

# **BULGARIAN NATIONAL BANK**

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**ANNUAL REPORT • 1999**



The Bulgarian National Bank's 120th Anniversary was on 25 January 1999. One of Bulgaria's most venerable institutions, the BNB noted the occasion with a special Jubilee Program of Events. This included publishing a detailed, annotated and illustrated history of the Bank; a collection of archive documents from 1879 to 1900 (jointly with the Council of Ministers' Chief Office of Archives, and first stage in a project to publish major Bank documents from inception to 1989); a catalogue of all banknotes issued by the BNB; and a catalogue of the BNB Art Collection, whose best works went on temporary show at the National Art Gallery as part of the Jubilee. The BNB headquarters hosted a public exhibition on money in the Bulgarian lands from antiquity to the present. A commemorative coin was minted for the occasion. The scientific conference on the Art of Eastern European Central Banking in the 1990s saw participation by central bank executives from the region and leading nations. The Jubilee Program contributed to the establishment of a BNB institutional memory: an intangible condition for raising Bank authority and effectiveness.

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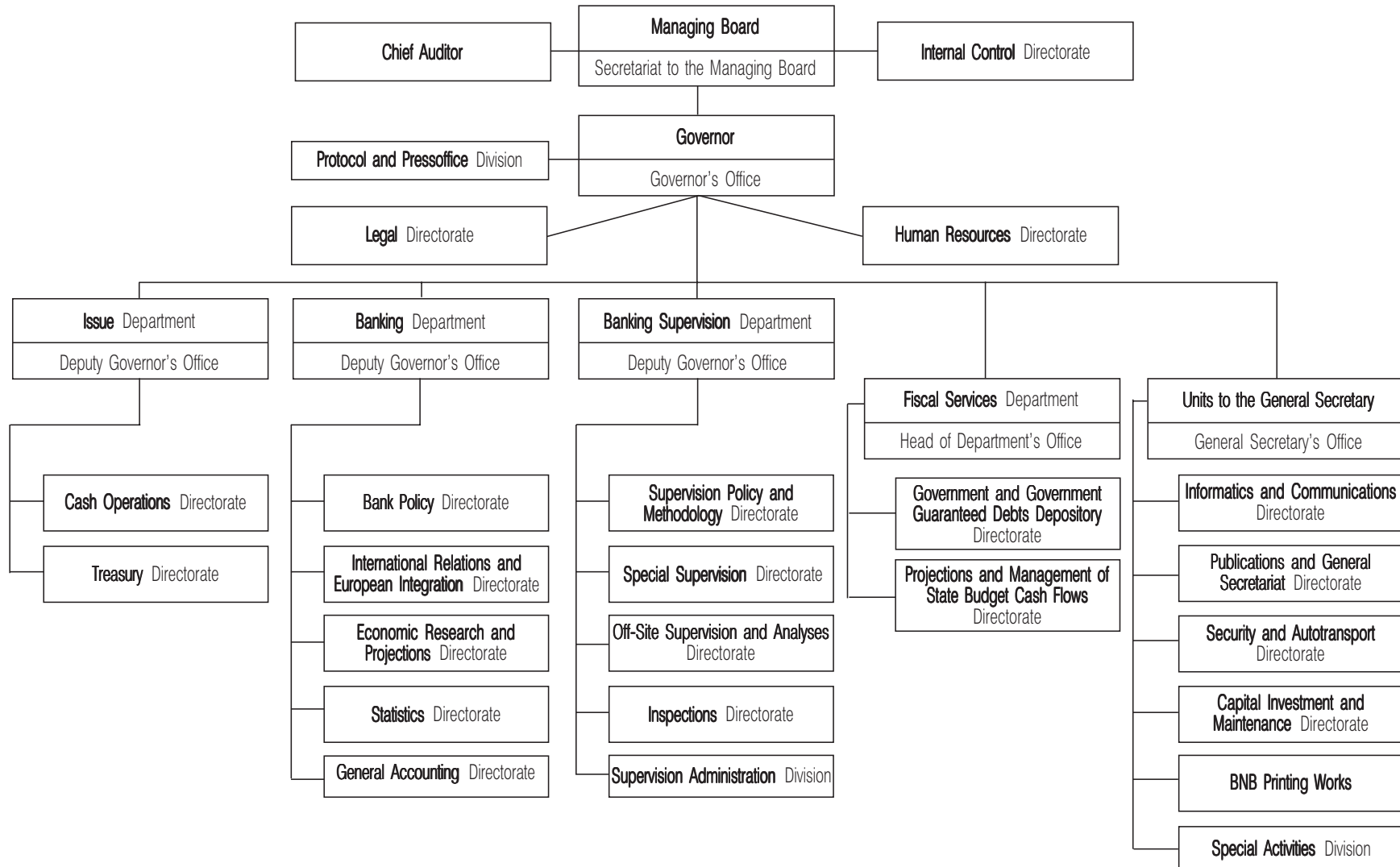
**Honorable Chairman  
of the National Assembly;  
Honorable People's Representatives,**

*Under the provisions of Article 1, paragraph 2, and Article 51 of the  
Law on the Bulgarian National Bank, I have the honor of submitting the  
Bank's 1999 Annual Report.*

A handwritten signature in black ink, consisting of a series of fluid, connected strokes that form a stylized representation of the name Svetoslav Gavriiski.

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

**Organizational Structure of the BNB**  
(as of 30 April 2000)



# **Bulgarian National Bank Management**

## **MANAGING BOARD**

**Svetoslav Gavriiski**  
Governor

**Martin Zaimov**  
Deputy Governor

**Roumen Avramov**

**Emilia Milanova**  
Deputy Governor

**Garabed Minassian**

**Bojidar Kabaktchiev\***  
Deputy Governor

**Georgi Petrov**

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\* By Resolution of the National Assembly of 11 June 1999, upon expiry of Valentin Tzvetanov' term of office, Bojidar Kabakchiev was elected Deputy Governor, Head of the Banking Department and BNB Managing Board member.

## Abbreviations

<i>ASAL</i>	<i>Agriculture Sector Adjustment Loan</i>
<i>BGL (Lev)</i>	<i>National Currency of the Republic of Bulgaria prior to Redenomination</i>
<i>BGN</i>	<i>National Currency of the Republic of Bulgaria after the Redenomination</i>
<i>BIS</i>	<i>Bank for International Settlements, Basle, Switzerland</i>
<i>BISERA</i>	<i>Banking Integrated System for Electronic Transfer</i>
<i>BNB</i>	<i>Bulgarian National Bank</i>
<i>BSE</i>	<i>Bulgarian Stock Exchange</i>
<i>CB</i>	<i>Commercial Banks</i>
<i>CEFTA</i>	<i>Central European Free Trade Association</i>
<i>CIF</i>	<i>Cost, Insurance, Freight</i>
<i>CM</i>	<i>Council of Ministers</i>
<i>CMD</i>	<i>Council of Ministers Decree</i>
<i>Comecon</i>	<i>Council for Mutual Economic Assistance</i>
<i>EBRD</i>	<i>European Bank for Reconstruction and Development</i>
<i>ECU</i>	<i>European Currency Unit</i>
<i>EFTA</i>	<i>European Free Trade Association</i>
<i>EIB</i>	<i>European Investment Bank</i>
<i>EU</i>	<i>European Union</i>
<i>FESAL</i>	<i>Financial and Enterprise Sectoral Adjustment Loan</i>
<i>FLIRBs</i>	<i>Front-loaded Interest Reduction Bonds</i>
<i>FOB</i>	<i>Free on Board</i>
<i>GDP</i>	<i>Gross Domestic Product</i>
<i>GFD</i>	<i>Gross Foreign Debt</i>
<i>IMF</i>	<i>International Monetary Fund</i>
<i>LBNB</i>	<i>Law on the Bulgarian National Bank</i>
<i>LSPDACB</i>	<i>Law on State Protection of Deposits and Accounts with Commercial Banks</i>
<i>LTII</i>	<i>Law on Taxation of Individual Incomes</i>
<i>MF</i>	<i>Ministry of Finance</i>
<i>NLO</i>	<i>National Labor Office</i>
<i>NSI</i>	<i>National Statistical Institute</i>
<i>OECD</i>	<i>Organization for Economic Cooperation and Development</i>
<i>RBSBL</i>	<i>Republic of Bulgaria State Budget Law</i>
<i>SDR</i>	<i>Special Drawing Rights</i>
<i>SFRD</i>	<i>State Fund for Reconstruction and Development</i>
<i>SII</i>	<i>State Insurance Institute</i>
<i>TFP</i>	<i>Transitional and Final Provisions</i>
<i>VAT</i>	<i>Value Added Tax</i>
<i>WB</i>	<i>World Bank (International Bank for Reconstruction and Development)</i>
<i>ZUNK</i>	<i>Bulgarian Abbreviation of the Law on Settlement of Nonperforming Credits Negotiated prior to 31 December 1990 (LSNC)</i>

