenditure planned in the BNB budget for 2025 on currency circulation costs, acquisition of machines, equipment, transport vehicles, and other equipment and on IT system development is expected to be spent in the second half of 2025.

XVIII. BNB Consolidated Financial Statements as of 30 June 2025 (unaudited)

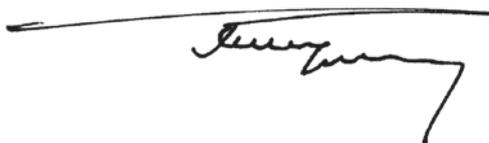
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Statement of Responsibilities of the Governing Council of the Bulgarian National Bank

The Governing Council of the Bulgarian National Bank is responsible for preparing and approving financial statements to present the Bank's financial position and performance for the period.

The financial statements of the Bulgarian National Bank approved by the its Governing Council are prepared in accordance with the International Financial Reporting Standards adopted by the European Commission.

The Governing Council of the Bulgarian National Bank is responsible for maintaining proper accounting records to disclose with reasonable accuracy at any time the financial position of the Bulgarian National Bank. It has overall 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.

A handwritten signature in black ink, appearing to read 'Dimitar Radev', is written over a long horizontal line that extends across the width of the signature.

Dimitar Radev
Governor of the Bulgarian National Bank

Consolidated Statement of Financial Position as of 30 June 2025 (Unaudited)

(BGN'000)

	Note	30 June 2025	30 June 2024
Interest income	7	903,135	1,160,544
Interest expense	7	(172,533)	(264,878)
Net interest income		730,602	895,666
Fees and commission income		11,047	7,562
Fee and commission expenses		(2,918)	(2,986)
Net fee and commission income		8,129	4,576
Net gains/(losses) from financial assets and liabilities reported at fair value in the profit or loss or measured at amortised cost, of which	8	852,553	731,283
<i>provisions for expected credit losses under IFRS 9</i>		-	-
Other operating income	9	27,931	40,065
Total income from banking operations		1,619,215	1,671,590
Administrative expenses	10	(93,451)	(88,668)
Profit/(loss) for the period		1,525,764	1,582,922
Other comprehensive income			
<i>Other comprehensive income that can be reclassified into profit or loss at a future point in time</i>		-	-
<i>Other comprehensive income that cannot be reclassified into profit or loss at a future point in time</i>		(3,897)	(1,173)
Other comprehensive income, total		(3,897)	(1,173)
Total comprehensive income for the period		1,521,867	1,581,749
(Loss)/profit attributable to:			
Equity holder of the Bank		1,535,310	1,583,067
Non-controlling interest		454	(145)
(Loss)/profit for the period		1,535,764	1,582,922
Total comprehensive income attributable to:			
Equity holder of the Bank		1,521,577	1,581,890
Non-controlling interest		290	(141)
Total comprehensive income for the period		1,521,867	1,581,749

The accompanying notes on pages 119 to 153 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position for the Period Ended 30 June 2025 (Unaudited)

(BGN'000)

	Note	30 June 2025	31 December 2024
ASSETS			
Cash and deposits in foreign currency	11	35,261,285	41,842,645
Gold, instruments in gold, and other precious metals	12	7,295,713	6,519,273
Financial assets at fair value through profit and loss	13	37,007,488	33,723,502
Financial assets at fair value in other comprehensive income	14	2,115,684	2,260,173
Tangible assets	15	182,182	188,595
Intangible assets	16	12,127	12,553
Other Assets	17	139,590	119,126
Total assets		82,014,069	84,665,867
LIABILITIES			
Banknotes and coins in circulation	18	29,323,062	31,078,055
Liabilities to Banks and Other Financial Institutions	19	23,675,299	27,845,384
Liabilities to government institutions and other borrowings	20	12,222,030	9,733,914
Borrowings against Bulgaria's participation in international financial institutions	21	5,217,545	5,588,608
Other liabilities	22	974,413	789,889
Total liabilities		71,412,349	75,035,850
EQUITY			
Capital	23	20,000	20,000
Reserves	23	10,578,173	9,606,760
Non-controlling interest	24	3 547	3 257
Total equity		10,601,720	9,630,017
Total liabilities and equity		82,014,069	84,665,867

The accompanying notes on pages 119 to 153 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows as of 30 June 2025 (Unaudited)

(BGN'000)

	Note	30 June 2025	30 June 2024
OPERATING ACTIVITIES			
Net (loss)/profit		1,525,764	1,582,922
Adjustments			
Dividend income	9	(3 641)	(4 335)
Depreciation	15, 16	12,418	10,725
Loss on disposal of tangible assets		69	339
(Profit)/loss on financial assets and liabilities arising from market movements		(1,100,022)	(693,783)
(Profit)/loss of associates		(919)	(667)
Other adjustments		1 476	(701)
Net cash flow from operating activities before changes in operating assets and liabilities		435,145	894,500
Change in operating assets			
Decrease/(increase) in gold, instruments in gold and other precious metals		-	(1 160)
Decrease/(increase) in financial assets at fair value through profit or loss		(3,191,596)	5,182,427
(Decrease)/increase in other assets		(24,004)	(16,615)
Change in operating liabilities			
(Decrease)/increase in banknotes and coins in circulation		(1,754,993)	(48,012)
(Decrease)/increase in due to banks and other financial institutions		(4,170,085)	(7,045,910)
Increase/(decrease) in due to government institutions and other liabilities		2,488,116	(1,916,690)
(Decrease)/increase in liabilities against Bulgaria's participation in international financial institutions		-	-
(Decrease)/increase in other liabilities		184,524	(185,721)
(Net cash outflow)/net cash inflow from operating activities		(6,032,893)	(3,137,181)
INVESTMENT ACTIVITIES			
Acquisition of tangible and intangible assets		(5 648)	(7 725)
Dividends received		3 641	4 335
Net cash inflow/(net cash outflow) from investing activities		(2 007)	(3 390)
FINANCING ACTIVITIES			
Payments to the state budget		(550,000)	(660,000)
Net cash inflow/(net cash outflow) used in financing activities		(550,000)	(660,000)
(Net decrease)/net increase in cash and cash equivalents		(6,584,900)	(3,800,571)
Cash and cash equivalents at beginning of period		41,875,081	37,211,795
Cash and cash equivalents at end of period	11, 17	35,290,181	33,411,224

The accompanying notes on pages 119 to 153 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity as of 30 June 2025 (Unaudited)

(BGN'000)

	Capital	Revaluation of non- monetary assets	Special and other reserves	Total equity	Non- controlling interest	Total equity
Balance as of 1 January 2024	20,000	144,728	6,670,023	6,834,751	3 743	6,838,494
(Loss)/profit for the period	-	-	1,583,067	1,583,067	(145)	1,582,922
Other comprehensive income:						
<i>other income</i>	-	(412)	(765)	(1 177)	4	(1 173)
Other comprehensive income, total	-	(412)	(765)	(1 177)	4	(1 773)
Total comprehensive income for the period	-	(412)	1,582,302	1,581,890	(141)	1,581,749
Contributions by and distributions to owners:						
<i>contribution to the budget of the Republic of Bulgaria</i>	-	-	(660,000)	(660,000)	-	(660,000)
<i>dividend paid by subsidiaries to minority shareholders</i>	-	-	(195)	(195)	-	(195)
Transactions with owners, total	-	-	(660,195)	(660,195)	-	(660,195)
Balance as of 30 June 2024	20,000	144,316	7,592,130	7,756,446	3 602	7,760,048
Balance as of 1 January 2025	20,000	145,217	9,461,543	9,626,760	3 257	9,630,017
(Loss)/profit for the period	-	-	1,525,310	1,525,310	454	1,525,764
Other comprehensive income:						
<i>other income</i>	-	(340)	(3 393)	(3 733)	(164)	(3 897)
Other comprehensive income, total	-	(340)	(3 393)	(3 733)	(164)	(3 897)
Total comprehensive income for the period	-	(340)	1,521,917	1,521,577	290	1,521,867
Contributions by and distributions to owners:						
<i>contribution to the budget of the Republic of Bulgaria</i>	-	-	(550,000)	(550,000)	-	(550,000)
<i>dividend paid by subsidiaries to minority shareholders</i>	-	-	(164)	(164)	-	(164)
Transactions with owners, total	-	-	(550,164)	(550,164)	-	(550,164)
Balance as of 30 June 2025	20,000	144,877	10,433,296	10,598,173	3 547	10,601,720

The accompanying notes on pages 119 to 153 form an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Statute and Principal Activities

The Bulgarian National Bank (the 'Bank, the BNB') is 100 per cent owned by the Bulgarian state and is the central bank of the Republic of Bulgaria. The operation of the Bank is governed by the Law on the Bulgarian National Bank (LBNB), which has been effective since 10 June 1997.

Under this Law, the principal activities of the Bank may be summarised as:

- Maintaining price stability through ensuring national currency stability;
- Exclusive right to issue banknotes and coins in Bulgaria;
- Regulation and supervision of other banks' activities in the country with a view to banking system stability maintenance;
- Establishment and operation of efficient payment systems;
- Regulation and supervision of the activity of payment system operators, payment services providers and electronic money issuers in the country;
- The Bank shall not extend credit and guarantees in any form whatsoever, including through purchase of debt instruments, to the Council of Ministers, municipalities, as well as to other government and municipal institutions, organisations and undertakings in the public sector;
- The Bank may not provide credit to banks except in the case of liquidity risk threatening to affect the stability of the banking system;
- The Bank shall not deal in debt instruments issued by the Bulgarian government and municipalities, as well as by Bulgarian government and municipal institutions, organisations and public sector entities;
- The Bank may not issue Bulgarian levs in excess of the Bulgarian lev equivalent of the gross international reserves;
- The Bank acts as the fiscal agent and depository of the state.

With effect from the date on which the ECB decision¹ on establishing close cooperation becomes applicable, *i.e.* 27 July 2020, the Banks Resolution Fund (BRF) is managed by the BNB. The decisions on the BRF management are taken by the BNB Governing Council.

The Governing Council of the BNB approved the Consolidated Financial Statements for the period as of 30 June 2025, set out on pages 119 to 153, on 27 November 2025.

2. Applicable Standards

The consolidated financial statements of the BNB have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission.

3. Basis of Preparation

The consolidated financial statements are presented in Bulgarian lev rounded to the nearest thousand (BGN'000), which is the functional currency of the Bank. They are prepared on a historical cost basis, except for the items, disclosed in the table below, which are measured on an alternative basis as at each reporting date:

Items	Measurement basis
Derivative financial instruments	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value
Tangible non-current assets	Revalued amount, which is the asset's fair value at the revaluation date less subsequent depreciation and impairment loss
Defined benefit liability	Present value of the defined benefit liability

¹ Decision (EU) 2020/1015 of 24 June 2020 of the European Central Bank on the establishment of close cooperation between the European Central Bank and Българска народна банка (Bulgarian National Bank) (ECB/2020/30) within the meaning of Article 2, item 1 of Council Regulation (EU) No 1024/2013.

Use of estimates and judgements

In preparing these consolidated financial statements, the Bank has made judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, incomes and expenses, and the disclosure of contingent receivables and payables as at the financial statements date. These estimates, judgements and assumptions are based on data available as at the date of the consolidated financial statements; therefore actual future results may differ from these estimates.

The estimates and main assumptions are revised on an ongoing basis and are recognised prospectively.

Judgements

The Bank has estimated and classified cash in circulation as a financial liability (ref. note 18).

Assumptions and estimation uncertainties

Measurements of the present value of long-term obligations to retiring staff (following a defined benefit plan) use certified actuarial calculations based on mortality assumptions, rate of staff turnover, future level of salaries and discount factor. These assumptions may lead to adjustments in the next financial year; the management, however, considers them to be reasonable and appropriate for the Bank (ref. note 10).

Bank assumptions and estimates are based on the existing parameters and available information at the time of preparation of the financial statements. Existing circumstances and assumptions about future developments may change due to market changes or circumstances beyond Bank's control. Such changes are reflected in assumptions when they occur.

Determination of expected credit losses on financial assets with a low credit risk

Instruments with a low credit risk are those for which the risk of default is low, the capacity of a counterparty to perform its contract obligations in a short term is stable and long-term negative changes in economic conditions are unlikely to change the capacity to repay obligations. For its short-term receivables from banks and debt instruments reported at amortised value or at fair value in 'other comprehensive income', the Bank accepts at the reporting date that the possibility of default is unlikely, so it determines for them 12-month credit losses. In case that the low credit risk criteria are no longer true in subsequent reporting periods, the Bank conducts an analysis of the changes in credit risk compared to the initial recognition to assess the need for an adjustment instrument on losses over the life of the instrument. Definition of instruments as such with a low credit risk requires judgement. In developing this judgement, the Bank uses all reasonable and supportable information accessible to it.

Determination of expected credit losses on deposit receivables

As reported in ref. note 6(b) Credit Risk, the Bank has developed a Policy to Assessing Changes in Credit Quality and Determining Expected Credit Losses on Financial Instruments. The Bank classifies its risky assets into three risk phases depending on changes in credit risk after initial recognition of the asset and, accordingly, assesses the expected credit losses on the basis of a 12-month probability of default if there is no changed credit quality (phase 1) and based on the probability of default for the expected lifetime of the instrument (phase 2 and phase 3) where there is a significant increase in credit risk. When determining how much the credit risk is increased compared to the initial recognition of the asset, the Bank uses all reasonable and supportable information that is available, including for future periods.

Loss on non-performance is a judgement for damages that the Bank would suffer in the event of default. It is based on the difference between the contractual cash flows and the cash flows that the Bank expects to receive. Significant judgement is needed in determining the time and amount of expected cash flows. The management uses judgements based on historical experience of losses on assets with an inherent credit risk and on objective circumstances of impairment similar to those in the portfolio in calculating future cash flows.

In determining the amount of expected credit losses, the Bank uses forward-looking information on expected future changes in certain economic conditions and indicators, as well as assumptions about how changes in these indicators would affect the probability of default.

The 'probability of default' parameter is key for calculating the amount of expected credit losses and reflects the probability that the counterparty will not fulfil its contractual obligations on a certain time horizon. The Bank has developed internal models to determine the probability of default on loans, based mainly on historical information for the period for which

such is available. The assessment of correlation between historical indicators of default and projected economic indicators is a significant approximate estimate. Bank's historical experience in credit losses and expectations of economic conditions may also not be representative of real losses in the future.

Fair value of financial instruments

When fair values of financial assets and liabilities in the statement of financial position cannot be obtained from active markets, they are determined by using various valuation methods, which include the use of mathematical models. Basic data for these models are derived from indicators that are observed in financial markets where possible. Otherwise, assumptions about establishing the fair value are made. Assumptions take into account factors related to liquidity, volatility of longer-term derivatives and discount rates, early payments and default assumptions related to asset-backed securities.

Some of the Bank's accounting policies and disclosures require fair value measurements of financial and non-financial assets and liabilities. For information on fair value measurements see note 6(e) and note 15.

4. Basis of Consolidation

Subsidiaries

Subsidiaries are the entities controlled by the Bank. Control over an entity exists when the Bank is exposed to or has rights over the variable return from its participation in that entity, and is able to influence that return through its powers. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The share in the net assets of the Bank's subsidiaries, which corresponds to the minority shareholders' proportionate share, is disclosed separately from 'Capital and reserves' under the 'Non-controlling interest' item.

The Bulgarian National Bank holds a majority of the BNB Printing Works AD and Bulgarian Mint EAD. The accounts prepared for the group contain the accounts of the parent company and subsidiaries. The BNB consolidated report eliminates all receivables and payables, incomes and expenses, as well as intragroup balances and transactions, including sales.