# Contents

<b>I. Developments in the World Economy and Finances</b>	
1. An Overview and Major Trends in the Development of the World Economy _____	11
2. Developed Countries _____	12
3. The Transition Economies _____	13
<b>II. Developments in the Bulgarian Economy</b>	
1. Major Events in 1999 _____	19
2. The Real Sector _____	21
Gross Domestic Product _____	21
Prices _____	23
Employment, Unemployment and Pay _____	25
3. External Sector _____	26
Balance of Payments _____	26
Foreign Debt and Debt Indicators _____	29
Foreign Trade _____	32
4. Monetary Sector _____	39
5. Fiscal Sector _____	48
<b>III. Foreign Exchange Reserves Management</b>	
1. Management Strategy _____	55
2. Foreign Exchange Reserves Structure _____	56
3. Net Revenue and Profitability from Foreign Exchange Reserves Management _____	60
<b>IV. Financial Markets and Liquidity</b>	
1. Liquidity _____	63
2. Financial Markets _____	65
3. Payment System and Settlement _____	69
<b>V. The Banking Sector and Banking Supervision</b>	
1. Major Trends in the Development of the Banking Sector _____	73
2. Compliance with Supervision Requirements _____	76
3. Banking Supervision Activities throughout 1999 _____	79
<b>VI. European Integration and International Activity</b>	
1. European Integration _____	87
2. International Activity _____	88

<b>VII. BNB Financial Statements</b>	
1. Annual Financial Statement _____	93
Auditors' Report to the Managing Board of the BNB _____	95
Statement of Responsibilities of the Managing Board of the BNB	96
Balance Sheet of the BNB as of 31 December 1999 _____	97
Income Statement _____	98
Statement of Recognized Gains and Losses _____	98
Cash Flow Statement _____	99
Notes to the Financial Statements _____	100
2. Report on the Execution of the BNB Budget _____	111
<b>Appendix</b> _____	113



## **I. Developments in the World Economy and Finances**

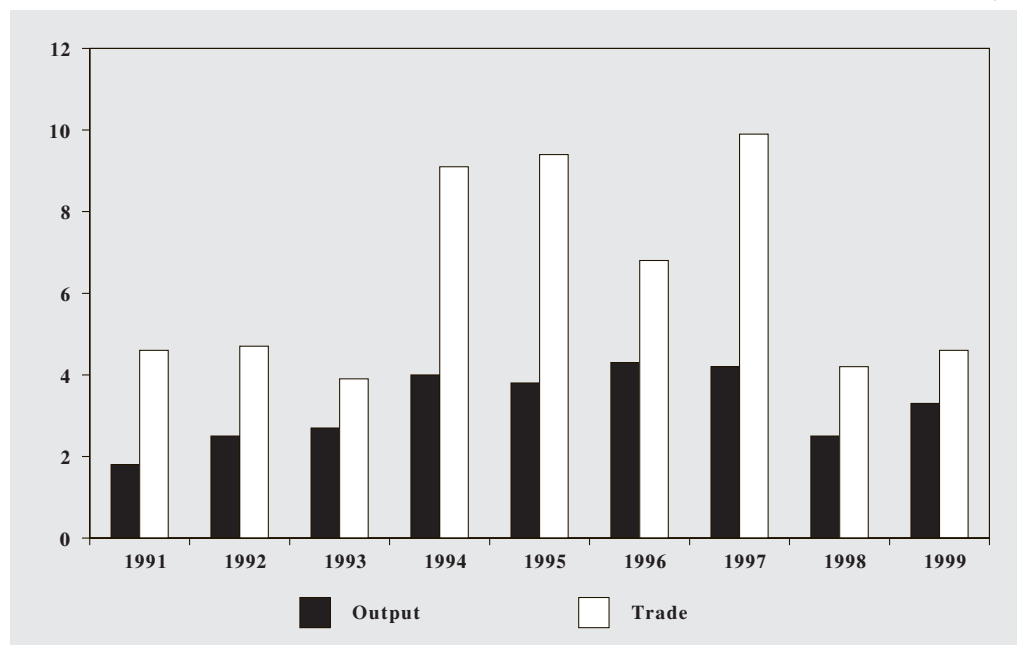


# 1. An Overview and Major Trends in the Development of the World Economy

Global economic and financial conditions improved markedly in the past year despite severe repercussions from emerging markets turmoil. Positive developments reflect reviving credibility in financial markets and rebounding economic activity in Southeast Asian countries, Japan, and Russia. World output growth stood at 3.3%<sup>1</sup> and world trade grew slightly: from 4.2% in 1998 to 4.6% in 1999.

## DEVELOPMENTS IN WORLD OUTPUT AND TRADE

(%)



Source: IMF.

The IMF forecasts a continuing recovery of world output (4.2%) and trade (7.2%) based, to a great extent, on expectations of continued expansion in the USA and steady growth in Europe.

As a result of higher demand for energy inputs and their severely restricted supply from OPEC countries, international prices of energy commodities doubled but this did not have serious implications for global inflation. According to estimates, inflation for 1999 has hit a forty year record low. The IMF forecast is for a 1.4% inflation in developed countries, 6.5% in developing countries, and 43.7% in transition economies.

Even though private investors' credibility in emerging markets was restored in the past year, reported investment flows could not regain the levels of the pre-Asian-crisis period. Investors' interest focused chiefly on attractive American stock markets as these provided the best financing terms.

<sup>1</sup> According to IMF estimates.

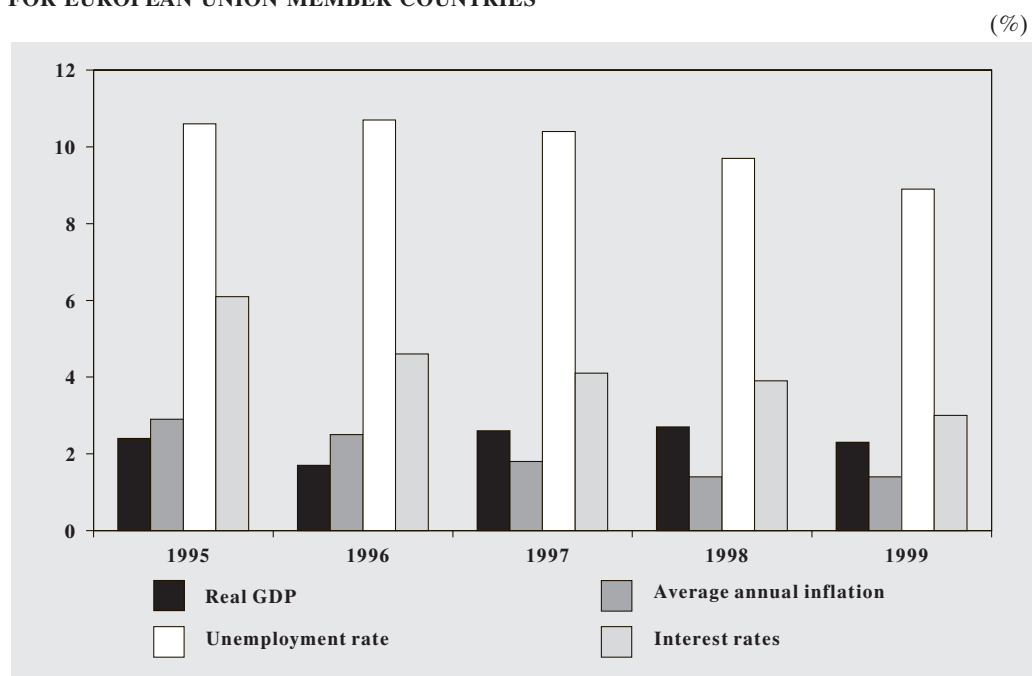
## 2. Developed Countries

Despite the slowdown in the business cycles of European Union member countries, developed countries as a whole posted 2.8% growth in 1999. This is mainly due to the recovery of the Japanese economy and strong growth rates in the USA and Southeast Asia. Inflation (1.4%) dropped well below average and unemployment, measured as a percentage of the labor force, is set to gradually decrease between 1999 and 2001. Budget deficits of the seven major countries are forecast to fall to 1% of GDP on average, consistent with the policies of fiscal consolidation and improved tax collection pursued.

### The European Union

In 1999 growth rates of European Union member countries slowed to 2.3%. Higher external demand and gradual euro devaluation helped regain previous export volumes.<sup>2</sup>

#### BASIC MACROECONOMIC INDICATORS FOR EUROPEAN UNION MEMBER COUNTRIES



Source: IMF.

Expectations of swift economic growth in the first year of European Monetary Union were not fulfilled due to significantly divergent business activity in different member countries. The business cycles of the three leading members of the European Union also diverged: while France's economic growth peaked, Italy and Germany experienced the first signs of economic recovery.

At the end of 1999 Community business climate improved substantially. This may boost investment demand and hence improve growth prospects. Unemployment dropped to 8.9%,<sup>3</sup> thus contributing to enhanced consumer demand. Continued euro devaluation against the US dollar boosted demand and economic activity in the eurozone. The sharp rise in energy input prices did not put pressure on inflation and the latter remained at the past year's levels.

The European Central Bank is set to continue pursuing a flexible monetary policy in 2000, taking into account economic growth rates, labor market conditions, and movements in international forex markets, as well as inflationary expectations and expansion sustainability. The heavy tax burden remains a major concern among

<sup>2</sup> *European Central Bank Monthly Bulletin*, February 2000.

<sup>3</sup> *World Economic Outlook*, March 2000, IMF.

member countries. Stabilizing governmental finances and creating conditions for long-term sustainable growth entails eliminating the structural deficits prevalent in most countries.

The forecast for 2000 is of some 3.2% growth in GDP and 1.8% inflation. Expectations of a decline in unemployment to 8.4% (9.4% for the eurozone respectively) will depend to a great extent on forthcoming reforms in labor legislation whose delay may be a barrier to the efficient operation of the monetary union.

#### **The USA**

In 1999 the US economy posted yet another high economic growth result: 4.2%. This was driven by strong internal demand (5.1%) outpacing supply growth rate. The latter, in combination with a constantly appreciating dollar, precipitated a trade balance deficit and, contrary to expectations, did not put pressure on inflation. Given high international prices of raw materials and energy inputs, the consumer price index rose by 2.2% from 1.6% in 1998. Increased labor productivity over the last two years coupled with all-time low unemployment (4.2%) for the last three decades played the role of a constraining factor.

The GDP forecast for 2000 is of 4.2% growth and sustained all-time low levels of unemployment (4.2%) and inflation (2.5%). The greatest challenge for the US economy in 2000 is dependence of the currently high economic growth on stock market optimism. Fears are over a possible dramatic downward revision of stock indices causing shocks in the economy if financial assets' prices fail to effect a 'piecemeal landing' to reduce inflationary pressures. Under such a pessimistic scenario, the US economy may enter into recession, which will reflect adversely on global growth.

#### **Japan**

In 1999 the Japanese economy made efforts to emerge from the crisis, posting a 0.3% GDP growth. As anticipated, hopes of emergence from the crisis associated with a government program providing incentives to domestic demand failed to materialize: it had only a short-lived effect. In the second half of 1999 the economic situation was characterized by weak consumer demand consistent with low real incomes and uncertainties about employment. Exports, the major driving force for growth in Japan, were severely depressed between July and December 1999 due to weak external demand and the sizeable appreciation of the yen against the US dollar.

Forecasts for 2000 are based on scepticism about the efficiency of implementing government measures. Consequently, GDP growth is forecast at 0.9%, inflation at 0.1% and unemployment at 4.7%, retaining the previous year's level.

### **3. The Transition Economies**

Under the impact of the Southeast Asian crisis of late 1997 and subsequent events in Russia, differences among transition economies heightened substantially. The inflow of foreign direct and portfolio investment was strongly affected by the Kosovo Conflict, with Southeastern Europe still experiencing capital deficiencies.

According to IMF forecasts,<sup>4</sup> in 2000 the transition economies will post a growth of 2.6%. Central and East European countries' overall growth is forecast at 3%. The forecast is associated with economic stabilization in Russia and higher growth rates in the European Union, which are major trading partners.

#### **Central Europe**

The *Hungarian economy* did well in 1999. Growth reached 4.1% driven by strong domestic demand reflecting swift export growth. Concurrently, the country's budget deficit fell to 2.7% of GDP,<sup>5</sup> combined with a decrease in the current account deficit to 4.3% of GDP.

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<sup>4</sup> *World Economic Outlook*, March 2000, IMF.

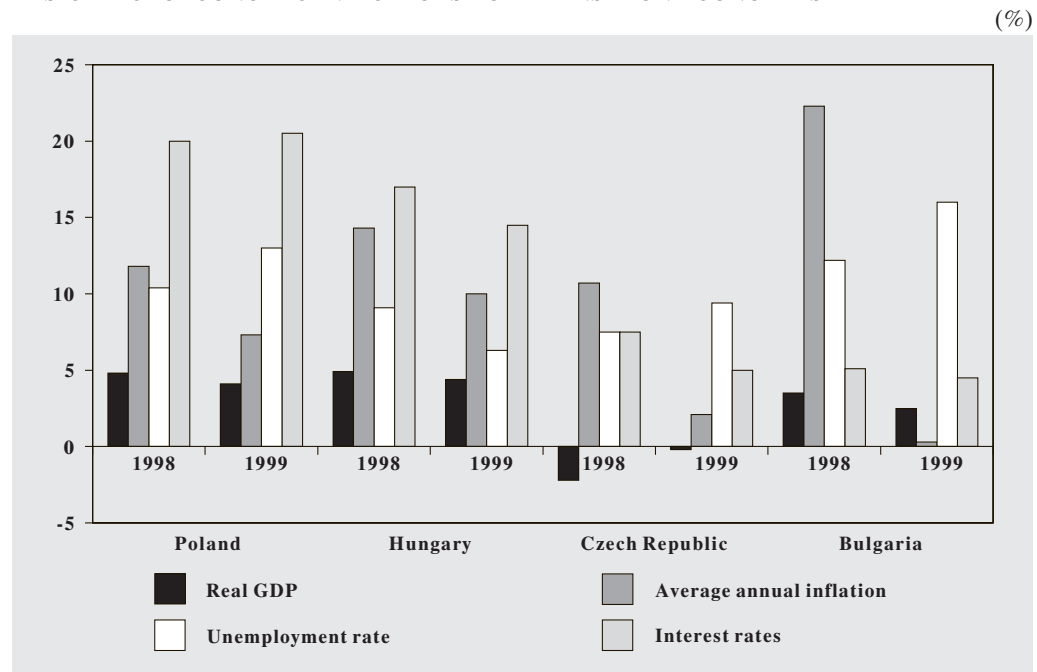
<sup>5</sup> Bank for International Settlements, *Economic Indicators for Eastern Europe*, January 2000.

Stable operation of the effective monetary regime of ‘crawling devaluation’ in combination with an adequately managed banking system created conditions for an improved business climate and sizeable foreign direct investment. Economic growth in 2000 is forecast<sup>6</sup> at 5 – 6%, and budget deficit at 3.5%.

In 1999 *Poland* posted GDP growth of 4.1% coupled with reduced annual inflation at 7.3%, a budget deficit of 2%, and industrial output growth of 4.4%. At the same time, current account deficit rose further (7.6%), contributing to pressure for zloty devaluation.

Forecasts<sup>7</sup> for 2000 focus on accelerated GDP growth at 5.1%, a slight rise in the current account deficit (8% of GDP), reduced inflation of 5.2%, and a budget deficit of 2.3%. Major risks for the development of the Polish economy stem from high unemployment and a possible fall in exports.