Associates

Associates are those entities in which the Bank has significant influence, but which are neither subsidiary enterprise, nor joint venture. Investments in associates are accounted in the Bank's consolidated financial statements using the equity method as an amount corresponding to the Bank's share in the associates' own funds as of the end of the reporting period. The Bank's share of associates' net result subsequent to acquisition is disclosed in 'profit or loss' as investment income/expenses and is added to/subtracted from the carrying value of the investment.

The BNB participation in other associated companies is accounted for at the price of acquisition. The Bank consolidates on an annual basis the accounts of associated companies in which its share is 20 per cent or more than 20 per cent on the basis of the equity method.

Transactions eliminated on consolidation

All receivables and payables, incomes and expenses, as well as intragroup profits, resulting from inter-company transactions within the group, are eliminated, except where these are immaterial.

5. Summarised Information on Accounting Policies Applied

a) Income recognition

Interest income and expense are recognised on an accrual basis in accordance with the Bank's interest rate policy and in accordance with concluded agreements with international financial institutions and customers of the Bank. Interest income and expense are recognised in the statement of comprehensive income. Interest income and expense also include the amortisation of the discount and premium calculated on the basis of the effective interest rate.

Interest income on foreign securities held in the BNB portfolio includes interest rates on interest coupons of securities issues.

Interest income on deposits includes interest income on deposits in foreign currency and in gold.

Income from and expenses on fees and commissions from financial services of the Bank are recognised in the income statement of the Bank at the moment of provision of the respective service.

Revenue from contracts with customer is recognised when the Bank has fulfilled its performance obligations by transferring the promised services to the customer. Revenue is recognised at an amount reflecting the consideration expected to be received in return. No changes in the valuation and recognition of fees and commissions have occurred since the entry into force of IFRS 15.

Other financial income and expenses include income and expenses from sales and changes in the fair value of financial assets and liabilities in the profit or loss.

Interest income and expenses are recognised in the 'profit or loss' using the effective interest rate method. The effective interest rate is the rate which precisely discounts the estimated future cash payments and income over the term of the financial asset or liability to the carrying amount of the asset or liability. The effective interest rate is determined on the initial recognition of the financial asset or liability and does not change thereafter.

The calculation of the effective interest rate includes all commissions, received or paid, as well as discounts and premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs directly attributable to the acquisition, issue or derecognition of a financial asset or liability.

Interest income and expense, presented in the statement of profit or loss, include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on securities reported at fair value through profit or loss calculated on an effective interest rate basis.

Dividend income is recognised when the Bank establishes the right to receive a dividend.

Fee revenue is deferred and recognised in each of the separate financial periods.

All gains and losses arising from changes in the fair value of financial instruments reported at fair value through profit and loss are recognized in the statement of comprehensive income.

Revenue from a grant related to depreciable assets is recognised as income for future periods upon receipt of the grant and subsequently recognised in the statement of comprehensive income over the relevant periods, systematically over the useful life of assets and proportionate to the depreciation charge for the same assets. Expenses related to depreciable assets incurred during the current period are deferred over the useful life of the assets.

Revenue from a grant related to non-depreciable assets is recognised as income for future periods upon receipt of the grant and is then recognised in the statement of comprehensive income for the periods in which the relevant expenses are accounted for.

Foreign currency differences arising from held for sale investments are recognised in profit or loss.

Net gains/losses from financial assets and liabilities at fair value through profit or loss include net gains from operations in securities, net gains from operations in foreign currency, net revaluation gains on securities, net gains from gold revaluation, net gains from revaluation of futures, and net gains from revaluation of assets and liabilities denominated in foreign currencies.

b) Recognition of assets and liabilities

All assets and liabilities of the Bank are measured at the initial acquisition cost or at fair value. Subsequent revaluations are carried out with different types of assets and liabilities being revaluated over different periods to determine their fair value. Adjustments to the accounting registers, as well as the relevant recognition records in the reserve are recorded in compliance with the IFRS. Where it is not possible to measure the fair value, the historical acquisition cost is used less impairment losses

The International Financial Reporting Standards do not require presentation of assets in a specified balance sheet format and may be designated as underlying assets (tangible fixed assets, intangible fixed assets, inventories, investment property, asset acquisition loans, and impairment of assets) and assets that are classified as financial instruments.

c) Financial instruments

The Bank can recognise a financial asset or liability in its balance sheet only in cases where it becomes a party to the contractual provisions of financial instruments used. The Bank derecognises a financial asset:

- when it loses control over the contractual rights to the financial asset and transfers substantially all the risks and rewards of ownership;
- when the obligation specified in the contract is repaid or cancelled or expires.

i) Classification

The classification is critical to the measurement of financial instruments and how the Bank reflects that measurement in the financial statements.

For the purposes of subsequent measuring of financial assets, the BNB uses the following business models:

- financial assets held to collect contractual cash flows;
- financial assets held to collect contractual cash flows and for sale;
- financial assets held for trading and financial assets designated at initial recognition as at fair value through profit or loss.

The evaluation whether cash flows of debt instruments consist only of the principal and interest is based on the facts and circumstances of the initial recognition of assets. The Bank classifies the financial assets depending on the business model for managing a particular class of financial assets and the nature of the contractual cash flows of the financial asset.

The business model of the financial assets held to collect the contractual cash flows includes all current accounts of the Bank with foreign correspondents, and the cash flows under the model used for these assets representing only principal and interest payments. These financial assets are measured at amortised cost.

The Bank classifies the financial assets on initial recognition depending on the business model for managing a particular class of financial assets and the nature of the contractual cash flows of the financial asset.

Financial liabilities are accounted at fair value or at amortised cost, except for the treatment of differences arising from changes in own credit risk for financial instruments designated to account at fair value in profit or loss. Under IFRS 9, these differences are recognised in other comprehensive income without subsequent reclassification in the statement of comprehensive income. As of the date of present statements, the Bank does not account financial liabilities in this category.

ii) Recognition

The Bank recognises trading financial assets and investments, the Bank's loans and receivables, and financial liabilities at amortised cost on the date at which they are originated. All other financial assets and financial liabilities are recognised when the Bank becomes a party to financial instrument contracts.

Financial assets and liabilities are recognised in off-balance-sheet accounts from the trade date to the date of their settlement and are recorded in the BNB statement of financial position at the settlement date (value date). The initial recognition is at acquisition cost, *i.e.* the fair price paid on acquisition. Transaction costs are included in the acquisition cost of all assets and liabilities. From that moment on, any changes in their fair value are recognised by the Bank as income or expense.

iii) Amortised cost measurement

Assets measured at amortised cost are initially recognised at acquisition cost, then measured at amortised cost, which is the initial measurement of the asset adjusted for the amortised premium or discount using the effective interest rate method and adjusted to expected credit losses for each asset calculated based on the methodology adopted by the BNB Governing Council. Premium and discount is amortised for each individual item and is recognised in the Bank's income statement. Interest is calculated or recognised on a daily basis in the Bank's statement of comprehensive income.

iv) Fair value measurement in other comprehensive income

The Bank measures its debt instruments at fair value in other comprehensive income where both conditions are satisfied:

- the financial asset is held within a business model for the purposes of collecting contractual cash flows and for its sale; and
- according to the contractual terms of the financial asset, on specified dates they give rise to cash flows representing only payments of principal or interest.

In respect of financial assets accounted for in other comprehensive income, the interest income, foreign exchange revaluations and impairment losses or their recovery are recognised in profit or loss and calculated in a similar manner as financial assets measured at amortised cost. Other changes in the fair value of these financial assets are recognised in other comprehensive income. Upon their derecognition, the cumulative change in the fair value recognised in other comprehensive income is included in profit or loss.

v) Measurement of financial assets designated as such at fair value in other comprehensive income (equity instruments)

The Bank has irrevocably classified in this category its equity investments (not traded on the stock exchange) designated at fair value through other comprehensive income because they qualify as equity under IAS 32 Financial Instruments: Presentation and are not held for trading purposes. Classification is determined on an individual instrument basis.

Gains and losses from these financial assets are never recognised in the profit or loss of the Bank. Dividends are recognised as other operating income in the income statement when the right to payment is established.

Equity instruments designated as such at fair value through other comprehensive income are not subject to an impairment test.

vi) Fair value measurement and disclosure principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market and, if no such market is available in the most advantageous and accessible market on the measurement date. The fair value of a liability reflects the effect of non-performance risk.

Whenever possible, the Bank measures the fair value of an instrument using quoted prices in an active market of that instrument. A market is considered as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If no quoted price in an active market is available, the Bank uses the most relevant observable inputs and makes minimum use of unobservable data. The aim of using a valuation technique is to estimate the price that would be obtained in an orderly transaction between market participants. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in determining a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, *i.e.* the fair value of the consideration given or received. When the Bank finds a difference between the fair value at initial recognition and the transaction price, and the fair value is neither evidenced by quoted price in an active market for identical assets or liabilities, nor based on a valuation technique based only on data from observable markets, then the financial instrument is initially recognised at fair value adjusted with the difference between the fair value at initial recognition and the transaction price. This difference is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later

than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Bank recognises assets and long positions at a bid price and liabilities and short positions at an ask price when assets or liabilities measured at fair value have a bid and an ask price.

Were the Bank has positions in a group of financial assets and financial liabilities, it is exposed to market risk and credit risk. The Bank, on the basis of its net exposure to such risks, measures them on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. These portfolio-level adjustments are allocated to the individual assets and liabilities that make the group of financial assets and financial liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

Where the Bank has positions with offsetting risks, mid-market prices are used to measure them and a bid or ask price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to the receipt of the contractual cash flows from the financial asset in the transaction in which substantially all risks and rewards of ownership of the financial asset are transferred.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or when the cash flows of financial liability are expired.

The Bank enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or the substantial risks and rewards of the transferred assets or a part of them. If a part of or all substantial risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

Transfers of assets with retention of a part of or all substantial risks and rewards are, for instance, securities lending or repurchase agreements.

In transactions where the Bank neither retains nor transfers all substantial risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain the control of that asset. The rights and obligations retained in the transfer are recognised separately as assets and as liabilities, respectively. In transactions where control of the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which the Bank is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

viii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Bank has a legal right to offset the recognised amounts and intends to settle the asset or the liability on a net basis. Accounting for assets, net of adjustments, is not considered to be offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions such as in the Bank's trading operations.

ix) Impairment of assets

At each reporting date, the Bank analyses impairment of Financial assets classified as Financial assets at fair value in other comprehensive income and Financial assets at amortised cost, using the impairment categories in accordance with IFRS 9:

- The Bank calculates the expected credit losses on the basis of a 12-month probability of default where there is no a significant increase in credit risk compared to the initial recognition. Probability of default is the management's estimate of the likelihood of a debtor/credit borrower defaulting on its financial obligation over a given time period, reflected through the measured/calculated impairment;
- The Bank calculates expected credit losses for the residual lifetime of the financial asset where reasonable and supportable information is available that refers more to future events. The increase in credit risk from initial recognition rises significantly before the financial instrument becomes past due. In the case of a loss expected by the management, the impairment represents the share of the exposure/asset lost.

In assessing collective impairment the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses from assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted by the original effective interest rate of the asset. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through unwinding of the discount, but on the amortised cost. When a subsequent event reduces the impairment loss, the reduction in the impairment loss is reversed through profit or loss.

Impairment losses on held-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in equity to profit or loss. The cumulative loss that is transferred from profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired debt security increases, and the increase can be objectively linked to an event that occurred after the impairment loss had been recognised in profit and loss, then the impairment loss is reversed and the reversed amount is recognised in profit and loss.

x) Financial assets and liabilities held to collect contractual cash flows and for sale

Financial assets and liabilities held to collect contractual cash flows and for sale are recognised initially at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in the fair value are recognised as net income from trading operations in profit or loss.

xi) Financial assets held within a business model whose objective is to hold financial assets to collect contractual cash flows

Financial assets held within a business model whose objective is to hold financial assets to collect contractual cash flows are initially recognised at acquisition cost and subsequently are carried at amortised cost which is the initial asset valuation adjusted for the amortised premium or discount using the effective interest rate method. Premium or discount is amortised for each individual item and is recognised in the Bank's statement of comprehensive income. Interest is calculated and recognised on a daily basis in the Bank's statement of comprehensive income.

d) Gold and other precious metals

The BNB as a central bank maintains particular volumes of gold as part of Bulgaria's international reserves. In compliance with the requirements of the Law on the BNB, the Bank may take any necessary action in connection with the acquisition, possession and sale of gross international reserves, including monetary gold. Consequently, monetary gold as part of international reserves may be immediately used by the BNB without further constraints which determines it as a monetary asset. Pursuant to the requirements of the 'General Provisions for Defining the Valuation Basis in the Financial Statements' to the IFRS, as well as in the absence

of a specific IFRS to determine the treatment of such a transaction, the Bank defines the recognition and valuation of the monetary gold as an asset reported at fair value through profit or loss as the most reliable and appropriate base for a subsequent valuation of this financial asset. Gold and other precious metals are measured at market value based on the London Bullion Market fixing in euro at the reporting date.

Monetary gold

Gold in standard form (monetary gold) is initially recognised at acquisition cost. Monetary gold and other gold instruments are valued daily at the latest market value posted on the wholesale gold market in London, the UK. Unrealised gains and losses from revaluation of monetary gold and other gold instruments of the Bank are recognised in the income statement.

e) Equity investments

For the purposes of measuring the equity investments subsequent to initial recognition, they are classified as held-for-trading financial assets and measured at fair value in other comprehensive income.

Details of investments held by the Bank are set out in note 14.

f) Property, plant, equipment and intangible assets

The policy pursued by the Bank is to present land, buildings and other groups of fixed tangible assets in the statements of financial position at revalued amount as per the alternative approach allowed in IAS 16 Property, Plant and Equipment. The Bank recognises an intangible asset if it meets the criteria for recognition under International Financial Reporting Standards. Intangible assets are presented in the statement of financial position at acquisition cost, including paid duties, non-recoverable taxes, as well as direct costs of preparing the asset for its intended use, less accumulated amortisation and impairment losses.

Land and buildings are measured at fair value which is regularly assessed by professionally qualified valuers. The revaluation of property is done asset by asset, and any accumulated depreciation at the revaluation date is derecognised against the gross carrying amount of the asset, and the net amount restated to the revalued amount of the asset. When the value of assets increases as a result of revaluation, the increase is reflected directly in other comprehensive income. When the value of assets decreases as a result of revaluation, the decrease is recognised by decreasing the revaluation reserve in equity, and in case of a shortage, the difference is recognised as an expense in the statement of comprehensive income.

i) Subsequent costs

The separately accounted for costs incurred to replace a component of an item of property, plant and equipment are capitalised. All other subsequent costs are capitalised only when future economic benefits embodied in the item of property, plant and equipment will flow to the Bank. All other costs are recognised in 'profit or losses' as incurred.

ii) Depreciation and amortisation

The depreciation/amortisation shall be carried out from the day of initial asset recognition according to the straight-line method for the expected useful life. Land is not depreciated. The Governing Council of the BNB approves the annual depreciation rates presented below:

(per cent)

Assets	
Buildings	2-4
Plant & equipment	3-15
Computers	30-33.3
Fixtures and fittings	15-20
Motor vehicles	8-25
Intangible fixed assets	20-25

Expenses incurred for the acquisition of property, plant, equipment and intangible assets are not depreciated until they are brought into use.

iii) Recoverable amount of assets

The recoverable amount of the Bank's fixed assets is the higher 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 independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

iv) Reversals of impairment

Impairment losses of tangible fixed assets are reversed when a change occurs in the estimates used to determine the recoverable amount and may be reversed only up to that carrying amount of the asset at which it would be assessed after deducting any accumulated amortisation if impairment losses were not recognised.

v) Derecognition and sales

An item of property, plant or equipment is derecognised from the Bank's balance sheet at the time of its sale or when the asset is definitively disposed of and no other economic benefits are expected. Gains or losses arising from derecognition or disposal of tangible fixed assets are determined as the difference between the sale proceeds and the carrying amount of the asset and are recognised as income or expense in the statement of comprehensive income. Tangible fixed assets withdrawn from active use and held for sale are reported at their carrying amount at the date when the asset is retired from active use.

g) Inventories

Inventories are assets held by the Bank that will be used in the core business, in the process of providing services. Inventories are reported in the Bank's balance sheet at a historical price that includes the sum of all purchase costs and costs associated with their delivery to their current location and condition. Purchase costs include a purchase price at invoice, import duties, non-refundable taxes and excise duties. Delivery costs include shipping and handling costs. Write-off of inventories is carried out using the weighted average method.