#### BASIC MACROECONOMIC INDICATORS FOR TRANSITION ECONOMIES



Source: BIS.

In 1999 the *Czech economy* experienced a decline in GDP (0.5%) for the second year running, reflecting weak external markets and depressed domestic demand. The budget deficit accounted for 1.6%, and the balance of payments current account deficit rose slightly (2.4%). Economic vulnerability in the Czech economy reflects the lack of serious policies for restructuring the banking sector and big industrial enterprises.

The forecast<sup>8</sup> for 2000 envisages a 1.6% GDP growth, an increase in annual inflation to 4.2% and unemployment of 10.5%.

#### Russia

In 1999 the Russian economy posted a 3.2% growth, reflecting improved macroeconomic conditions. Rigorous monetary and fiscal discipline at the beginning of 1999 created conditions for recovery of industrial output and an 8% increase in wholesale sales on the previous year. Expectations that rouble devaluation and high international energy prices would boost exports dramatically did not materialize. Economic growth was achieved thanks to large net exports. The surplus on the balance of payments current account (USD 18 billion) was largely offset by a continued outflow of foreign capital reflecting lack of credibility in economic policy and

<sup>6</sup> Hungarian Ministry of Finance forecast.

<sup>7</sup> According to the macro framework of the national budget.

<sup>8</sup> Czech Statistical Institute forecast.

unclear prospects. Consequently, forex reserves rose by USD 1.6 billion alone.

The banking sector was severely hit by the August 1998 crisis. Lack of progress in banking system restructuring reflected on commercial banks' ever-increasing reluctance to lend to companies and households, which reinforced the downward trend in real credit to the private sector. Against the backdrop of nonexistent investment opportunities commercial banks moved toward establishing broad liquidity positions on their accounts with the central bank.

Prospects for the development of the Russian economy in 2000 are associated with economic growth driven by increased exports and higher domestic demand. Achievement will depend on the progress of reforms in the banking and fiscal sectors and successful structural reform. Official forecasts<sup>9</sup> for 2000 envisage a GDP growth of 1.5 to 3%, annual inflation of 18 to 22% and 13.9% average unemployment.

## Countries with Currency Boards

The Russian crisis reflected negatively on the Baltic countries. *Estonia* reported a 1.3% decline in GDP<sup>10</sup> on the previous year for the first time in five years. Exports grew faster than imports, contributing to a trade deficit reduction of some 6.5 percentage points of GDP. The IMF forecasts an 8.2% current account deficit and a 4.8% of GDP budget deficit. The inflow of foreign direct investment decreased from USD 574.4 million to USD 232.5 million<sup>11</sup> and portfolio investment accounted for just USD 22.4 million. The reasons for this trend mainly reflect declining investor interest following the Russian crisis, and almost completed privatization in the country.

The agreement with the IMF for a USD 39 million loan (signed on 1 March 2000) may bring about an upward revision of forecasts. Current forecasts point to 4% GDP growth, 4.6% annual inflation and contraction of the budget deficit to 1.2%.

In 1999 the *Lithuanian economy* reported a 3.3% GDP decline on the previous year, reflecting severely depressed domestic demand reinforced by a downward trend in wholesale trade. Inflation dropped from 5.1% in 1998 to 0.8% in 1999. The repercussions from the Russian crisis and flat international trade reflected on trade volumes contracting by some 20%. The budget deficit stood at 8.6% of GDP and unemployment rose by some three percentage points.

Estimates<sup>12</sup> for 2000 point to 21% GDP growth, a 2.8% of GDP budget deficit, 2.2% inflation, and a current account deficit of 9.1% of GDP. Expectations of positive trends in the economy are closely associated with the standby agreement with the IMF for a USD 83 million loan in support of the government's economic program.

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<sup>9</sup> Announced by the Russian government on 22 February 2000.

<sup>10</sup> Bank for International Settlements, *Economic Indicators for Eastern Europe*, January 2000.

<sup>11</sup> According to published balance of payments data (Eesti Pank, *Balance of Payments*).

<sup>12</sup> According to the national budget macro framework.





## **II. Developments in the Bulgarian Economy**



## 1. Major Events in 1999

### The Kosovo Conflict

The Kosovo Conflict impacted Balkan countries' economies. Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia and Romania were hardest hit, though to different degrees. The major consequences of the conflict for these countries are associated with an inflow of refugees, disturbed international trade, blocked transit routes to Western Europe, eroded foreign investor and tourist confidence, limited access to international capital markets, and delayed restructuring. The negative effects have been partially offset by intensified activity related to reconstruction of Yugoslavia and South-Eastern and Eastern Europe after the war and the projects financed by the Stability Pact.

The inflow of refugees from Kosovo was the greatest problem for Yugoslavia's neighbors. However, the refugee problem did not affect Bulgaria since the biggest movements were to Albania and Macedonia. Bulgaria extended humanitarian aid, paying the bill for one refugee camp in Macedonia. The humanitarian aid of USD 0.7 million extended by Bulgaria is apparent in the balance of payments capital account for June 1999.

Approximately 60% of Bulgaria's exports pass through Yugoslavia. Damaged roads and disturbed navigation on the Danube prompted a decrease in exports to third countries and increased transport costs due to the use of alternative routes. Between January and June 1999 exports declined by 17% mostly because of the Kosovo Conflict and the Russian crisis. As a result of increased exports in the second half of 1999, the volume of transportation services was partially restored. Having dropped in the first quarter due to the conflict, exports to Yugoslavia started increasing gradually after June 1999. The average monthly volume of exports prior to the conflict amounted to USD 4.5 million, while after the war it rose from USD 13.3 million in July to USD 25.1 million in November and USD 28.8 million in December. This growth reflects expenditure on Yugoslavia's postwar reconstruction and the participation of Bulgarian companies in it. Exports of petroleum products almost doubled after June. Against the background of an overall export drop in 1999, the volume of exports to Yugoslavia increased.

Reduced exports to CEFTA and certain EU member countries might be ascribed partly to the Kosovo Conflict. Moreover, imports from these countries rose on 1998 even during the war. Consequently, worsened transport conditions may not be blamed as a major factor in the export slowdown. This is evidenced by reduced exports to countries unaffected by the Kosovo Conflict such as Russia, the Ukraine, Greece and Turkey.

Disturbed stability on the Balkans resulting from the military conflict in Kosovo contributed significantly to the fall in foreign tourists visiting Bulgarian resorts. Losses incurred could not be compensated even after the conflict was over in midsummer.

The underdeveloped capital market was not impacted by the Kosovo Conflict. Meagre traded volumes and declining prices were attributable to domestic factors. In terms of foreign investment and privatization, the effect was just a temporary delay: during the second half of 1999 several big privatization transactions were realized, such as the sales of Neftochim and Hebrosbank.

## Redenomination of the National Currency

Pursuant to Article 1 of the Law on Redenomination of the Bulgarian Lev, as of midnight on 5 July 1999 the Bulgarian lev was redenominated. A thousand old levs were exchanged for one new lev, with all other prices being revalued at the rate of 1,000 – 1. The Bulgarian National Bank issued Regulation No. 24 of 26 April 1999 on the exchange of old banknotes and coins for new banknotes and coins in connection with the redenomination of the Bulgarian lev.

As of 5 July 1999 the BNB put into circulation a new issue of banknotes and coins with new designs and nominal values: banknotes of 1, 2, 5, 10, 20 and 50 levs and coins of 1, 2, 5, 10, 20 and 50 stotinkas.

The Law on Redenomination of the Bulgarian Lev provided for the gradual replacement of old banknotes and coins by new ones, setting a six-month period during which both new and old banknotes and coins would circulate. During this period BNB tills effected payments in new banknotes and coins. Until ATM readjustment by the end of August, the BNB had effected payments in old banknotes and coins.

Old banknotes and coins were exchanged for new ones at the rate of 1,000 – 1 without any restrictions. In addition, no time limit was fixed for the exchange of old banknotes and coins. During the period of redenomination the BNB concluded agreements with the United Bulgarian Bank, the Bulgarian Post Bank, DSK Bank, and Bulbank for *gratis* exchange of old banknotes and coins for new ones. Given commercial bank cash rollover with new banknotes and coins, and enhanced public interest in the new legal tender immediately after the redenomination, cash payments effected by the BNB increased significantly. In the first week after the redenomination 13% (by value) of banknotes and coins in circulation were exchanged, with 36% by the end of July and 60% by the end of August.

## The 'Millennium Bug'

Bulgaria's financial system remained unaffected by the Millennium Bug. Work on a solution started in the BNB in early 1998 setting the priorities for tackling the problem.

Top priority was given to Millennium Bug measures at the Banking Integrated System for Electronic Transfer (BISERA), encompassing all national settlements, and including commercial banks, the Central Depository and BORICA. Second priority was given to the BNB. Third priority area was commercial banks, and the fourth priority included BNB participation in tests made by external suppliers of payment and information services (SWIFT, Reuters, Telerate, and Bloomberg).

Work on the Millennium Bug involved coordinated and consistent actions with other national and international authorities and organizations. In respect of BISERA the BNB had worked jointly with Bankservice AD since 1998. For complete reassurance, additional tests were held on 20 and 21 November 1999, and all participants in the payment system checked the changes implemented between October 1998 and November 1999.

Another important aspect of the preparatory work on the Millennium Bug was adjustment of BNB internal systems. A complete inventory of hardware, and of operating system, network and applications software was drawn up in order to confirm Bank readiness for 2000.

Changes associated with the redenomination of the national currency and Millennium Bug had to be implemented in the tight schedule of six months, requiring huge expenditures by the BNB and companies working on the Millennium Bug. Therefore, the BNB Board took a principle decision to include as many tasks as possible in the preparatory work for lev redenomination and Millennium Bug countermeasures. As a result Millennium Bug work at the BNB finished by the end of May 1999.

The Banking Supervision Department paid special attention to commercial banks' readiness for the Millennium Bug. To this end, instructions on the major aspects of the preparatory work and detailed questionnaires for assessing commercial bank readiness were sent to banks in the summer of 1998. The questionnaires were processed and analyzed jointly with IMF consultants.

Thanks to the initiated preventive measures, Bulgaria was not affected by the Millennium Bug.

## 2. The Real Sector

Economic developments throughout 1999 were significantly impacted by external factors. The Kosovo Conflict contributed to the poor performance of export-oriented industries during the first half of 1999. Economic growth in the EU member countries, to which the bulk of Bulgaria's exports is channeled boosted Bulgaria's exports and helped reverse the downward trend in output and exports in the second half of 1999.

Macroeconomic stabilization, reflecting the introduction of a currency board, continued in 1999. Despite increased international commodity market prices and unavoidable rises in administratively fixed prices, stringent compliance with currency board rules kept inflation under control. Increased genuine pay boosted public purchasing power which in turn made domestic demand a major factor behind economic growth. The government reported an insignificant deficit on the 1999 consolidated fiscal program. Tax collectability improved, while budget spending stayed within projected margins. Low and stable interest rate levels contributed to enhanced credibility in the national currency. The banking system remained stable indicating a high capital adequacy ratio resulting from the high liquidity maintained and from prudent lending. The increased balance of payments current account deficit was counterbalanced by the rise in direct and portfolio investment. Bulgaria's balance of payments was continuously underpinned by international financial institutions, resulting in an increase of Bulgaria's forex reserves.

### Gross Domestic Product

According to preliminary NSI data, 1999 nominal gross domestic product reached BGN 22,776.4 million. GDP increased by 2.4% on 1998 in real terms. GDP dynamics were divergent through 1999. The first quarter of the year saw insignificant growth of 0.8%, attributable to decreased external and internal demand. With the resolution of the Kosovo Conflict, and the gradual recovery in exports in the second quarter, economic growth was restored (2.7%), and GDP growth of 1.8% was reported for the first half-year. The second half of 1999 was characterized by better results: 4.8% growth in the third quarter, reflecting robust agricultural output.

Final results suggest that rapid response by the real sector to external shocks is the major factor of economic growth under currency board conditions and strong dependence on the world economy. Due to the impossibility of offsetting the adverse effects of international markets through monetary measures, the reaction of the economy depends entirely on real sector and labor market flexibility.

#### **GDP by Final Demand Component**

Increased internal demand led to growth in private consumption (households' individual consumption) and investment. During 1999 final consumption grew by 4.7%, attributable primarily to increased household spending (5.2%) and less to government spending (4.8%). Gross fixed capital formation increased both in real (25.3%) and relative terms: its share in GDP rose from 11.6% in 1998 to 15.9% in 1999.

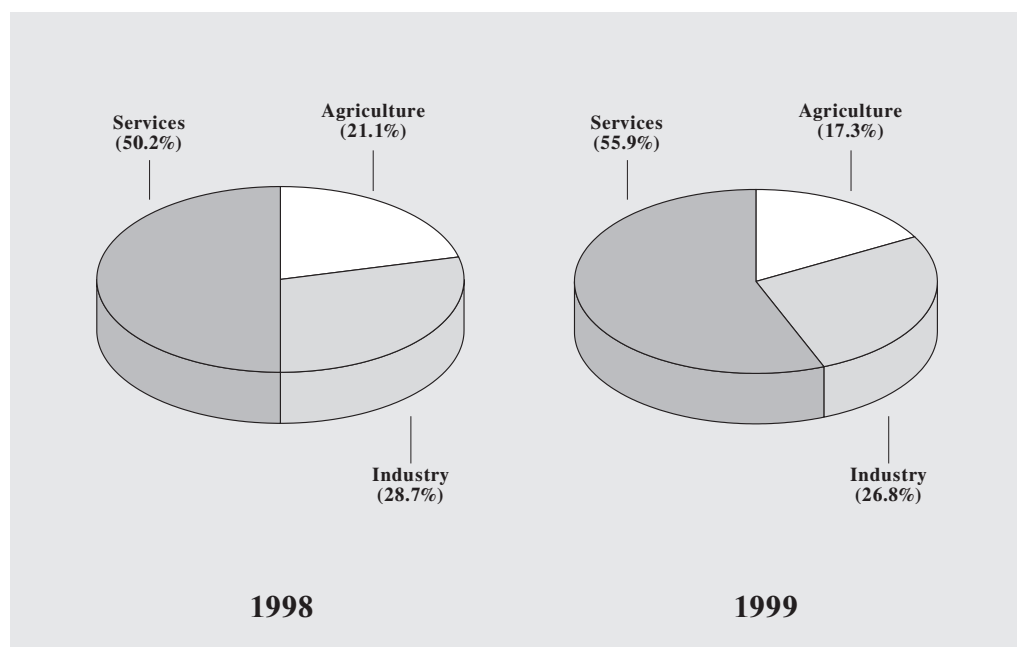
According to expenditure method, GDP structure is characterized by a significant share of final consumption. This is explained by the trade deficit (accounting for 7.8% of GDP) which has contributed to increased shares of other components. This trend was most clearly pronounced during the first half of 1999 when final consumption comprised approximately 95% of GDP.

Investment in public sector projects increased during 1999. The physical growth in inventories due to unsold output slowed, signaling a recovery of economic growth. Increased exports during the second half-year were an important factor behind 1999 growth. GDP growth reflects mostly a greater volume of exports and increased gross fixed capital formation.

## Sectoral GDP Structure

In respect of supply GDP growth is associated mostly with a marked pickup in services: 5.8% in real terms. The bulk of GDP growth is attributable to rapidly growing services in the finance, credit and insurance sector (44.6%) and communications (20.7%). The slowdown in industrial output continued, showing a decline of 4.4% in real terms. At constant prices agriculture indicated 0.6% growth but its share in GDP diminished to 17.3% due to a 16% slump in agricultural prices.