In the event of a fall in market prices, in the case of physical damage to inventories, when the products are aged, the value of inventories is adjusted, *i.e.* they are valued at the lower net realisable value.

At the end of the reporting period, the net realisable value of inventories is valued, and if it is lower than the supply, the difference is related to current expenses. For each subsequent reporting period, a new estimate of net realisable value is made. If during the relevant reporting period, there are conditions for an increase in the value of the inventory, its recovery is up to the amount that it had before the decrease. This reversal of the book value is accounted for as an increase in inventories and as other current income.

h) Foreign exchange

Gains and losses arising in foreign currencies are translated to BGN at the official rates of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the official exchange rate of the Bank on that day. Foreign currency gains and losses resulting from the revaluation of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Outstanding forward contracts in foreign currency are marked to market. Gains and losses on revaluation of outstanding forward contracts are recognised in profit or loss.

The exchange rates of the major foreign currencies as of 30 June 2025 and 31 December 2024 are as follows:

Currency	30 June 2025	31 December 2024
US dollar	1: BGN 1.66880	1: BGN 1.88260
Euro	1: BGN 1.95583	1: BGN 1.95583
Special Drawing Rights	1: BGN 2.29293	1: BGN 2.45516
Gold	1 troy ounce: BGN 5489.66	1 troy ounce: BGN 4905.69

i) Taxation

The Bank is not subject to income tax from its core activities. Income tax from subsidiaries for the period comprises current tax and deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the period, using the effective tax rate or the current one at the reporting date. Deferred tax is derived using the balance sheet liability method on all temporary differences between the amounts used for taxation purposes and the carrying amounts of assets and liabilities.

The deferred tax is calculated using tax rates which are expected to be applied for the period of asset realisation or liability settlement. The effect of changes in the tax rates on the deferred tax is recorded in the statement of comprehensive income up to the amount already charged or reported directly as other comprehensive income.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses or tax credit can be utilised. The deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

j) Provisions

Provisions related to ongoing legal cases or other obligations are reported when the Bank has assumed a legal or constructive obligation as a result of some past events, the repayment of which is likely to be associated with lost economic benefits, and where a reliable assessment can be made of the amount of the obligation. Provisions are charged only when the Bank is able to reliably determine the size of future outgoing cash flows. Expenses on provisions are presented in the income statement, net of the amount of expenses reimbursed. When the effect of time differences in the value of money is material, provisions are discounted, and the increase in the provision resulting from the passage of time is presented as a financial expense.

k) Profit distribution policy of the Bank

The Bank's policy of distribution of profit from banking operations is defined in the Law on the BNB. Internal rules for preparation of financial statements and accounting policies were adopted upon a resolution of the Governing Council, effective from 1 January 2007, which are in compliance with Article 36, paragraphs 1 and 2 of the Law on the BNB. According to these rules, the Bank allocates to special reserves unrealised net gains and losses arising from revaluation of assets and liabilities denominated in foreign currency or gold. According to the requirements of Article 8, paragraph 2 of the Law on the BNB, the Bank sets aside 25 per cent of the excess of its annual revenue over its annual expenditure into a Reserve Fund. According to Article 8, paragraph 3 of the Law on the BNB, after the allocation to the Reserve Fund, the Bank may allocate reserves to cover market risk losses and other reserves upon a decision of the Governing Council. Subsequent to the allocation of reserves as required by the Law on the BNB, the Bank stipulates the remainder to be paid into the State Budget. The distribution of excess of revenue over expenditure is set out in note 23.

l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, current accounts and time deposits with maturities of less than three months (set out in notes 11 and 17).

m) Employee benefits

The Bank has the obligation to pay certain amounts to each employee who retires in accordance with the requirements of Article 222, § 3 of the Labour Code in Bulgaria. According to these Labour Code requirements, on termination of the employment contract of an employee who has become entitled to retirement, the employer is obliged to pay him/her compensation amounting to twice his/her gross monthly salary. If, at the date of retirement, the employee has been employed by the Bank for ten or more years, the amount of the compensation is six gross monthly salaries. As at the date of the statement of financial position, the Bank's management estimates the approximate amount of the potential expenditure for all employees based on an actuarial report using the projected unit credit method. The estimated amount of the obligation and the main assumptions, on the base of which the estimation of the obligation has been made, are disclosed in note 10.

Termination benefits

Termination benefits are recognised as an expense when the Bank is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer of voluntary redundancy and it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under a short-term cash bonus or profit-sharing plans if the Bank has a present constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably. The Bank recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

n) Leases

The Bank applies the practical relief as provided for by the standard and has elected to account for short-term leases of plant and equipment (leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment, which is considered to be of low value. Lease payments for short-term leases and leases of low-value assets are recognised as expenses on a linear basis over the term of the lease.

For each new contract, the Bank is required to assess whether the contract is a lease or contains lease components. In the event of a change in the terms and conditions of a lease, the Bank shall make a new assessment to establish whether the contract is a lease or contains lease components.

o) Amendments to Accounting Policies and Disclosures

Standards/amendments that have entered into force and have been adopted by the EU

The accounting policies adopted by the Bank are consistent with those applied in the previous reporting period, except for the following IFRSs and amendments to IFRSs.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2024 and are applied retrospectively. The amendments to IAS 1 aim to clarify the criteria for classifying liabilities as current or non-current. These amendments clarify: the meaning of right to defer settlement of a liability; the requirement that such a right exists at the end of the reporting period; that management's intentions do not affect classification of liabilities as current or non-current; that choices by a counterparty, that result in settlement by a transfer of the entity's own equity instruments, do not affect the classification of liabilities as current or non-current. The amendments also state that only the conditions that an entity must comply with at or before the reporting date will affect the classification of liabilities. Additional disclosures are also required for non-current liabilities arising from loan commitments subject to conditions to be met within 12 months after the reporting period.

The amendments have not materially affected the accounting policies.

Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback transaction

The amendments are effective for annual periods beginning on or after 1 January 2024. The amendments are intended to improve the requirements that the seller-lessee uses in measuring the lease liability arising in a sale-and-leaseback transaction under IFRS 16 by not changing the accounting for leases unrelated to this transaction. According to the amendments, the seller-lessee determines the 'lease payments' or 'adjusted lease payments' in such a way that it does not recognise any gain or loss related to the right of use that it retains. The application of these requirements does not prevent the seller-lessee from recognising in profit or loss any gain or loss related to the partial or total termination of the lease.

The amendments are applied retrospectively to sale and leaseback transactions entered into after the date of the initial application that is the beginning of the annual reporting period in which the entity applied IFRS 16 for the first time.

As of 30 June 2025, the amendments are not applicable to the Bank.

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments – Disclosures: Supplier Finance Arrangements (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2024 and complement the requirements already included in IFRS accounting standards adopted by the EU and require entities to disclose terms and conditions of supplier finance arrangements. Furthermore, the entities are required to disclose at the beginning and at the end of the reporting period the carrying amounts of financial liabilities under the supplier finance arrangements and the line items in which those liabilities are presented, as well as the carrying amounts of financial liabilities and the line items for which finance providers have already settled the corresponding trade payable. Furthermore, entities should disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. The amendments also require entities to disclose at the beginning and at the end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments adopted by the EU on 15 May 2024 and published in the Official Journal of the EU on 16 May 2024 have not materially affected the Bank's accounting policies.

Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendments narrow the scope of initial recognition exemption and provide further clarity on the initial recognition exemptions in line with IAS 12. The amendments specify how entities should account for deferred tax relating to assets and liabilities arising from a single transaction, such as leases or decommissioning obligations. The amendments clarify that, where the payments governing a liability are recognised for tax purposes, it is a matter of assessment, in the light of the applicable tax law, whether those deductions may relate to the liability recognised for tax purposes or to the related asset. As amended, initial recognition exemptions no longer apply to transactions that give rise to equal taxable and deductible temporary differences. It is only applicable if recognition of a lease asset and lease liability (or decommissioning obligation and component of an asset subject to decommissioning) gives rise to taxable and deductible temporary differences that are not equal.

The amendments, effective for annual periods beginning on or after 1 January 2023, were adopted by the EU on 11 August 2022 and published in the Official Journal of the EU on 12 August 2022. The amendments do not affect the Bank's financial statements.

Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

The amendments apply immediately upon their publication, but certain disclosure requirements apply at a later stage. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released the Pillar Two Model Rules to ensure that large multinational enterprises would be subject to a 15 per cent minimum tax rate. On 23 May 2023, the IASB issued International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12. The Amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules and disclosure requirements for affected entities on potential exposure to Pillar Two income taxes.

For the periods in which the legislation in the Pillar Two has been endorsed (in a nutshell), but has not yet taken effect, the amendments require the disclosure of some or reasonably measurable information that helps users of the financial statements to understand an entity's exposure arising from income taxes under the Pillar Two. In order to comply with these requirements, the entity is required to disclose qualitative and quantitative information on its exposure to Pillar Two income taxes at the end of the reporting period. Disclosure of a current tax expense related to Pillar Two income taxes and disclosures relating to periods prior to the entry into force of the legislation are mandatory for annual reporting periods beginning on or after 1 January 2023 but are not required for interim periods ending on or before 31 December 2023.

The amendments do not affect the Bank's financial statements.

Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)

The amendments apply to annual periods beginning on or after 1 January 2025, with earlier application permitted. The amendments clarify how the entity has to assess whether a currency is exchangeable and how to determine the spot exchange rate when exchangeability is lacking. A currency is deemed exchangeable into another currency when an entity is able to obtain the other currency within a time frame allowing for a normal administrative delay and through a market or exchange mechanism in which the exchange transaction would create enforceable rights and obligations. If a currency could not be exchangeable into another currency, an entity should estimate the spot exchange rate at the measurement date. The objective of an entity in estimating the spot exchange rate is to reflect the rate that would have applied to an orderly exchange transaction at the measurement date between market participants in the prevailing economic conditions. The amendments note that an entity may use an observable exchange rate without adjustment or any other estimation technique. The amendments were adopted by the EU on 12 November 2024 and published in the Official Journal of the EU on 13 November 2024. The management has assessed that these amendments would not materially affect Bank's financial statements.

Standards/amendments not yet effective and adopted by the European Union

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure – Classification and Measurement of Financial Instruments (Amendments)

The amendments apply to annual periods beginning on or after 1 January 2026. Earlier application of the amendments regarding classification of financial assets and related disclosures is permitted, while allowing for application of the other amendments at a later date. The amendments clarify that a financial liability is derecognised on the 'settlement date', when the liability is extinguished, cancelled, expired or otherwise qualifies for derecognition. They introduce a choice of accounting policy for derecognising financial liabilities settled through electronic payment systems before the settlement date, if certain conditions are met. In addition, the amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance (ESG)-linked features and other similar contingent features. The amendments also clarify the treatment of assets with non-recourse features and contractually linked instruments and introduce additional disclosures under IFRS 7 concerning financial assets and liabilities of a contingent nature (including those with ESG-linked features) and equity instruments classified at fair value through other comprehensive income. The amendments were adopted by the EU on 27 May 2025 and published in the Official Journal of the EU on 28 May 2025. The Bank will assess effects of the amendments on its accounting policies.

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Nature-dependent Electricity Contracts (Amendments)

The amendments apply to annual periods beginning on or after 1 January 2026, with earlier application permitted. The amendments include clarifying the application of the 'own-use' requirements permitting hedge accounting if the contracts covered by the amendments are used as hedging tools and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The clarifications on the 'own-use' requirements have to be applied retrospectively, and guidance permitting hedge accounting has to be applied prospectively to new hedge relationships defined on or after the date of initial application. The amendments were adopted by the EU on 30 June 2025 and published in the Official Journal of the EU on 1 July 2025. The Bank will assess effects of the amendments on its accounting policies.

Standards/amendments not yet effective and not adopted by the European Union

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 introduces new requirements for presentation in the statement of profit or loss. It requires an entity to classify all income and expenses in the statement of profit or loss in one of the following five categories: the operating category; the investing category; the financing category; the income taxes category; the discontinued operations category. These categories are supplemented by requirements for providing totals and subtotals of 'operating profit or loss', 'profit or loss before financing and income taxes', and 'profit or loss'. The standard also requires disclosure of management-defined performance indicators and includes new require-

ments for aggregation and disaggregation of financial information on the basis of identified 'roles' of primary financial statements and explanatory notes. In addition, there are subsequent amendments to other accounting standards. IFRS 18 will become effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. Retrospective application is required both in annual and interim financial statements. The standard has not been yet endorsed by the EU. In the next reporting periods, the Bank will analyse the requirements of the newly published standard and assess the effect on its financial position or performance.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 permits subsidiaries without public accountability to apply reduced disclosure requirements if their parent (final or interim) prepares consolidated financial statements available for public use in accordance with IFRS accounting standards. At the same time, these subsidiaries continue to apply the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that choose to apply IFRS 19 are not required to apply the disclosure requirements in other IFRS accounting standards. IFRS 19 will become effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The standard has not been yet endorsed by the EU. The Bank will analyse the changes to the related disclosures.

Annual Improvements to IFRS Accounting Standards – Volume 11

IASB's annual improvement process considers clarifications and amendments to IFRSs that are not urgent but necessary. In July 2024, the IASB published the Annual Improvements to IFRSs – Volume 11. The entity has to apply these amendments for annual reporting periods beginning on or after 1 January 2026. The Annual Improvements to IFRS Accounting Standards – Volume 11 include amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7. These amendments aim to clarify the wording and correct minor unintended consequences, oversights or conflicts between requirements in the standards. These improvements have not yet been endorsed by the EU. The Bank will analyse the effects of the annual improvements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of these amendments indefinitely, pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Bank will analyse and assess the impact of the amendments on its financial position or performance.

6. Financial Risk Management Policy Disclosure

a) Introduction and overview

Introduction to the financial risk management policy

The Bank is exposed to the following types of risk in relation to the financial instruments operations:

- credit risk;
- liquidity risk;
- market risk;
- operational risk.

This note provides information on the Bank's goals, exposures to each of the above types of risk and the policies and processes for risk measurement and management.

General provisions of risk management

In the process of management of the gross international reserves, the Bank aims to achieve high security and liquidity of the assets, first, and then to maximise returns in the situation of the current global financial markets. Its investment strategy depends mainly on the specific functions of the Bank operating under a currency board arrangement and in full compliance with the requirements of the Law on the BNB.

The major portion of BNB's international reserves is invested in assets of comparatively low credit risk, such as discount and coupon securities issued by highly rated issuers (governments, government agencies or supranational financial institutions), and short-term foreign currency or gold deposits placed with first-rate foreign banks. The remaining portion is held in SDRs on BNB accounts with the IMF and in monetary gold kept in the Bank's vaults.

A specialised international reserves risk management unit is responsible for preparing and submitting for approval a draft of strategic asset structuring, setting up benchmark for the international reserves and investment management limits. On a quarterly basis, an overall review is made of the changes in the market conditions, the amount and structure of international reserves, and if required, the investment limits and model portfolios (benchmarks) are updated. The monitoring of underlying limits, rules, and procedures is undertaken on a daily basis. Reports are regularly prepared for both the needs of international reserves operating management and providing updated information to the Bank's management.

All approved financial instruments and asset classes, in which the BNB may invest, are specified in internal documents. The documents define the main portfolios and the respective model portfolios (benchmarks), all limits for credit, interest rate, currency and operational risk, and give a list of the foreign financial institutions which are counterparties of the Bank.

The international reserves management is governed by a business procedure and rules of behaviour regulating the performance of the functions and tasks of the main structural units involved in the process.

b) Credit risk

The BNB is exposed to credit risk through its trading operations and investment activities and in cases where it acts as an intermediary on behalf of the government or other public institutions. The Bank assumes credit risk also in operations of purchases and sales of foreign currency with banks. In general, this credit risk is associated with the probability of insolvency of a BNB's counterparty or the insolvency of an issuer, in whose debt instruments the Bank has invested its own funds. The credit risk in managing BNB's gross international reserves is assessed in line with the requirements in Article 28, paragraph 3 of the Law on the BNB. According to these requirements, the BNB may invest international reserves in debt instruments issued by foreign governments, central banks, other foreign financial institutions or international financial organisations whose debts are rated with one of the top two grades by two internationally recognised credit rating agencies and are payable in freely convertible currency in line with an internally developed methodology as per the requirements of Article 28 of the LBNB.

According to these requirements, the approved types of financial instruments for investment of funds in managing the international reserves are as follows:

- investment programmes with central banks;
- automatic borrowings/lending of securities with the main depository;
- tri-party repo agreements with specially designated counterparties of the BNB carried out through the Bank's main depository as a third party;
- deposits in foreign currency (time deposits and funds on current accounts) with BNB counterparties, including central banks or supranational financial institutions;
- deposits in gold (time deposits and funds on current accounts) with BNB counterparties, including central banks or supranational financial institutions;
- commercial securities (of up to one-year term to maturity), issued by governments or government guaranteed institutions, supranational financial institutions, specialised financial agencies, banks, and other financial institutions;

- bonds issued by governments or government guaranteed institutions, supranational financial institutions, specialised financial agencies, banks and other financial institutions – issuers of covered bonds. All bonds must be with a one-off payment of their face value on the maturity date and without any embedded option;
- purchases and sales of foreign currency with a value date of up to two business days;
- purchases and sales of banknotes in foreign currency (euro) and their subsequent storage with investment goals and for the purposes of performance of the currency board functions.

Two basic types of limits are set which are calculated on the basis of the market value of foreign currency reserves: i) a maximum or minimum limit on the weight of each asset class in the Issue Department balance sheet, and ii) an individual maximum acceptable exposure of the BNB to a country, including an individual exposure to an issuer/counterparty (concentration limit).

In 2024 and in first half of 2025, the BNB continued to pursue a conservative policy in terms of credit risk management in the investment of gross international reserves, ensuring a high degree of safety and liquidity of reserves. At the same time, some risks related to early elections in France and South Korea decreased, as preventive restrictions introduced for these reasons were lifted in 2024.

To achieve its main objective of very high international reserve liquidity and security, the BNB continues investing the main share of assets into euro area core country government bonds and government guaranteed debt, and into short-term deposits with first class foreign central or commercial banks.

By the end of June 2025, the exposure to credit risk remained limited and approximately 67 per cent of international reserves were invested into assets with the highest AAA long-term credit rating.

c) Liquidity risk

Liquidity risk arises in the funding of the Bank's core activities and in the management of its positions. It is primarily manifested in two aspects: the first aspect is risk for the Bank of being unable to meet its obligations when due and the second aspect comprises the risk of its being unable to sell an asset on international markets at a fair value within an appropriate time frame in compliance with the respective market conventions.

The BNB is striving to maintain a balance between the maturity of attracted funds and that of assets by means of investments in financial instruments of a different maturity structure. The instruments for attracting funds, which are provided to customers on the liability side, are mainly deposit/investment accounts and settlement accounts.

The Bank maintains a minimum level of liquidity by type of currency on a daily basis to ensure all BNB payments in foreign currency. To better manage the risk arising from liquidation of positions in financial instruments, the latter are grouped by liquidity rank subject to the level of difficulty (*i.e.* discount from the fair value), at which they could be sold on the market. Liquidity limits on BNB's exposures are set for the different types of financial instruments based on the liquidity ranks.

As part of the overall liquidity risk management strategy, the Bank maintains a liquidity portfolio denominated in euro and assets denominated in other currencies for the purposes of meeting its cash inflows and outflows.

The Bank's financial assets and liabilities, analysed by residual term to maturity from the date of the statement of financial position to the date of any subsequent agreement or contractual maturity, are as follows:

(BGN'000)

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over five years	Undefined maturity	Total
As of 30 June 2025							
Financial assets							
Cash and deposits in foreign currency <i>incl. provisions for expected credit losses under IFRS 9</i>	31,994,773	3,272,065	-	-	-	(5 553)	35,261,285
	-	-	-	-	-	(5 553)	-
Gold, instruments in gold, and other precious metals <i>incl. provisions for expected credit losses under IFRS 9</i>	7,295,713	-	-	-	-	-	7,295,713
	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss	1,855,724	2,724,863	10,435,040	16,392,707	5,599,154	-	37,007,488
Financial assets at fair value in other comprehensive income	224,997	-	-	-	-	1,890,687	2,115,684
Other assets	19,884	-	-	-	-	9,000	28,884
Total financial assets	41,391,091	5,996,928	10,435,040	16,392,707	5,599,154	1,894,134	81,709,054
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	29,323,062	29,323,062
Liabilities to banks and other financial institutions	23,675,299	-	-	-	-	-	23,675,299
Liabilities to government institutions and other borrowings	12,222,030	-	-	-	-	-	12,222,030
Borrowings against Bulgaria's participation in international financial institutions	-	-	-	-	-	5,217,545	5,217,545
Total financial liabilities	35,897,329	-	-	-	-	34,540,607	70,437,936
Asset–liability maturity mismatch	5,493,762	5,996,928	10,435,040	16,392,707	5,599,154	(32,646,473)	11,271,118
As of 31 December 2024							
Financial assets							
Cash and deposits in foreign currency <i>incl. provisions for expected credit losses under IFRS 9</i>	41,847,060	-	-	-	-	(4 415)	41,842,645
	-	-	-	-	-	(4 415)	(4 415)
Gold, instruments in gold, and other precious metals <i>incl. provisions for expected credit losses under IFRS 9</i>	6,519,273	-	-	-	-	-	6,519,273
	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss	3,549,871	6,017,154	8,956,425	15,183,884	16,168	-	33,723,502
Financial assets at fair value in other comprehensive income	240,916	-	-	-	-	2,019,257	2,260,173
Other assets	32,424	-	-	-	-	-	32,424
Total financial assets	52,189,544	6,017,154	8,956,425	15,183,884	16,168	2,014,842	84,378,017
As of 31 December 2024							
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	31,078,055	31,078,055
Liabilities to banks and other financial institutions	27,845,384	-	-	-	-	-	27,845,384
Liabilities to government institutions and other borrowings	9,733,914	-	-	-	-	-	9,733,914
Borrowings against Bulgaria's participation in international financial institutions	-	-	-	-	-	5,588,608	5,588,608
Total financial liabilities	37,579,298	-	-	-	-	36,666,663	74,245,961
Asset–liability maturity mismatch	14,610,246	6,017,154	8,956,425	15,183,884	16,168	(34,651,821)	10,132,056

The outstanding contractual maturities of the Bank's financial liabilities are, as follows:
(BGN'000)

	Book value	Gross nominal outgoing cash flow	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over five years
As of 30 June 2025							
Banknotes and coins in circulation	29,323,062	29,323,062	-	-	-	-	29,323,062
Liabilities to banks and other financial institutions	23,675,299	23,675,299	23,675,299	-	-	-	-
Liabilities to government institutions and other borrowings	12,222,030	12,222,030	12,222,030	-	-	-	-
Borrowings against Bulgaria's participation in international financial institutions	5,217,545	5,217,545	-	-	-	-	5,217,545
	70,437,936	70,437,936	35,897,329	-	-	-	34,540,607
As of 31 December 2024							
Banknotes and coins in circulation	31,078,055	31,078,055	-	-	-	-	31,078,055
Liabilities to Banks and Other Financial Institutions	27,845,384	27,845,384	27,845,384	-	-	-	-
Liabilities to government institutions and other borrowings	9,733,914	9,733,914	9,733,914	-	-	-	-
Borrowings against Bulgaria's participation in international financial institutions	5,588,608	5,588,608	-	-	-	-	5,588,608
	74,245,961	74,245,961	37,579,298	-	-	-	36,666,663

d) Market risk

Market risk

All financial instruments are subject to market risk, *i.e.* the risk of impairment as a result of changes in the market conditions. The instruments are evaluated on a daily basis at fair market value which best reflects current financial market conditions for the respective type of financial instruments. The Bank manages its portfolios in response to changing market conditions and to changes in the liability structure of Issue Department balance sheet. Market risk exposure is managed in accordance with the risk limits specified in the document *Investment Limits and Benchmarks for the Management of the Gross International Reserves*.

The table below presents one important measure of market risk, *i.e.* Value at Risk (VaR). VaR is an indicator of the maximum loss over a certain period of time (holding period) and with a certain probability (called a confidence level or confidence interval). The VaR used in this Report is based on a 95 per cent confidence level and a one-day holding period.

To calculate the total risk, currency risk and interest rate risk, the empiric distributions, derived from time series of 30 daily observations of total income, currency income and interest income of assets, respectively, have been used. The correlation between the currency and interest rate risk is also presented. For each of the parameters, the value as of the last date for the period, the average value for the whole period and the minimum and maximum values have been calculated.

(BGN'000)

	As of 30 June 2025	Average	Maximum	Minimum
Currency risk	(118,058)	(115,264)	(152,205)	(79,031)
Interest rate risk	(26,750)	(29,723)	(45,633)	(9 902)
Correlation (per cent)	0.00	0.19	0.44	(0.27)
Overall risk	(117,879)	(121,453)	(160,246)	(80,187)
	As of 31 December 2024	Average	Maximum	Minimum
Currency risk	(111,833)	(65,699)	(130,275)	(17,676)
Interest rate risk	(8 467)	(4 701)	(23,669)	2 819
Correlation (per cent)	0.58	0.18	0.69	(0.32)
Overall risk	(118,889)	(60,880)	(130,322)	(3 143)

Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations, which impact the prices of interest-earning assets (including investments) and interest-bearing liabilities. Modi-

fied duration is used as a key measurement for absolute interest rate risk. Modified duration measures the effect of the change in the market value of an asset (liability) in percentage points in response to a 1 basis point (1/100th of 1 per cent) change in the interest rate levels. In addition, portfolios' technical parameters such as protuberance (convexity), duration in a fixed point of the yield curve, *etc.* are monitored on a daily basis. For each portfolio held by the BNB, the interest rate risk is limited by a model portfolio (benchmark) and by the investment limits for a maximum deviation of the modified duration of the portfolio from that of the respective benchmark. The relative interest risk limit of investment portfolios has been set on the basis of the risk measure, *i.e.* relative yield volatility measure.

Assets and liabilities with floating interest rates involve the risk of changes in the base which serves to determine the interest rates.

(BGN'000)

	Total	Floating rate instruments	Fixed rate instruments		
			Up to 1 month	From 1 to 3 months	Over 3 months
As of 30 June 2025					
Interest-earning assets					
Cash and deposits in foreign currency	34,013,517	16,935,068	13,879,692	3,198,757	-
Gold, instruments in gold, and other precious metals	-	-	-	-	-
Financial assets at fair value through profit and loss	36,495,557	458,433	1,831,937	2,677,455	31,527,732
Financial assets at fair value in other comprehensive income	224,997	-	224,997	-	-
Other interest-earning assets	28,884	19,884	-	-	9 000
Total	70,762,955	17,413,385	15,936,626	5,876,212	31,536,732
Interest-bearing liabilities					
Liabilities to banks and other financial institutions	23,675,299	-	23,675,299	-	-
Liabilities to government institutions and other borrowings	12,215,376	12,215,376	-	-	-
Borrowings against Bulgaria's participation in international financial institutions	3,370,467	3,370,467	-	-	-
Total	39,261,142	15,585,843	23,675,299	-	-
Interest-bearing asset/liability gap	31,501,813	1,827,542	(7 738 673)	5,876,212	31,536,732
As of 31 December 2024					
Interest-earning assets					
Cash and deposits in foreign currency	41,285,869	24,041,546	17,244,323	-	-
Gold, instruments in gold, and other precious metals	-	-	-	-	-
Financial assets at fair value through profit or loss	33,254,159	454,967	3,502,366	5,950,249	23,346,577
Financial assets at fair value in other comprehensive income	240,916	-	240,916	-	-
Other interest-earning assets	32,424	23,424	9 000	-	-
Total	74,813,368	24,519,937	20,996,605	5,950,249	23,346,577
Interest-bearing liabilities					
Liabilities to banks and other financial institutions	27,845,384	-	27,845,384	-	-
Liabilities to government institutions and other borrowings	9,733,516	9,733,516	-	-	-
Borrowings against Bulgaria's participation in international financial institutions	3,608,935	3,608,935	-	-	-
Total	41,187,835	13,342,451	27,845,384	-	-
Interest-bearing asset/liability gap	33,625,533	11,177,486	(6,848,779)	5,950,249	23,346,577

For managing interest rate risk and the band of interest rate changes, the sensitivity of financial assets and liabilities to various standard and non-standard interest rate movement scenarios are monitored.

The standard scenarios include the following changes in yield curves: (i) a 100 basis points instant parallel increase; (ii) a 100 basis points instant parallel decrease; (iii) a 50 basis points parallel increase in the yield curves for a period of 12 months; and (iv) a 50 basis points parallel decrease in the yield curves also for a period of 12 months. The second two scenarios assume that the change in yields takes place at the beginning of the period, and over the one-year period the yield curve remains unchanged.

The analysis of the sensitivity of the Bank's assets (to first approximation) to changes in interest rates, assuming a constant spread of assets and liabilities and parallel shifts in the yield curves of the relevant assets, is as follows:

(BGN'000)

	100 basis points intra-day instant parallel increase	100 basis points intra-day instant parallel decrease	50 basis points parallel increase in the beginning of the period	50 basis points parallel decrease in the beginning of the period
As of 30 June 2025	(847,471)	847,471	2,796,834	2,423,325
As of 31 December 2024	(318,904)	318,904	1,899,294	1,595,055

Currency risk

For the Bank, a currency risk exists where there is a mismatch between the currency structure of assets and that of liabilities. The Bank is exposed to currency risk when entering into transactions in financial instruments denominated in foreign currencies other than the euro. With the introduction of the currency board arrangement in Bulgaria and the fixing of the Bulgarian currency to the euro, the Bank's financial statements, prepared in Bulgarian lev, are affected by movements in the exchange rate of the lev against the currencies other than the euro.