### SECTORAL GDP STRUCTURE (gross value added at current prices)

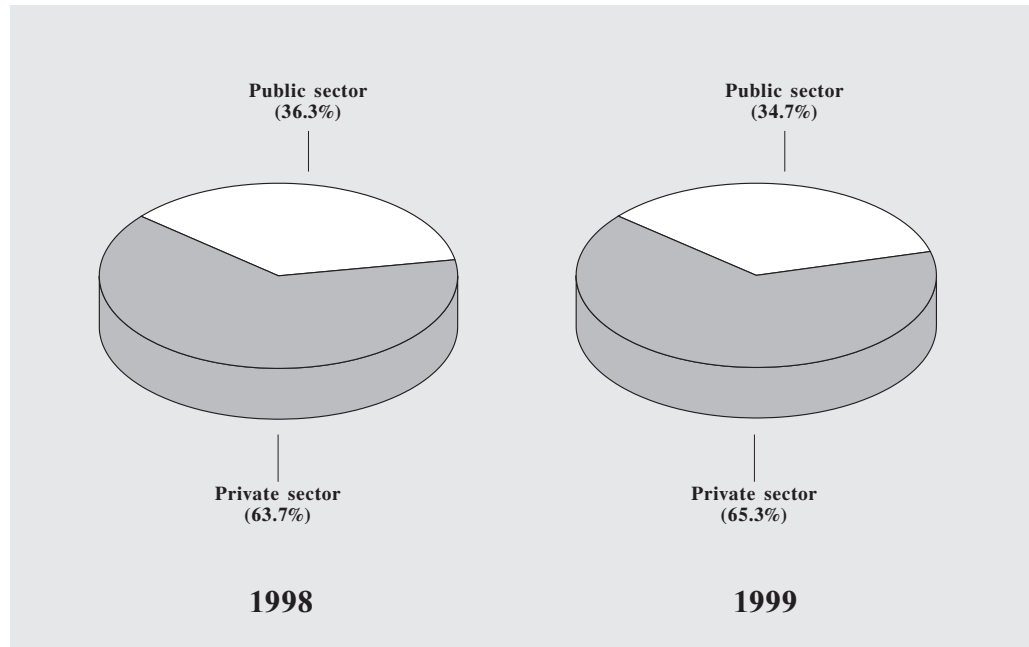


Source: NSI.

## GDP by Origin of Ownership

Preliminary 1999 GDP data indicates positive trends: the share of value added in the private sector increased progressively. This positive effect is all the more welcome since goods and services produced in the private sector increased by 6.4%, while the public sector reported a drop of 6.3%. At current prices private sector gross value added amounted to BGN 12,998.4 million, or 65.3% of whole-economy gross value added. The private sector in agriculture and forestry accounted for the largest share: approximately 98%. The sizable share of agriculture and forestry is related to the inclusion of smallholdings and garage industries in the methodology of reporting for value added in agriculture. More than 53.3% of industrial output was produced by the private sector. Services accounted for the largest share in private sector value added (52.3%).

## STRUCTURE OF GROSS VALUE ADDED BY ORIGIN OF OWNERSHIP



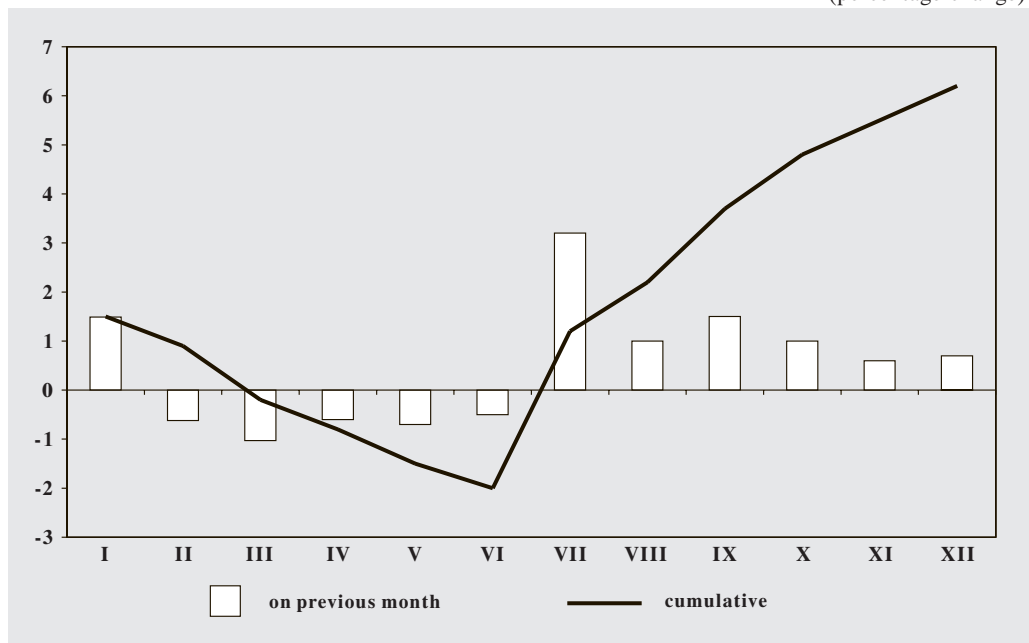
Source: NSI.

## Prices

In 1999 inflation measured through the consumer price index reached 6.2%. 1999 is characterized by deflation in the first half-year with the exception of January and price increases in the second half-year. Price movements under a currency board reflected the price dynamics of nontradable goods and services, insufficient foreign capital inflow, changes in feedstock material prices and increased administratively fixed prices.

### CONSUMER PRICE DYNAMICS IN 1999

(percentage change)



Source: NSI.

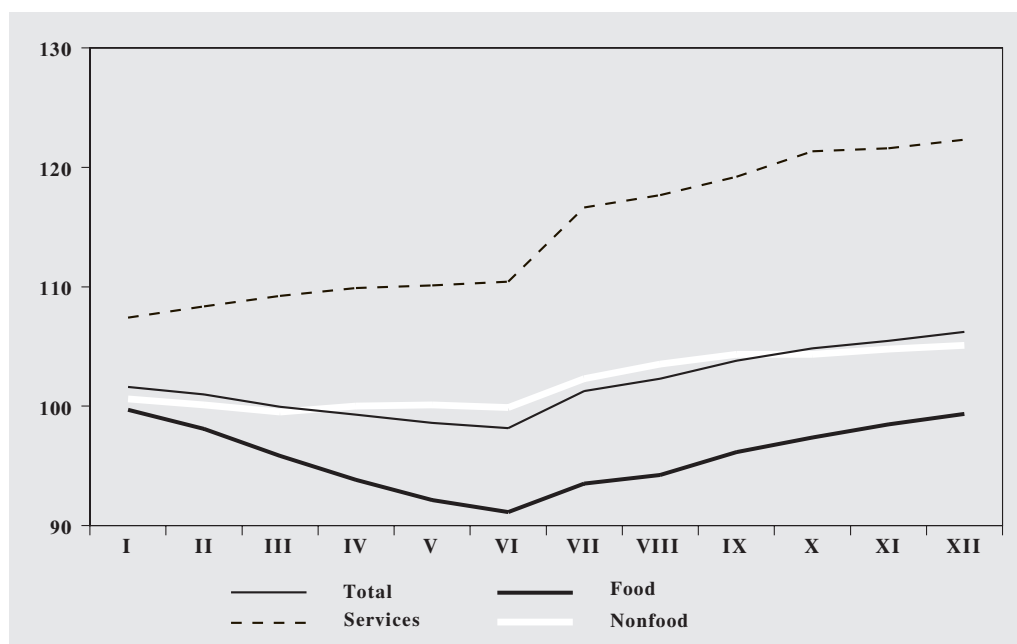
Higher inflation during the second half of 1999 was attributable to the appreciation of the US dollar against the Euro and, correspondingly, the Bulgarian lev.

Consumer prices in 1999 grew more than expected. However, due to the fixed exchange rate, a generally low inflation rate was sustained. Price increases until mid-1999, reflecting reduced exports of Bulgarian goods, were attributable mostly to external shocks. Decreased output and slower growth rates in the period under review pertained to low economic growth rates in Europe. Higher international oil prices prompted increases in fuel and transportation services prices in the last 1999 quarter.

State monopolies and government administered prices were the major internal reasons behind the higher inflation rate reported in 1999. Price rises in administered items (thermal and electric energy, fuels, administration services) were responsible for inflation rate growth between July and December 1999. This group of items and services comprises a big share in households' expenditure, and therefore the consumer price index was impacted significantly by their price movements. The CPI reacts immediately to price changes in these items. It is of note that months with increased prices of administered items were characterized by higher inflation. Manufacturers and traders immediately set new prices which helped subdue inflationary impulses. Seasonal movements in some food prices (winter increases) acted as another inflationary factor.