To minimise currency risk, there is a limit to the mismatches between the currency structure of assets and that of liabilities. According to Article 31, paragraph 3 of the Law on the BNB, the total market value of assets in a foreign currency other than the euro, SDR and monetary gold, may not deviate by more than +/-2 per cent from the market value of the liabilities denominated in these currencies.

(BGN'000)

	30 June 2025	31 December 2024
Assets		
Bulgarian lev and euro	69,002,804	70,454,262
US dollar	291,034	1,871,998
Japanese yen	9	11
Pound sterling	29	26
SDR	5,506,379	5,893,135
Gold	7,213,814	6,446,435
Other	-	-
	82,014,069	84,665,867
Liabilities, capital and reserves		
Bulgarian lev and euro	76,341,874	77,024,767
US dollar	287,543	1,875,968
Japanese yen	1	1
Pound sterling	-	-
SDR	5,384,599	5,765,079
Other	52	52
	82,014,069	84,665,867
Net position		
Bulgarian lev and euro	(7,339,070)	(6,570,505)
US dollar	3 491	(3 970)
Japanese yen	8	10
Pound sterling	29	26
SDR	121,780	128,056
Gold	7,213,814	6,446,435
Other	(52)	(52)

e) **Using accounting judgements and assumptions**

The Governing Council of the BNB discusses the development, selection and disclosure of information about the accounting policies and assumptions used, as well as their application.

These disclosures supplement the notes to the financial risk management.

Management's major priorities in the next few years will still be to maintain monetary and financial system stability in the country, keep the Bank's stable liquidity position and improve continuously Bank's valuation methods and techniques, international reserves management and control in international financial markets.

1) Determination of fair values

In note 5(c), item 4, the Bank has disclosed the accounting policy applied and principles used by it for fair value measurement and disclosure.

The determination of fair values of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques described in the accounting policy. For financial instruments that trade infrequently and whose price is not transparent, the fair value is less objective and requires an expert's judgement depending on liquidity, concentration, market factors uncertainty, pricing assumptions, and other risks affecting the particular instrument.

2) Valuation of financial instruments

The Bank measures the fair value of financial instruments using the following hierarchy of methods:

- **Level 1:** a quoted market price or closing price for positions for which there is a reliable market;
- **Level 2:** valuation techniques based on observable market information about the yield curve. This category of methods is used to measure debt securities for which there is no reliable market;
- **Level 3:** valuation techniques, where inputs on financial assets and liabilities are not based on observable market data.

The fair values of financial assets and liabilities traded in international financial markets for which there is available market information are based on market quotations or closing market prices. The use of observable market prices and information reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. The availability of actual market prices and information varies depending on products and markets and changes because of specific events and the general conditions of financial markets. The Bank determines the fair values of all other financial instruments for which there are no current market quotes by using a valuation technique based on a net present value. The net present value is computed by means of market yield curves and credit spreads, where necessary, for the relevant instrument. The purpose of the valuation techniques is to determine a fair value which reflects the price of the financial instrument on the reporting date.

The Bank has established a control framework with respect to the measurement of fair values. The fair values of financial instruments are set by a specialised risk analysis and control unit. Specific controls include: checking the actual price information; regular reviews of current valuation models, and, if necessary, a development, approval and introduction of new valuation models; follow-up verification by means of analysis and comparison of data from various information sources, *etc.*

The table below analyses financial instruments reported at fair value using valuation models. The data do not include equity instruments reported at acquisition cost (note 14).

(BGN'000)

	Level 1 Quoted market prices on active markets	Level 2 Valuation techniques (using market data)	Total
30 June 2025			
Cash and deposits in foreign currency <i>incl. provisions for expected credit losses under IFRS 9</i>	35,261,285 (5 553)	-	35,261,285 (5 553)
Gold, instruments in gold, and other precious metals <i>incl. provisions for expected credit losses under IFRS 9</i>	7,295,713 -	-	7,295,713 -
Financial assets at fair value through profit or loss	33,975,243	3,032,245	37,007,488
Total	76,532,241	3,032,245	79,564,486
31 December 2024			
Cash and deposits in foreign currency <i>incl. provisions for expected credit losses under IFRS 9</i>	41,842,645 (4 415)	-	41,842,645 (4 415)
Gold, instruments in gold, and other precious metals <i>incl. provisions for expected credit losses under IFRS 9</i>	6,519,273 -	-	6,519,273 -
Financial assets at fair value through profit or loss	25,644,384	8,079,118	33,723,502
Total	74,006,302	8,079,118	82,085,420

In the first half of 2025, as in 2024, there was no movement to or from classified financial instruments in Level 2.

Financial instruments not measured at fair value, but by applying a level of the fair value hierarchy where a fair value measurement is categorised, are analysed as follows:

(BGN'000)

	Level 1 Quoted market prices on active markets	Level 2 Observable inputs other than quoted prices	Total
30 June 2025			
Liabilities to banks and other financial institutions	-	23,675,299	23,675,299
Liabilities to government institutions and other borrowings	-	12,222,030	12,222,030
Borrowings against Bulgaria's participation in international financial institutions	-	5,217,545	5,217,545
Total	-	41,114,874	41,114,874
31 December 2024			
Liabilities to banks and other financial institutions	-	27,845,384	27,845,384
Liabilities to government institutions and other borrowings	-	9,733,914	9,733,914
Borrowings against Bulgaria's participation in international financial institutions	-	5,588,608	5,588,608
Total	-	43,167,906	43,167,906

The management considers that the carrying amount of the financial instruments disclosed in the table above is reasonably close to their fair value as of the reporting date due to their short-term nature.

f) Maturity structure of assets and liabilities

The Bank's assets and liabilities, analysed by residual term to maturity from the date of the statement of financial position to the date of any subsequent agreement or contractual maturity, are as follows:

(BGN'000)

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over five years	Undefined maturity	Total
As of 30 June 2025							
Financial assets							
Cash and deposits in foreign currency <i>incl. provisions for expected credit losses under IFRS 9</i>	31,994,773	3,272,065	-	-	-	(5 553)	35,261,285
Gold, instruments in gold, and other precious metals <i>incl. provisions for expected credit losses under IFRS 9</i>	7,295,713	-	-	-	-	-	7,295,713
Financial assets at fair value through profit or loss	1,855,724	2,724,863	10,435,040	16,392,707	5,599,154	-	37,007,488
Financial assets at fair value in other comprehensive income	224,997	-	-	-	-	1,890,687	2,115,684
Tangible assets	-	-	-	-	-	182,182	182,182
Intangible assets	-	-	-	-	-	12,127	12,127
Other assets	19,884	-	-	-	-	119,706	139,590
Total financial assets	41,391,091	5,996,928	10,435,040	16,392,707	5,599,154	2,199,149	82,014,069
As of 30 June 2025							
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	29,323,062	29,323,062
Liabilities to banks and other financial institutions	23,675,299	-	-	-	-	-	23,675,299
Liabilities to government institutions and other borrowings	12,222,030	-	-	-	-	-	12,222,030
Borrowings against Bulgaria's participation in international financial institutions	-	-	-	-	-	5,217,545	5,217,545
Other liabilities	-	-	-	-	-	974,413	974,413
Total financial liabilities	35,897,329	-	-	-	-	35,515,020	71,412,349
Asset–liability maturity mismatch	5,493,762	5,996,928	10,435,040	16,392,707	5,599,154	(33,315,871)	10,601,720
As of 31 December 2024							
Financial assets							
Cash and deposits in foreign currency <i>incl. provisions for expected credit losses under IFRS 9</i>	41,847,060	-	-	-	-	(4 415)	41,842,645
Gold, instruments in gold, and other precious metals <i>incl. provisions for expected credit losses under IFRS 9</i>	6,519,273	-	-	-	-	-	6,519,273
Financial assets at fair value through profit and loss	3,549,871	6,017,154	8,956,425	15,183,884	16,168	-	33,723,502
Financial assets at fair value in other comprehensive income	240,916	-	-	-	-	2,019,257	2,260,173
Tangible assets	-	-	-	-	-	188,595	188,595
Intangible assets	-	-	-	-	-	12,553	12,553
Other assets	32,424	-	-	-	-	86,702	119,126
Total financial assets	52,189,544	6,017,154	8,956,425	15,183,884	16,168	2,302,692	84,665,867
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	31,078,055	31,078,055
Liabilities to banks and other financial institutions	27,845,384	-	-	-	-	-	27,845,384
Liabilities to government institutions and other borrowings	9,733,914	-	-	-	-	-	9,733,914
Borrowings against Bulgaria's participation in international financial institutions	-	-	-	-	-	5,588,608	5,588,608
Other liabilities	-	-	-	-	-	789,889	789,889
Total financial liabilities	37,579,298	-	-	-	-	37,456,552	75,035,850
Asset–liability maturity mismatch	14,610,246	6,017,154	8,956,425	15,183,884	16,168	(35 153 860)	9,630,017

7. Interest Income and Expense

(BGN'000)

	30 June 2025	30 June 2024
Interest income		
– securities	534,307	694,225
– deposits	368,826	466,184
– other	2	135
	903,135	1,160,544
Interest expense		
– deposits	172,533	264,878
– other	-	-
	172,533	264,878

In the first half of 2025, the deposit facility rate remained positive, continuing the decline in this rate that started in the second half of 2024. Following a decision of the Governing Council of the ECB, the deposit facility rate was reduced to 2.00 per cent, representing a decrease of 175 basis points compared to the first half of 2024. As a result of these changes, interest income on current accounts and deposits includes interest income on deposits granted and current accounts with foreign correspondents due to the application of positive reference rates amounting to BGN 368,826 thousand (as of 30 June 2024: BGN 466,180 thousand).

As of 30 June 2025, the BNB reported interest expenses on customers' current accounts in levls of BGN 68,500 thousand (as of 30 June 2024: BGN 149,167 thousand) and interest expenses on government and other organisations' deposits in foreign currency in the amount of BGN 104,033 thousand (as of 30 June 2024: BGN 115,711 thousand).

8. Net Gains/(Losses) from Financial Assets and Liabilities at Fair Value through Profit or Loss

(BGN'000)

	30 June 2025	30 June 2024
Net gains/(losses) from operations in securities	(6 409)	321
Net gains/(losses) from operations in foreign currency	(7 258)	(687)
Net revaluation gains/(losses) on futures	(923)	(1 969)
Net revaluation (losses) on securities	92,390	(83,135)
Net revaluation gains/(losses) on foreign currency assets and liabilities	(548)	2 734
Net revaluation gains on gold	776,440	814,019
Provisions for expected credit losses	(1 139)	-
	852,553	731,283

Net gains/(losses) from financial assets and liabilities carried at fair value through profit or loss as of 30 June 2025 were largely attributable to revaluation of gold of BGN 776,440 thousand due to an increase in the market price of gold, from BGN 4905.69 *per* troy ounce as of 31 December 2024 to BGN 5489.66 as of 30 June 2025, or an increase of 11.9 per cent.

Net losses from operations in securities amounted to BGN 6409 thousand. The main factor behind this was the rapid and sizeable increase in the yields at which euro-denominated high credit quality bonds traded, which led to a fast decline in their price.

The net effect from revaluation of securities resulting from all market movements over the review period was positive: BGN 92,309 thousand. It was also driven by the rise in yields to maturity.

9. Other Operating Income

(BGN'000)

	30 June 2025	30 June 2024
Income from subsidiaries	16,956	19,562
Income from associates	919	667
Income from sale of coins	5 116	14,622
Dividend income	3 641	4 335
Other income, net	1 299	879
IAS 37 Provisions	-	-
	27,931	40,065

In the first half of 2025, the BNB received dividend payments from BNB's participation in the BNB Printing Works AD amounting to BGN 3641 thousand.

For the purposes of the consolidated financial statements, the dividends received from the BNB Printing Works and Bulgarian Mint EAD are eliminated.

Other net income as of 30 June 2025 includes financial income from subsidiaries of BGN 705 thousand.

10. General Administrative Expenses

(BGN'000)

	30 June 2025	30 June 2024
Staff expenditure	48,548	43,539
Administrative expenses	28,850	31,347
Depreciation	12,417	10,725
Other expenses	3 636	3 057
	93,451	88,668

The number of employees of the Bank and its subsidiaries is 1208 as of 30 June 2025 (30 June 2024: 1193), including the BNB staff of 960 (30 June 2024: 949).

Staff expenditure include salaries, social and health insurance costs charged under the local legislation provisions as of 30 June 2025, and social activities costs, respectively for the BNB: BGN 42,893 thousand (30 June 2024: BGN 38,210 thousand), for the BNB Printing Works AD: BGN 3942 thousand (30 June 2024: BGN 3721 thousand), and for the Bulgarian Mint EAD: BGN 1713 thousand (30 June 2024: BGN 1608 thousand).

Staff expenditure include expenses for remunerations paid to the BNB Governing Council members of BGN 1003 thousand as of 30 June 2025 (30 June 2024: BGN 885 thousand), presented, as follows:

(BGN'000)

	30 June 2025	30 June 2024
Total gross remuneration expenses*	787	814
including bonuses up to established threshold in accordance with Article 23, paragraph 3 of the LBNB by BNB Governing Council's resolution of 30 July 2015**	196	204
Expenses on BNB Governing Council members' retirement/termination benefits	216	71
Total gross remuneration paid to the BNB Governing Council members	1 003	885

* Remunerations are before taxation.

** For more information, see the BNB Press Release of 30 July 2015:

With the adoption of the BNB budget for 2025, the amount of monthly remunerations of the Governing Council members is set as follows: Governor – BGN 27,434; Deputy Governors – BGN 23,515; other Governing Council members – BGN 7838.

Staff retirement liabilities calculated based on actuarial valuation and pursuant to IAS 19 'Employee Benefits' are presented, as follows:

(BGN'000)

	2025	2024
Defined benefit liabilities as of 1 January	8 546	6 991
Plan benefits paid	(312)	(113)
Current service cost	587	458
Interest expense	165	131
Remeasurements	3	1
Actuarial (gain)/loss arising from experience adjustment	682	646
Actuarial (gain)/loss arising from change in demographic assumptions	3	-
Actuarial (gain)/loss arising from change in financial assumptions	5	61
Actuarial loss recognised in expenses	-	-
Defined benefit liabilities as of 30 June	9 679	8 175

Costs recognised in profit or loss

(BGN'000)

	30 June 2025	30 June 2024
Current service cost	587	458
Interest expense	165	131
Actuarial losses	-	-
Remeasurements	3	1
Actuarial loss recognised in expenses	-	-
Total	755	590

Actuarial Assumptions

The key actuarial assumptions as at the Financial Statements date are the following (weighted average):

(per cent)

	30 June 2025	30 June 2024
Discount interest rate	3.93	3.93
Future salary growth	9.00	9.00

(BGN'000)

Distribution of BNB staff liabilities (subsidiaries excluded) by residual term	30 June 2025	30 June 2024
Up to 1 year	1 643	1 359
From 1 to 3 years	737	753
From 3 to 5 years	1 057	799
From 5 to 10 years	1 828	1 482
Over 10 years	3 139	2 783
Total	8 404	7 176

Administrative expenses include the BNB's currency circulation expenses of BGN 12,115 thousand as of 30 June 2025 (30 June 2024: BGN 13,829 thousand).

11. Cash and Deposits in Foreign Currency

(BGN'000)

	30 June 2025	30 June 2024
Cash in foreign currency	1,067,837	379,218
Current accounts in other banks	16,949,852	24,072,563
<i>incl. provisions for expected credit losses under IFRS 9</i>	<i>(1 950)</i>	<i>(1 646)</i>
Deposits in foreign currency	17,243,596	17,390,864
<i>incl. provisions for expected credit losses under IFRS 9</i>	<i>(3 603)</i>	<i>(2 769)</i>
	35,261,285	41,842,645

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

(BGN'000)

	30 June 2025	30 June 2024
Euro area residents		
In EUR	19,002,964	26,267,593
<i>incl. provisions for expected credit losses under IFRS 9</i>	<i>(3 622)</i>	<i>(3 122)</i>
In other currencies	-	948,704
<i>incl. provisions for expected credit losses under IFRS 9</i>	<i>-</i>	<i>(246)</i>
	19,002,964	27,216,297
Non-euro area residents		
In EUR	12,724,782	10,035,478
<i>incl. provisions for expected credit losses under IFRS 9</i>	<i>(1 914)</i>	<i>(908)</i>
In other currencies	3,533,539	4,590,870
<i>incl. provisions for expected credit losses under IFRS 9</i>	<i>(17)</i>	<i>(139)</i>
	16,258,321	14,626,348
	35,261,285	41,842,645

Time deposits in foreign currency with correspondents with counterparty's credit rating graded by at least two of the six internationally recognised credit rating agencies – Standard&Poor's, Fitch Ratings, Moody's, DBRS, R&I and JCRA – are disclosed below:

(BGN'000)

	Counterparty short-term credit rating	30 June 2025	30 June 2024
Investment graded deposits by the counterparty's credit rating	A-1+	12,909,949	11,596,260
	<i>incl. provisions for expected credit losses under IFRS 9</i>	(2 219)	(1 275)
	A-1:	4,306,809	5,771,306
	<i>incl. provisions for expected credit losses under IFRS 9</i>	(1 384)	(1 494)
		<u>17,216,758</u>	<u>17,367,566</u>

The disclosure by credit rating does not include demand deposits with external managers.

The BNB maximum exposure to credit risk is equivalent to the book value of cash on current accounts and deposits.

12. Gold, Instruments in Gold, and Other Precious Metals

	30 June 2025		31 December 2024	
	'000 troy ounces	(BGN'000)	'000 troy ounces	(BGN'000)
Gold bullion in standard form	513	2,816,431	513	2,516,829
Gold deposits in standard form	801	4,397,383	801	3,929,606
<i>incl. provisions for expected credit losses under IFRS 9</i>		-		-
Gold in other form	14	78,915	15	70,520
Other precious metals		2 984		2 318
		<u>7,295,713</u>		<u>6,519,273</u>

Gold in standard form includes gold held for safekeeping with a depository and deposits. Deposits in gold are held with banks whose liabilities are rated with one of the two highest ratings given by two internationally recognised rating agencies.

Gold in other form includes commemorative gold coins of BGN 78,915 thousand.

Other precious metals include silver commemorative coins of BGN 59 thousand and platinum commemorative coins of BGN 2925 thousand.

13. Financial Assets at Fair Value through Profit and Loss

(BGN'000)

Securities at fair value through profit or loss	30 June 2025	31 December 2024
Foreign treasury bills, notes and bonds	37,007,488	33,723,502
	<u>37,007,488</u>	<u>33,723,502</u>

Securities comprise of both coupon and discount securities denominated in euro. The coupon interest of the EUR-denominated securities was 1.72 per cent as of 30 June 2025 (31 December 2024: 0.82 per cent).

The securities issued by foreign governments and other issuers or relevant issuers with credit rating graded by at least two of the six internationally recognised credit rating agencies – Standard&Poor's, Fitch Ratings, Moody's, DBRS, R&I u JCRA - are disclosed as follows:

(BGN'000)

	Issue/issuer credit rating	30 June 2025	31 December 2024
Investment graded securities by the issue/issuer credit rating	AAA	31,788,254	28,764,666
	AA+	3,243,711	332,854
	AA	1,319,080	4,033,570
	AA-	298,073	446,441
	A	358,370	145,971
		<u>37,007,488</u>	<u>33,723,502</u>

14. Financial Assets at Fair Value in Other Comprehensive Income

(BGN'000)

	30 June 2025	31 December 2024
Republic of Bulgaria's quota in the IMF	2,055,152	2,200,560
Equity investments in international financial institutions	32,355	32,355
Investments in associates	28,177	27,258
	2,115,684	2,260,173

The Republic of Bulgaria's quota in the IMF is SDR 896,300 thousand (31 December 2024: 896,300 thousand). The reserve tranche on the Republic of Bulgaria's quota in the IMF was BGN 224,997 thousand (31 December 2024: BGN 240,916 thousand). The IMF pays remuneration (interest) to those members that have a remunerated reserve tranche position, at an average rate of 3.09 per cent (31 December 2024: 3.86 per cent).

Equity investments in international financial institutions include the equity investment in the Bank for International Settlements (BIS), and 25 per cent of the equity investment in BIS Basel is paid up. As of 30 June 2025, the current value of 10,000 thousand shares in SDR amounted to BGN 24,552 thousand, while as of 31 December 2024, it was BGN 24,552 thousand (ref. note 28). The capital subscribed, but not paid-in has an option to be paid in within three months upon a decision of the BIS Board of Governors.

Equity investments in international financial institutions do not exceed 10 per cent of the subscribed share capital of the respective institution.

Investments in international financial institutions also include BNB's participation in the ECB. As of 1 January 2007 (when the Republic of Bulgaria joined the EU), the Bulgarian National Bank has a share in the ECB capital. As of 30 June 2024, the amount of the BNB paid-up share in the ECB capital was EUR 3991.2 thousand or BGN 7806 thousand.

Pursuant to Article 28 of the Statute of the ESCB and the ECB, only ESCB NCBs are entitled to participate in the ECB capital. Capital subscription follows the requirements and the key set forth in Article 29 of the Statute of the ESCB and ECB; *i.e.* the share of each NCB in the ECB capital is determined in percentage and corresponds to the share of the respective Member State in the EU's total population and GDP (in equal proportions). The percentage is adjusted every five years and whenever a new Member State joins the EU. The latest adjustment (eighth) took place on 1 January 2024 following the withdrawal of the United Kingdom from the EU. As of 30 June 2025, the BNB's capital share in the ECB subscribed capital is 0.9783 per cent, which corresponds to EUR 105,901.1 thousand.

As a non-euro area NCB, the BNB is required to pay up the minimum percentage of its subscribed capital in the ECB, which is pursuant to Article 47 of the Statute of the ESCB and of the ECB (as set out by the ECB General Council) and represents the BNB contribution to the ECB operational costs. From 29 December 2010, this percentage amounts to 3.75 per cent. Unlike euro area NCBs, the BNB is not entitled to the ECB's distributable profit, nor is it required to fund any loss of the ECB. Upon joining the euro area, the BNB will be required to pay up the remaining 96.25 per cent of its capital subscription to the ECB, which is EUR 102,440.3 thousand.

The Bank exercises substantial influence on the financial and operational policies of the associated companies listed below, and its investments in domestic companies are as follows:

Associates	Shareholding, per cent	Principal activity
BORICA AD	36.11	Interbank card payments
Cash Services Company AD	25.00	Handling of sealed parcels of Bulgarian coins and banknotes transferred from the BNB and the banks

15. Tangible Assets

The fair value of land and buildings is categorised as Level-3 fair value based on the input data for the given assessment technique.

For the remaining asset classes – Plant and Machinery, Equipment, Vehicles, Fixtures and Fittings, the fair value is considered to be their present value on the Bank's balance sheet as most of them were bought in the last four years and their book value is close to their fair value.

(BGN'000)

	Land and buildings	Plant and equipment	IT equipment	Office equipment	Right of use asset	Other equipment (including motor vehicles)	Assets under construction	Total
As of 1 January 2025	202,363	149,272	43,782	9 549	62	9 852	6 086	420,966
Additions	-	47	12	28	-	4	2 996	3 087
Disposals	(26)	(146)	-	(3)	-	-	-	(175)
Transfers	-	668	3 009	630	-	1	(4 308)	-
Revaluation	-	-	-	-	-	-	-	-
As of 30 June 2025	202,337	149,841	46,803	10,204	62	9 857	4 774	423,878
Depreciation and impairment loss								
As of 1 January 2025	(93,454)	(84,199)	(38,502)	(8 503)	(59)	(7 654)	-	(232,371)
Charge for the period	(2 829)	(4 457)	(1 780)	(78)	(3)	(284)	-	(9 431)
On disposals	1	102	-	3	-	-	-	106
Revaluation	-	-	-	-	-	-	-	-
As of 30 June 2025	(96,282)	(88,554)	(40,282)	(8 578)	(62)	(7 938)	-	(241,696)
Net book value as of 30 June 2025	106,055	61,287	6 521	1 626	-	1 919	4 774	182,182
Net book value as of 31 December 2024	108,909	65,073	5 280	1 046	3	2 198	6 086	188,595
As of 1 January 2024	202,363	132,271	51,793	9 653	62	8 251	3 570	407,963
Additions	-	1 393	238	22	-	4	28,404	30,061
Disposals	-	(3 709)	(12,764)	(189)	-	(60)	(336)	(17,058)
Transfers	-	19,317	4 515	63	-	1 657	(25,552)	-
Revaluation	-	-	-	-	-	-	-	-
As of 31 December 2024	202,363	149,272	43,782	9 549	62	9 852	6 086	420,966
Depreciation and impairment loss								
As of 1 January 2024	(87,754)	(80,441)	(47,687)	(8 576)	(47)	(7 337)	-	(231,842)
Charge for the period	(5 700)	(7 467)	(3 579)	(116)	(12)	(377)	-	(17,251)
On disposals	-	3 709	12,764	189	-	60	-	16,722
Revaluation	-	-	-	-	-	-	-	-
As of 31 December 2024	(93,454)	(84,199)	(38,502)	(8 503)	(59)	(7 654)	-	(232,371)
Net book value as of 31 December 2024	108,909	65,073	5 280	1 046	3	2 198	6 086	188,595

The carrying amount of fully amortised tangible fixed assets as of 30 June 2025 was BGN 70,343 thousand (31 December 2024: BGN 68,345 thousand).

16. Intangible Assets

(BGN'000)

	Software	Other intangible assets	Development costs	Total
As of 1 January 2025	74,430	166	101	74,697
Additions	-	14	2 547	2 561
Disposals	-	-	-	-
Transfers	2 547	-	(2 547)	-
As of 30 June 2025	76,977	180	101	77,258
Depreciation and impairment loss				
As of 1 January 2025	(61,994)	(150)	-	(62,144)
Charge for the period	(2 981)	(6)	-	(2 987)
On disposals	-	-	-	-
As of 30 June 2025	(64,975)	(156)	-	(65 131)
Net book value as of 30 June 2025	12,002	24	101	12,127
Net book value as of 31 December 2024	12,436	16	101	12,553

As of 30 June 2025, software includes licenses purchased by the BNB to the total amount of BGN 8 thousand (31 December 2024: BGN 1717 thousand), and software products to the amount of BGN 2538 thousand (31 December 2024: BGN 1262 thousand).

(BGN'000)

	Software	Other intangible assets	Development costs	Total
As of 1 January 2024	72,853	164	236	73,253
Additions	2	15	3 258	3 275
Disposals	(1 818)	(13)	(415)	(2 246)
Transfers	3 393	-	(2 978)	415
As of 31 December 2024	74,430	166	101	74,697
Depreciation and impairment loss				
As of 1 January 2024	(58,283)	(155)	-	(58,438)
Charge for the period	(5 529)	(8)	-	(5 537)
On disposals	1 818	13	-	1 831
As of 31 December 2024	(61,994)	(150)	-	(62,144)
Net book value as of 31 December 2024	12,436	16	101	12,553
Net book value as of 31 December 2023	14,570	9	236	14,815

As of 31 December 2024, software includes licenses purchased by the BNB to the total amount of BGN 1717 thousand (31 December 2023: BGN 3417 thousand), and software products to the amount of BGN 1262 thousand (31 December 2023: BGN 7155 thousand).

17. Other Assets

(BGN'000)

	30 June 2025	31 December 2024
Cash held by subsidiaries with local banks	28,896	32,436
Investments of subsidiary undertakings in joint ventures and associates	11,434	11,434
Commemorative coins for sale	311	372
Inventories	83,727	64,084
Accounts receivable	9 405	4 803
Deferred charges	3 480	4 100
Other receivables	2 337	1 897
	139,590	119,126

Cash held by subsidiaries with local banks comprise BGN 24,353 thousand of BNB Printing Works AD and BGN 4543 thousand of Bulgarian Mint EAD.

Investments of subsidiary undertakings in joint ventures and associates include a non-monetary contribution in the form of banknote production equipment to the capital of François-Charles Oberthur Group with which BNB Printing Works AD has established a joint venture for banknote production.

18. Banknotes and Coins in Circulation

(BGN'000)

	30 June 2025	31 December 2024
Banknotes in circulation	28,688,237	30,451,467
Coins in circulation	634,824	626,588
	29,323,061	31,078,055

19. Liabilities to Banks and Other Financial Institutions

(BGN'000)

	30 June 2025	31 December 2024
Demand deposits from banks and other financial institutions		
– in BGN	21,167,540	22,937,851
– in foreign currency	2,507,759	4,907,533
	23,675,299	27,845,384

Demand deposits include BGN 17,998,050 thousand representing the required reserves, which all local banks are required to maintain on accounts with the BNB (31 December 2024: BGN 17,029,361 thousand).

The allocation of minimum required reserves of the commercial banks in the BNB is in accordance with the BNB Ordinance No 21.

With regard to the execution of payments in levs based on SEPA schemes, deposits amounting to BGN 2,738,220 thousand were reported under this item (31 December 2024: BGN 2,594,508 thousand).

Pursuant to Article 46 of BNB Ordinance No 16 of 29 March 2018, this position also includes the banks' participation in the Guarantee Mechanism for Settlement of Payments of the participants in the system operated by BORICA AD and processing card related payments, amounting to BGN 307,428 thousand (31 December 2024: BGN 293,445 thousand).

20. Liabilities to Government Institutions and Other Borrowings

(BGN'000)

	30 June 2025	31 December 2024
Current accounts		
– in BGN	6,224,739	6,652,089
– in foreign currency	5,997,291	3,081,825
Time deposit accounts	12,222,030	9,733,914

Government's accounts in national and foreign currency with the Bank comprise funds held on behalf of the state budget and other government organisations. The Bank applies interest rates in line with the General Terms and Conditions of the Bulgarian National Bank on servicing accounts of banks, budget organisations and other customers adopted by a resolution of the BNB Governing Council of 26 November 2015 and last amended in 2023. As from 18 November 2019, the Bank does not open and service time deposit accounts of the government and other government institutions in accordance with the General Terms and Conditions of the Bulgarian National Bank on servicing accounts of banks, budget organisations and other customers.

As of 30 June 2025, obligations to pay interests of BGN 6654 thousand on current accounts of customers have been accrued (31 December 2024: BGN 398 thousand).

21. Borrowings against Bulgaria's Participation in International Financial Institutions

Borrowings against Bulgaria's participation in the IMF as of 30 June 2025 amount to BGN 1,825,019 thousand, or SDR 795,933 thousand (BGN 1,912,746 thousand, or SDR 795,933 thousand as of 31 December 2024).

Borrowings from the IMF are denominated in SDRs. Borrowings related to Bulgaria's quota in the IMF are non-interest bearing with no stated maturity. This note includes account No 1 and account No 2 of the IMF in levs amounting to BGN 5248 thousand (31 December 2024: BGN 5412 thousand).