Prices of tradable goods followed international trends. During 1999 certain changes occurred in customs duties and excises. Prices of food and soft drinks, as well as clothing and footwear declined by 4.7%. Prices of other consumer goods picked up: alcoholic drinks and tobacco products: by 22.7%; housing, water, and electricity: by 29.8%; transport: by 16.9%; communications: by 6%; health care: by 13.6%; leisure pursuits: by 12.5%; restaurants and hotels: by 16%. Despite the dramatically increased prices of nontradable goods and services, the significant weight of food in the consumer basket helped keep inflation relatively low.

**CONSUMER PRICE INDICES BY COMMODITY GROUP IN 1999**  
(December 1998 = 100)



Source: NSI.

Reduced domestic consumption (due to low average pay, which remains the major source of households' income) coupled with insufficient inflow of investment were the other factors repressing inflation.

The trade deficit reported in 1999 and the big share of imported goods in consumption did not impact inflation due to the fixed exchange rate and the geographic

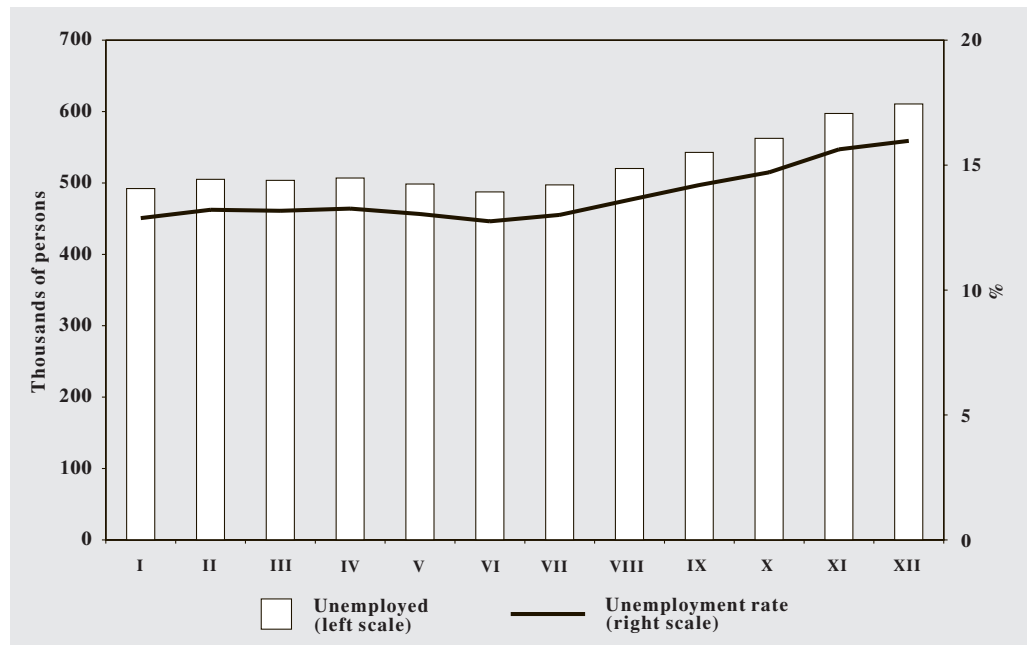


structure of imports. The only exception were imports of oil and gas. Unlike other transition economies, no increases in consumer prices occurred as a result of external capital inflow. Foreign investment was concentrated mainly on privatization. As a result the government was the recipient of funds, rather than the private sector. Tight government spending and foreign debt repayments helped avoid a significant increase in the monetary base as a result of privatization revenue and loans disbursed by international financial institutions (primarily the IMF).

## Employment, Unemployment and Pay

The average number of employees under labor contract was 1,915,491 persons<sup>13</sup> in 1999: a decrease of 134,800, or 6.5% on 1998. This decline affected both the public and private sectors. Public sector employment decreased by 9.5% and private sector employment by 2.3%. This reduction reflects ongoing restructuring of the economy and the closure of a number of state-owned enterprises, particularly in the processing branch where the number of employees fell from 689,748 to 591,555. Despite the accelerated privatization, public sector employees exceeded those in the private sector by some 12%. The year saw a shift of employees, *inter alia*, to private sector industry, trade and repair works, transport and communications.

### UNEMPLOYMENT IN 1999



Source: NLO.

In the remaining industries the reduced number of public sector jobs was partially offset by the increased number of private sector employees. Private sector dominated industries (by employee numbers) were: agriculture (approximately two-thirds), the processing branch, construction, and hotels and catering. The state retained its monopoly on the energy industry and utilities, and a majority interest in the extracting industry (91%), transport and communications (78%), and education and health care.

The number of registered unemployed in labor offices was 610,551 by the end of 1999, accounting for 15.97% of the total number of unemployed. Throughout 1999 unemployment gradually increased with an insignificant fall in June. This growth was caused by changes in the system of health insurance effective from mid-1999. They prompted unregistered jobless people and persons employed in the gray

<sup>13</sup> According to NSI preliminary data.

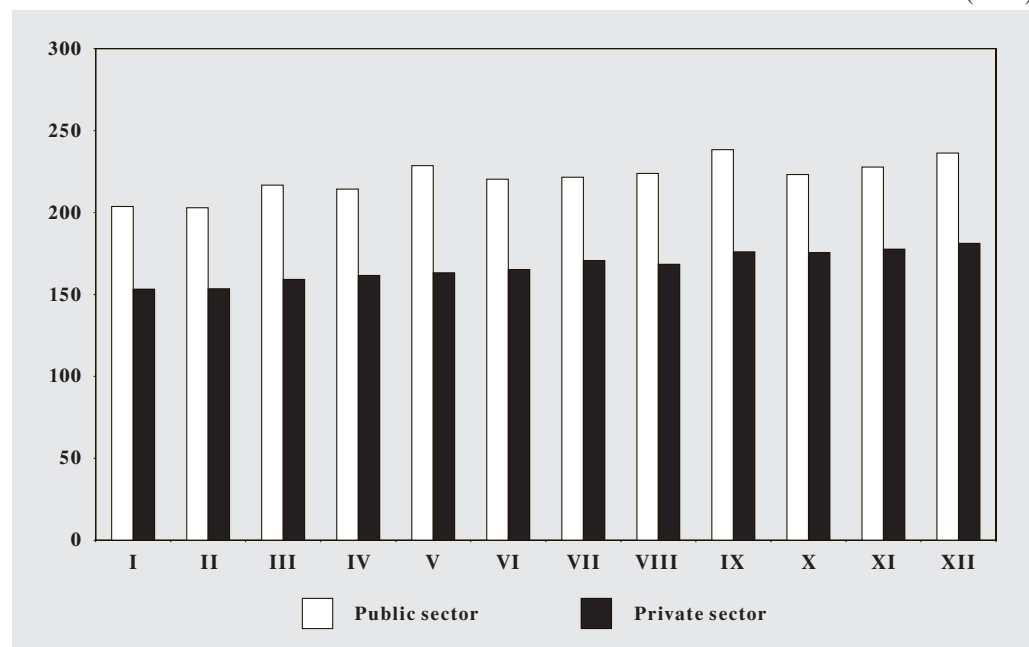
economy to register in labor offices. By comparison the end-1998 unemployment level was 12.17%. The number of employees in the public and private sectors declined by 143,000 since the end of 1998.

During the fourth quarter of 1999 the average monthly salary was BGN 206.21 and if annual bonuses are included, it was BGN 213.42. Average salary growth (1.47%) lagged behind inflation in the period under review.

Data on private sector salaries is dubious due to unpaid social security and health insurance contributions. This also accounts for underreporting of the private sector's share in GDP. According to available data highest pay was reported in the *energy, gas and water* sectors: BGN 427.68; and in *finance, credit and insurance*: BGN 420.29. Salaries grew in the *extracting industry* (by 10.8%) and *finance, credit and insurance* (by 5.5%).

#### SALARIES IN 1999

(BGN)



Source: NLO.

Increased public sector salaries should be considered more as compensation by the government for raised social security and health insurance contributions and less as reflecting increased productivity and real income growth. Data bears this out: two public sector salary increases in 1999 were effected solely by government decisions.