The Bank's borrowings from the IMF of the general and special allocation of SDRs amount to SDR 1,333,649,773 and SDR 136,289,102, respectively. Repayment will take place on IMF's demand. Under Article XX of IMF Statute, the Bank receives interest on the existing SDRs and pays a fee on its borrowings from the general and special allocation at the same interest rate.

22. Other Liabilities

	(BGN'000)	
	30 June 2025	31 December 2024
Funds of EU institutions and bodies	254,096	108,656
Funds of Banks Resolution Fund	484,005	479,022
Salaries and social security payable	16,245	11,453
Deferred income	555	1 483
Other liabilities	219,512	189,275
	974,413	789,889

Funds of EU institutions and bodies include European Commission's funds and European Investment Bank's funds. Pursuant to Article 9 of Council Regulation No 1150/2000 and Bulgaria's participation in the funding of the EU budget, the Bank opened accounts of the European Commission. As at 30 June 2025, the funds on these accounts were BGN 254,096 thousand (31 December 2024: BGN 108,656 thousand).

As from 27 July 2020, in line with the requirements of § 56, paragraph 1 of the Transitional and Final Provisions of the Law on Amendment to the LRRCIIF, the Bulgarian National Bank as a resolution authority of credit institutions is the holder of the funds available in the Banks Resolution Fund's accounts. As of 30 June 2024, the funds amounted to BGN 484,005 thousand (31 December 2024: BGN 479,022 thousand).

23. Capital and Reserves

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

Non-monetary asset revaluation reserves comprise the net change in fair value of property, equity investments and other non-monetary assets.

Pursuant to Article 36 of the Law on the Bulgarian National Bank, unrealised gains/losses arising from the revaluation of assets and liabilities denominated in foreign currencies or gold are transferred to a special reserve account and form special reserves.

Other reserves include 25 per cent of the annual excess of revenue over expenditure after the allocation to special reserves and reserves established upon a resolution of the BNB Governing Council.

As of 30 June 2025, profit distribution in accordance with the profit distribution policy disclosed in note 5 (j) is as follows:

	(BGN'000)	
	30 June 2025	31 December 2024
Profit/(loss) for the period	1,525,764	3,453,090
Allocation to special reserve under Article 36 of the Law on the BNB:		
Unrealised (profit) from gold revaluation	(776,440)	(1,670,108)
Unrealised loss/(gain) from revaluation of financial assets at fair value through profit or loss	(92,390)	(147,733)
Unrealised (profit)/loss from foreign currency valuation	7 258	(3 925)
Other unrealised profit/(loss)	1 471	(13)
Result after allocation to special reserve	665,663	1,631,311

24. Non-controlling Interest

The BNB Printing Works AD is a joint-stock company with two shareholders: the BNB and the State represented by the Ministry of Finance. The BNB holds 95.6 per cent of the company's capital and the government holds the remaining 4.4 per cent of the company's capital.

25. Monetary Liabilities and Gross International Reserves

(BGN'000)

	30 June 2025	31 December 2024
Gross international reserves		
Cash and foreign currency denominated deposits	35,261,285	41,842,645
Monetary gold and other instruments in gold	7,213,814	6,446,435
Security investments	37,007,488	33,723,502
Equity investments and quota in the IMF	224,997	240,916
	79,707,584	82,253,498
Monetary liabilities		
Banknotes and coins in circulation	29,323,062	31,078,055
Liabilities to banks and other financial institutions	23,012,661	27,072,126
Liabilities to government institutions	11,862,818	9,104,048
Other liabilities	1,275,946	1,511,780
	65,474,487	68,766,009
Surplus of gross international reserves over monetary liabilities	14,233,097	13,487,489

Interest receivable and interest payable are carried to the relevant financial assets and liabilities. Monetary gold and other instruments in gold are revalued on a daily basis based on the euro fixing of the London Bullion Market closing price.

26. Related Party Transactions

Bulgarian Government

International Monetary Fund

As of 30 June 2025, the Republic of Bulgaria has not received funds under IMF agreements. The Republic of Bulgaria's quota in the IMF is secured by promissory notes jointly signed by the Bank and the Government (ref. note 21).

Government bank accounts

As of 30 June 2025, government budget organisations have bank accounts with the Bank (ref. note 20).

Fiduciary activities

In accordance with the Law on the BNB and under the terms agreed upon with the Minister of Finance, the BNB acts as an agent in government or government-guaranteed debts. With regard to this role, the BNB performs agent and central depository services related to the administration and management of government securities issued by the Ministry of Finance. The Bank receives commission for providing these services. These government securities are not assets or liabilities of the BNB and are not recognised in its consolidated statement of financial position. The Bank is not exposed to any credit risk relating to government securities as it does not guarantee them. As of 30 June 2025, the par value of the government securities held in custody was BGN 11,150 million (31 December 2024: BGN 11,935 million).

Oberthur Fiduciaire AD

BNB Printing Works AD, as a company with a significant holding (holds 30 per cent of company's shares), and the Bulgarian National Bank (a majority owner of Printing Works of BNB AD), as related parties of the company, carried out sales and/or purchases of services and materials at contract prices with the company in the first half of 2025.

27. Subsidiaries Included in Consolidated Financial Statements

(per cent)

	30 June 2025	31 December 2024
Ownership interest		
Bulgarian Mint EAD	100.0	100.0
BNB Printing Works AD (ref. note 24)	95.6	95.6

The net income from subsidiaries for the reporting period comprises the net result of BGN 614 thousand from the Bulgarian Mint EAD (31 December 2024: BGN 2117 thousand) and BGN 3126 thousand from the BNB Printing Works AD (31 December 2024: BGN 3810 thousand).

28. Commitments and Contingencies

1) *Participation in the Bank for International Settlements*

The Bank holds 8000 shares of the capital of the BIS, each amounting to SDR 5000. Twenty-five per cent of the equity investment in the BIS is paid up. The capital subscribed but not paid in is with an option to be paid in within three months following a decision of the BIS Board of Governors. The contingent amount as of 30 June 2025 is BGN 73,665 thousand (31 December 2024: BGN 73,665 thousand).

2) *IMF quota*

The IMF quota is secured by promissory notes jointly signed by the Bank and the government of the Republic of Bulgaria amounting to BGN 1,856,213 thousand.

3) *Capital commitments*

As of 30 June 2025, the Bank has committed to BGN 35,432 thousand to purchase non-current assets (31 December 2024: BGN 29,953 thousand).

4) *Other commitments and liabilities*

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

5) *Other contingent liabilities*

The BNB is being sued in relation to alleged compensation for delayed payment of deposits above the guaranteed amount or for challenging money transfers by customers of Corporate Commercial Bank AD (in bankruptcy) to a total amount of around BGN 15,1 million (31 December 2024: BGN 26.5 million).

Based on the Bank's assessment of the likely outcome of the legal proceedings, in the first half of 2025 provisions amounting to BGN 12,609 thousand were made pursuant to IAS 37 (2024: BGN 12,609 thousand). Assessments are periodically revised in order to reflect developments on all legal disputes and the circumstances related thereto.

In 2022, two identical cases against the BNB before a Federal Court of the State of New York were closed with final decisions of the federal court due to lack of jurisdiction. They were related to alleged compensation of about USD 200 million each for actions of Corporate Commercial Bank AD (in bankruptcy) conservators appointed in 2014.

29. Events Which Occurred after the Reporting Date

The Law on the Bulgarian National Bank (the new Law on the BNB), adopted on 1 February 2024 by the 49th National Assembly, was published on 13 February 2024 in the Darjaven Vestnik, issue 13. It aims to ensure the legal integration of the Bulgarian National Bank into the Eurosystem upon the introduction of the euro as the currency of the Republic of Bulgaria. The new Law on the BNB shall enter into force on the day of the introduction of the euro, except for a few provisions that should ensure the preparation of the BNB for the introduction of the euro. It provides for the statutory capital of the BNB to be EUR 1 billion. In order to ensure the implementation of this provision, the Governing Council of the BNB has adopted a resolution on the establishment of a special purpose fund 'Increase in the BNB statutory capital'. The implementation of the other provisions of the new law will have an impact on the accounting policy and financial reporting of the Bulgarian National Bank.

On 8 July 2025, the Council of the EU made a final decision that as of 1 January 2026, Bulgaria will become the 21st member of the euro area. According to the decision, Bulgaria will become a member of the euro area at an exchange rate of 1 euro equivalent to 1.95583 leva.

There are no events after the reporting date that require additional disclosure or adjustments to the Bank's Financial Statements.

Information Pursuant to Article 17, Paragraph 5 of the LBNB Concerning Resolutions Adopted by the BNB Governing Council in January–June 2025

Reporting and Budget

RESOLUTION No 129 of 3 April

The BNB Annual Report for 2024 was approved at first reading.

RESOLUTION No 130 of 3 April

The BNB Governing Council approved the report on the implementation of the BNB budget for 2024 to be included in the Annual Report of the Bulgarian National Bank for 2024.

RESOLUTION No 160 of 17 April

The BNB Annual Report for 2024 was approved.

Gross International Reserves

RESOLUTION No 3 of 9 January

The BNB Governing Council took note of the selected benchmark for dynamic asset allocation in the first quarter of 2025.

RESOLUTION No 93 of 6 March

The BNB Governing Council took note of the International Reserve Management Report in 2024.

RESOLUTION No 295 of 24 June

The BNB Governing Council took note of the International Reserve Management Report in the first quarter of 2025.

Payment Systems and Payment Oversight

RESOLUTION No 70 of 20 February

The BNB Governing Council took note of the Annual Report of the Conciliation Commission for 2024.

The BNB Governing Council took note of the Annual Report of the Sectoral Conciliation Commission on Financial Services for 2024.

RESOLUTION No 72 of 20 February

The BNB Governing Council took note of the calculated average amount of fees charged by banks on services under appendix 1 to Article 34 of Ordinance No 3 of the BNB on current accounts as of 31 December 2024 in relation to Article 120, paragraph 6 of the Law on Payment Services and Payment Systems and Article 35, paragraph 2 of Ordinance No 3 of the BNB.

RESOLUTION No 210 of 8 May

The BNB complies with effect from 20 May 2025 with Guidelines amending Guidelines EBA/GL/2019/04 on ICT and security risk management (Guidelines EBA/GL/2025/02 of 11 February 2025) issued by the European Banking Authority and published on its official website.

RESOLUTION No 244 of 22 May

The BNB complies with effect from 23 May 2025 with Joint Guidelines on the estimation of the aggregated annual costs and losses caused by major ICT-related incidents under Regulation (EU) 2022/2554 (JC/GL/2024/34). The joint guidelines are issued by the European Supervisory Authorities and published on their official websites.

Between January and June 2025 the BNB Governing Council adopted two resolutions on applications for issuance of approvals and five resolutions on the exercise of other powers related to payment supervision.

Currency in Circulation

RESOLUTION No 2 of 9 January

The BNB Governing Council took note of the availability and development of the BNB Strategic Stock of Banknotes for 2024.

RESOLUTION No 30 of 23 January

The BNB Governing Council decided to withdraw from circulation commemorative coins issued in 2019, which ceased to be legal tender on 3 February 2025.

Commemorative coins issued in 2019 will be exchangeable at BNB tills at nominal value with no limit on the quantity free of charge until 31 December 2026.

RESOLUTION No 31 of 23 January

The BNB Governing Council approved a List of Selling Prices of banknotes and coins sold by the BNB at prices other than their nominal value.

RESOLUTION No 116 of 17 March

The BNB Governing Council decided to put into circulation, as of 28 April 2025, a silver commemorative coin '175 Years since the Birth of Zahari Stoyanov' of the Bulgarian Revival series.

RESOLUTION No 138 of 3 April

The silver commemorative coin '175 Years since the Birth of Zahari Stoyanov', issue 2025, will be sold at BNB tills at BGN 162 (one hundred and sixty two leva).

RESOLUTION No 147 of 9 April

The BNB Governing Council approved the revised graphic designs for the Bulgarian national side of the euro coins of all denominations: 1 cent; 2, 5, 10, 20 and 50 cents; EUR 1 and EUR 2, with only one change - year of issue '2026'. Mint EAD revised the artistic designs.

RESOLUTION No 185 of 17 April

The BNB Governing Council decided to put into circulation, as of 9 June 2025, a copper commemorative coin ‘100 Years since the Birth of Georgi Partsalev’ of the Bulgarian Artists series.

RESOLUTION No 267 of 22 May

The price at which the copper commemorative coin ‘100 years since the birth of Georgi Partsalev’, issue 2025, will be sold at BNB tills is BGN 60 (sixty levs).

RESOLUTION No 278 of 5 June

The BNB Governing Council decided to put into circulation, as of 7 July 2025, a silver commemorative coin ‘175 Years since the Birth of Ivan Vazov’ of the Bulgarian Revival series.

RESOLUTION No 305 of 24 June

The silver commemorative coin ‘175 Years since the Birth of Ivan Vazov’, issue 2025, will be sold at BNB tills at BGN 162 (one hundred and sixty two levs).

Maintaining Banking System Stability and Protecting Depositor Interests

RESOLUTION No 105 of 17 March

The BNB Governing Council took note of the Report on the State of the Banking System (fourth quarter of 2024).

It also took note of the publication of ‘Banks in Bulgaria (October – December 2024)’.

RESOLUTION No 107 of 17 March

The BNB Governing Council set the countercyclical capital buffer rate applicable to credit risk exposures in the Republic of Bulgaria at 2.0 per cent in the second quarter of 2026.

RESOLUTION No 136 of 3 April

The BNB intends to comply with effect from 30 December 2025 with Guidelines on internal policies, procedures and controls to ensure the implementation of Union and national restrictive measures (EBA/GL/2024/14) issued by the European Banking Authority and published on its official website.

RESOLUTION No 168 of 17 April

The Bulgarian National Bank complies with Joint Guidelines on the system established by the European Supervisory Authorities for the exchange of information relevant to the assessment of the fitness and propriety of holders of qualifying holdings, directors and key function holders of financial institutions and financial market participants by competent authorities (JC/GL 2024 88) (the ‘Guidelines’), in accordance with the time limits laid down in point 21 of the Guidelines.

The guidelines are issued by the European supervisory authorities and published on their official websites.

RESOLUTION No 245 of 22 May

The BNB complies, as of 11 January 2026, with the Guidelines on the management of environmental, social and governance (ESG) risks (EBA/GL/2025/01), issued by the European Banking Authority and published on its official website.

RESOLUTION No 292 of 19 June

The BNB Governing Council set the countercyclical capital buffer rate applicable to credit risk exposures in the Republic of Bulgaria at 2.0 per cent in the third quarter of 2026.

RESOLUTION No 294 of 24 June

The BNB Governing Council took note of the Report on the State of the Banking System (first quarter of 2025).

It also took note of the publication ‘Banks in Bulgaria (January – March 2025)’.

In the January to June 2025 period, the Governing Council of BNB adopted:

- 28 resolutions pursuant to Article 11, paragraphs 1 and 3 of the LCI regarding an approval for holding a position of a member of a management body and Article 11a of the LCI for holding key positions and relevant administrative proceedings related to them;
- 26 resolutions related to the supervisory review and evaluation process pursuant Article 79c of the LCI;
- 7 resolutions under Article 76, paragraph 4 of the LCI on coordinating the choice of an auditor of a credit institution;
- 31 resolutions on performed supervisory inspections and other approvals, authorisations and actions on administrative procedures;
- 9 resolutions related to own funds;
- 6 resolutions under Article 71, paragraph 5 of the LCI on the approval of amendments to the Articles of Association of a credit institution.

BNB Activities on Resolution of Credit Institutions**RESOLUTION No 5 of 9 January**

The BNB Governing Council determined eligible classes of assets, investment restrictions for market and credit risk and the permitted issuers for each of the asset classes when deciding to invest BRF financial means in a structured index account with the BNB for 2025.

RESOLUTION No 15 of 22 January

Taking into account the position adopted by Resolution No 557 of 12 November 2024 of the BNB Governing Council, abstained from adopting a draft decision of the Single Resolution Board on amending a decision on setting a minimum requirement for own funds and eligible liabilities (MREL) of OTP banka d.d. (Slovenia).

RESOLUTION No 16 of 22 January

The BNB Governing Council approved a draft joint decision on a resolution plan and resolvability assessment of KBC Group N.V. For 2024 on a preliminary basis and on setting out MREL of the resolution entity and its subsidiaries of KBC Group N.V.

RESOLUTION No 24 of 23 January

The financial means of the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF shall continue to be held in a current account with the Bulgarian National Bank for the 1 February – 30 April 2025 period.

The financial means of the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF shall continue to be held in a current account with the BNB for the 1 February – 30 April 2025 period.

RESOLUTION No 39 of 31 January

The BNB Governing Council agreed with the SRB draft decision to grant prior authorisation for the reduction without replacement of eligible liabilities instruments under Article 78a(1)(b) of Regulation (EU) No 575/2013, in relation to a written application by KBC Group N.V and KBC Bank N.V.

RESOLUTION No 50 of 7 February

The BNB Governing Council adopted Ordinance on Amendment to Ordinance No 41 of 25 February 2021 on Determining the Amount of Individual Annual Contributions of Branches of Third-country Credit Institutions to the Banks Resolution Fund

RESOLUTION No 74 of 20 February

The BNB Governing Council approved the resolution plan of the TBI Financial Services B.V., Netherlands for 2023 and determined a minimum requirement for own funds and eligible liabilities (MREL) TBI Bank EAD on a consolidated basis.

RESOLUTION No 75 of 20 February

The BNB Governing Council approved the resolution plan of the First Investment Bank AD for 2023 and determined a minimum requirement for own funds and eligible liabilities (MREL) on a consolidated basis.

RESOLUTION No 87 of 25 February

The BNB Governing Council approved the resolution plan of the Bulgarian Development Bank EAD group for 2023 and determined a minimum requirement for own funds and eligible liabilities (MREL) on a consolidated basis.

RESOLUTION No 88 of 25 February

The BNB Governing Council approved the resolution plan of the Central Cooperative Bank AD group for 2023 and determined a minimum requirement for own funds and eligible liabilities (MREL) on a consolidated basis.

RESOLUTION No 90 of 27 February

The Governing Council agreed to adopt a ‘conditional’ decision on a resolution plan and resolvability assessment of the Eurobank Ergasias Services and Holdings S.A. group and its subsidiaries along with a draft resolution plan for 2024 and a MREL for Eurobank S.A. as a resolution entity and of the subsidiaries – Eurobank Cyprus LTD, Hellenic Bank Public Company LTD and Eurobank Bulgaria AD – and the provision of this decision to the relevant national resolution authorities for enforcement.

RESOLUTION No 91 of 27 February

The BNB Governing Council agreed with the draft decision of the Single Resolution Board granting prior authorisations for reducing without replacing eligible liabilities

instruments under Article 78a(1)(b) of Regulation (EU) No 575/2013 in relation to a written application from KBC Group N.V. regarding KBC Group N.V. and KBC Bank N.V.

RESOLUTION No 132 of 3 April

The Governing Council determined an individual annual contribution of branches of third-country credit institutions to the Banks Resolution Fund for 2025 in the amount of BGN 130,399.88 (one hundred and thirty thousand three hundred ninety-nine levs and eighty-eight stotinkas).

RESOLUTION No 134 of 3 April

The BNB Governing Council decided to implement the SRB Decision (SRB/EES/2024RPC/184) on setting a MREL with regard to Eurobank Bulgaria AD on an individual basis, in line with the relevant provisions of the Law on the Recovery and Resolution of Credit Institutions and Investment Firms.

RESOLUTION No 152 of 9 April

The BNB Governing Council agreed with the SRB draft decision to grant prior authorisation for the reduction without replacement of eligible liabilities instruments under Article 78a(1)(b) of Regulation (EU) No 575/2013, in relation to a written application by UniCredit S.p.A.

RESOLUTION No 153 of 9 April

The BNB Governing Council agreed with the SRB draft decision to approve a group resolution plan for 2024 and an assessment of the resolvability of UniCredit S.p.A. and its subsidiaries and on setting a MREL of UniCredit S.p.A. as a resolution entity and its subsidiaries, including UniCredit Bulbank AD.

RESOLUTION No 162 of 17 April

The BNB Governing Council adopted the Annual Report of the Banks Resolution Fund for 2024.

RESOLUTION No 163 of 17 April

The Governing Council adopted an adjustment to the deduction of funds raised in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF from the liabilities of credit institutions for contributions to the SRF for 2023. The amounts reimbursed by the SRB in relation to adjusted contributions for 2023 to the SRF should be added to the funds of the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF and used in accordance with the provisions of § 56, paragraph 2 of the TFP of the Law on Amendment of the LRRCIIF.

RESOLUTION No 164 of 17 April

Financial means of the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF should continue to be held in a current account with the BNB for 1 May–31 July 2025.

The financial means of the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF shall continue to be held in a current account with the BNB for the 1 May – 31 July 2025 period.

RESOLUTION No 198 of 17 April

The BNB Governing Council agreed with the draft decision of the SRB granting a general prior authorisation for the reduction of eligible liabilities instruments under

Article 78a(1), second sub-paragraph of Regulation (EU) No 575/2013, in relation to a written application from Eurobank S.A.

RESOLUTION No 199 of 17 April

The BNB Governing Council agreed with the SRB draft decision to grant prior authorisation for the reduction without replacement of eligible liabilities instruments under Article 78a(1)(b) of Regulation (EU) No 575/2013, in relation to a written application by UniCredit Bank Austria AG.

RESOLUTION No 205 of 30 April

The BNB Governing Council agreed with the SRB draft decision to grant prior authorisation for the reduction without replacement of eligible liabilities instruments under Article 78a(1)(b) of Regulation (EU) No 575/2013, in relation to a written application by KBC Group N.V and KBC Bank N.V.

RESOLUTION No 211 of 8 May

The BNB Governing Council decided to implement the SRB Decision (SRB/EES/2024RPC/130) on setting a MREL with regard to UniCredit Bulbank AD in line with the relevant provisions of the LRRCIIF.

RESOLUTION No 240 of 19 May

The BNB Governing Council agreed with the draft decision of the SRB on the approval of a group resolution plan for 2024 and assessment of KBC Group N.V. and its subsidiaries' resolvability and on setting a MREL of the resolution entity KBC Group N.V. and its subsidiaries, including United Bulgarian Bank AD.

RESOLUTION No 263 of 22 May

The BNB Governing Council approved a joint decision on the resolution plan of ProCredit Holding AG and its subsidiaries for 2024 and on setting a MREL for ProCredit Bank (Bulgaria) EAD as a resolution entity on an individual basis.

RESOLUTION No 264 of 22 May

The BNB Governing Council granted TBI Bank EAD prior authorisation to exercise a call option ahead of a contractual maturity for one year regarding bond issues.

RESOLUTION No 277 of 5 June

The BNB Governing Council decided to implement the SRB Decision (SRB/EES/2024RPC/135) on setting a MREL with regard to United Bulgarian Bank AD, in line with the relevant provisions of the LRRCIIF.

RESOLUTION No 298 of 24 June

The BNB Governing Council approved the resolution plan of the First Investment Bank AD for 2024 and a MREL of the Bank.

RESOLUTION No 299 of 24 June

The BNB Governing Council approved the resolution plan of Novito Opportunities Fund AGmVK for 2024.

It set a MREL for Municipal Bank AD on an individual basis.

RESOLUTION No 300 of 24 June

The BNB Governing Council approved the resolution plan of Festa Holding AD for 2024. It set a MREL for Investbank AD on an individual basis.

RESOLUTION No 311 of 26 June

The BNB Governing Council agreed with the SRB draft decision to grant prior authorisation for the reduction without replacement of eligible liabilities instruments under Article 78a(1)(b) of Regulation (EU) No 575/2013, in relation to a written application by UniCredit S.p.A.

Ordinances under the Law on the Bulgarian National Bank (published; Darjaven Vestnik, issue 13 of 13 February 2024)**RESOLUTION No 1 of 9 January**

The BNB Governing Council adopted Ordinance No 6 on the Provision of Emergency Liquidity Support, which enters into force from the date of enactment of the Law on the Bulgarian National Bank (published; Darjaven Vestnik, issue 13 of 13 February 2024).

RESOLUTION No 159 of 17 April

The BNB Governing Council adopted Ordinance No 45 on the Establishment and Regulation of the Bulgarian National Bank's Legal Relationships with Monetary Policy Counterparties, which enters into force from the date of enactment of the Law on the Bulgarian National Bank (published; Issue 13 of 2024).

Research

RESOLUTION No 17 of 23 January

The BNB Governing Council took note of the BNB forecast of key macroeconomic indicators for 2024–2026 (prepared as of 15 January 2025) to be published in the Macroeconomic Forecast (December 2024).

RESOLUTION No 53 of 7 February

The BNB awarded two nine-month master's degree scholarships at BGN 750 monthly for 2025.

RESOLUTION No 81 of 20 February

The BNB Governing Council took note of the analysis of major economic developments and dynamics of the main macroeconomic indicators in the first and second quarters of 2025, to be published in the Economic Review, issue 4 of 2024.

RESOLUTION No 114 of 17 March

The Governing Council took note of the implementation of the BNB Research Plan for 2023–2024 and the BNB Research Plan for 2025–2026.

RESOLUTION No 161 of 17 April

The BNB Governing Council took note of the BNB forecast of key macroeconomic indicators for 2025–2027 (prepared as of 26 March 2025) to be published in the Macroeconomic Forecast (March 2025).

RESOLUTION No 246 of 22 May

The BNB Governing Council took note of the analysis of major economic developments and dynamics of the main macroeconomic indicators in the second and third quarters of 2025, to be published in the Economic Review, issue 1 of 2025.

BNB Internal Audit**RESOLUTION No 214 of 8 May**

The BNB Governing Council approved Chief Auditor's Report on the activity of the BNB Internal Audit Directorate for 2024.

General Meetings**RESOLUTION No 128 of 28 March**

The BNB Governing Council gave its consent to the Executive Director of the BNB Printing Works AD to vote at the Annual General Meeting of Shareholders of Oberthur Fiduciaire AD on: approving the Report of the Board of Directors on company's activities for 2024, approving annual financial statements for 2024, certified by Ernst & Young Audit OOD, and the auditor's report; allocation of the profit of BGN 2,256,115.00 for 2024, as follows: one tenth of the profit to be allocated to the Reserve Fund and the remaining part to the amount of BGN 2,030,504.00 plus BGN 84,809.00 of retained profit from past years to be distributed as a dividend to the shareholders in the amount of BGN 2.31 *per share*; granting discharge to the members of the Board of Directors for their activities in 2024; reelecting Tomas Savare, Jean-Michel Guichot, Plamen Tsvyatkov, Etienne Couelle, Petar Chbanov, Chavdar Kamenov for a term of five years; dismissing Lyudmila Elkova as a member of the Board of Directors and electing Nikolay Nenovsky as a member of the Board of Directors for a term of five years.

RESOLUTION No 209 of 8 May

The BNB Governing Council gave its consent to the Governor to authorise a representative of the BNB to vote at the Annual General Meeting of Shareholders of the BNB Printing Works AD on: adoption of the Report of the Board of Directors on the activities of the company for 2024; approval of the annual financial statements of the BNB Printing Works AD for 2024, certified by the audit company HLB Bulgaria OOD; discharge of the members of the Board of Directors for their activities in 2024; distribution of the profit for 2024 in the amount of BGN 3,810,187.95, as follows: BGN 5852.57 to be allocated to the Reserve Fund, and the remaining part of BGN 3,804,335.38 of the profit to be distributed as a dividend to shareholders in proportion to their shares.

RESOLUTION No 274 of 5 June

The BNB Governing Council gave its consent the Governor to authorise a BNB representative to vote at the regular General Meeting of Shareholders of the Cash Services Company AD on: adoption of the Report of the Board of Directors of the company for 2024; annual financial statements for 2024 and the Report of the independent auditor Grant Thornton OOD; distribution of the profit for 2024 in the amount of BGN 2,604,715.31, as follows: 10 per cent of the profit in the amount of BGN 260,471.53 to be allocated to the Reserve Fund, and the remaining amount of BGN 2,344,243.78 to be allocated as retained profit of the Cash Services Company AD, with no dividend to be distributed to the shareholders; discharge from liability of the members of the Company's Board of Directors, and the former members of the Board of Directors Andrey

Gurov and Irina Martseva for their activities in 2024; dismissal of the outgoing members of the Board of Directors Petar Chobanov, Anna Manolova, Vladimir Vlaev, Emil Hristov, Ivailo Glavchovski, Tatyana Ivanova, James Iolovski due to expiry of their term of office; electing members of the Board of Directors for a term of three years: Petar Chobanov, Anna Manolova, Vladimir Vlaev, Emil Hristov, Ivailo Glavchovski, Tatyana Ivanova, James Iolovski.

RESOLUTION No 293 of 24 June

The BNB Governing Council gave its consent the Governor to authorise a BNB representative to vote at the regular General Meeting of Shareholders of BORICA AD on: adoption of the Report on the Activities of BORICA AD for 2024 and of the annual financial statements of BORICA AD for 2024; adoption of the Auditor's Report on annual financial statements of BORICA AD for 2024; approving amendments to the Statute of the Audit Committee of BORICA AD; distribution of BORICA AD's profit of BGN 15,389,343.27 for 2024, as follows: BGN 7,979,205.00 to be paid out as a dividend to shareholders in proportion to their shares, and the remaining net profit for 2024 in the amount of BGN 7,410,138.27 to be allocated to 'Additional Reserves of a General Nature'; discharge from liability of the members of the Board of Directors, as well as former members of the Board of Directors Nikolay Spasov and Petar Slavov for their activities in 2024; dismissal of Peter Ruben as a member of the Board of Directors and election of Christof De Mil as a member of the Board of Directors with a term until 17 September 2029; approving the specialised auditing company BDO AFA OOD as the company's auditor to conduct the audit and certification of the company's annual financial statements for 2025.

Between January and June 2025, the BNB Governing Council adopted resolutions on approving internal rules of the Bank (six resolutions), public procurement and contracts¹⁵⁷ (seven resolutions) and organisation of the Bank's activities (113 resolutions, including nine resolutions on banking supervision's activities, 21 resolutions on the organisation of credit institution resolution activities, three resolutions on the organisation of payment supervision activities, and 48 resolutions concerning information on the implementation of the National Plan on Euro Introduction within the competence of the BNB).

¹⁵⁷Detailed information on procurement procedures is available on the BNB website, Public Procurement in Centralised Automated Electronic Public Procurement Information System (CAIS EOP), www.eop.bg.

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THE SCULPTURAL COMPOSITION BY KIRIL SHIVAROV DEPICTING HERMES AND DEMETER ON THE SOUTHERN FAÇADE OF THE BULGARIAN NATIONAL BANK BUILDING IS USED IN COVER DESIGN.