### 3. External Sector

#### Balance of Payments

##### Current Account

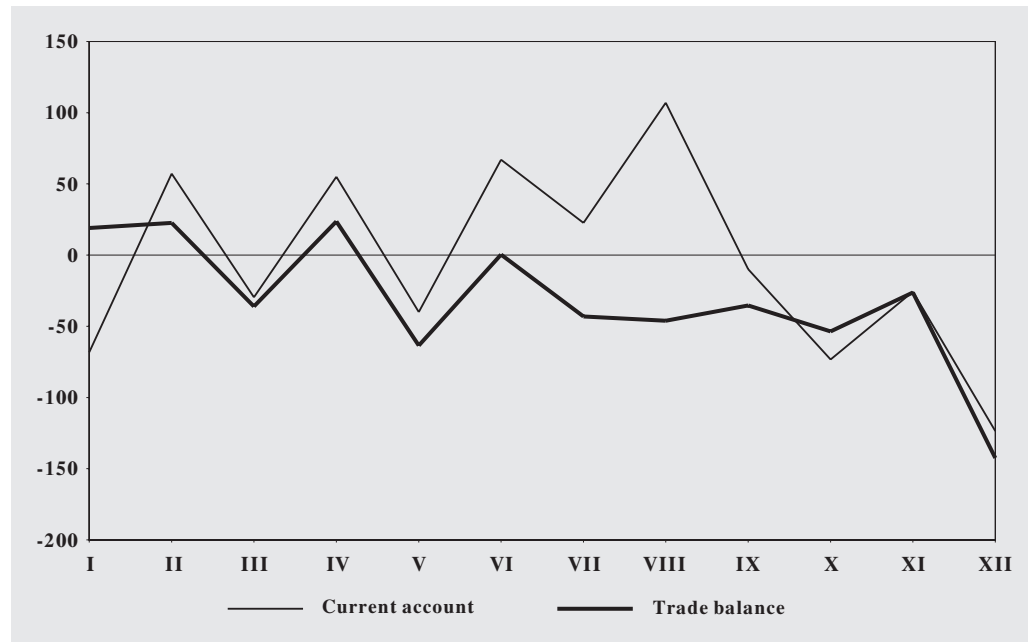
In accordance with preliminary data on imports and exports, the balance of payments current account showed a deficit of USD 659.1 million (5.4% of GDP) in 1999: an increase of USD 597.6 million on 1998 when a deficit of USD 61.4 million had been reported on the balance of payments current account. This worsening reflected mainly the negative trade balance and smaller net income from services.

**Trade balance.** According to preliminary data the 1999 *trade balance* reported a deficit of USD 1,064 million (8.7% of GDP): an increase of USD 683.4 million compared with 1998.

*Exports (FOB)* declined by 5.4% (USD 226.3 million) from 1998, reaching USD 3,967.2 million. *Imports (FOB)* totaled USD 5,031.2 million, indicating an increase of 10% (USD 457 million) on 1998.

**CURRENT ACCOUNT AND TRADE BALANCE IN 1998**  
(monthly data)

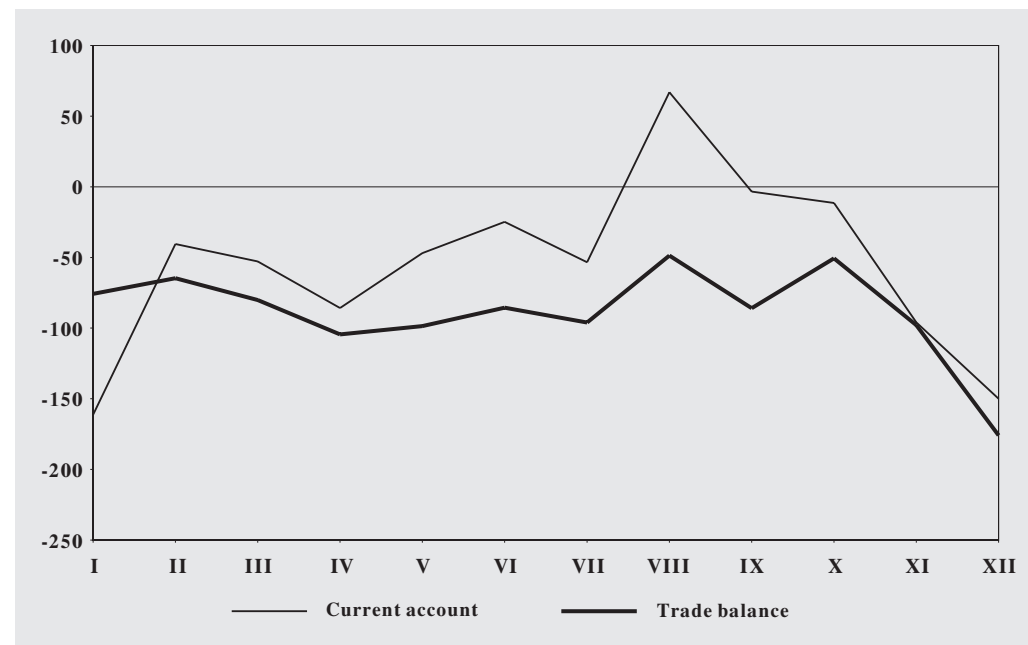
(million USD)



Source: NSI and BNB.

**CURRENT ACCOUNT AND TRADE BALANCE IN 1999**  
(monthly data)

(million USD)



Source: NSI and BNB.

**Services.** The balance on *services* ended in surplus (USD 317.9 million) though it worsened by USD 54.7 million from 1998 when it stood at USD 372.6 million. Net revenue from *transportation services* was negative (USD -124 million), a decrease by USD 46.5 million compared with 1998 (USD -77.5 million) mostly attributable to higher imports. *Travel* revenue declined by 9.2% (USD 41.2 million) compared with 1998 (USD 447.1 million), reaching USD 405.8 million.<sup>14</sup> The balance on travel wors-

<sup>14</sup> Travel revenue and expenditure were computed in accordance with the *Methodology for Valuation of Revenue and Expenditure from Tourist Services in Bulgaria's Balance of Payments*, BNB and the Ministry of Trade and Travel, Sofia, 18 November 1999.

ened due to lower tourism revenue in 1999 (by 3.7% or USD 36.2 million), a result of the decreased number of tourists to Bulgaria, particularly from the former USSR.

**Income.** In 1999 the balance on the *Income* item improved (by USD 70.8 million) from 1998. The *credit income*, with interest accounting for the biggest share in it, declined by USD 39.9 million from 1998 (from USD 306.7 million to USD 266.8 million) due to the lower income received by the BNB. The amount of *debit income*, with interest accounting for the biggest share, totaled USD 479.5 million: a decrease of USD 110.7 million on 1998 (USD 590.2 million) due to the smaller amount of interest paid by the government and commercial banks (also a result of lower international market rates during the first half of 1999).

**Current transfers.** Net revenue from *Current transfers* in 1999 increased by USD 69.7 million reaching USD 299.7 million against USD 230.1 million in 1998.

## Capital Account

In 1999 the balance of payment *Capital account* reported a deficit of USD -2.4 million due to reporting of the aid granted to Macedonia associated with the Kosovo Conflict.

## Financial Account

The balance on the *Financial account* turned positive (USD 649.5 million), an increase of USD 328.7 million compared with 1998 (USD 266.8 million).

*Bulgaria's direct investment abroad* during 1999 totaled USD 4.9 million.<sup>15</sup> According to preliminary data, *direct investment into Bulgaria* in the period under review amounted to USD 770.4 million (6.3% of GDP), an increase of USD 233.1 million (43.4%) from 1998 (USD 537.3 million).<sup>16</sup> In fact, the 1999 current account deficit is entirely covered by direct foreign investment. *Portfolio investment by residents abroad* increased by USD 207.7 million against USD 129.4 million in 1998.<sup>17</sup> Commercial banks' investment in long- and short-term debt securities increased most dramatically: by USD 131.9 million and USD 37.2 million respectively. During 1999, *portfolio investment in Bulgaria* grew by USD 8 million (against a decrease of USD 112 million in 1998), mainly reflecting nonresidents' investment in short-term debt securities (USD 14.6 million). However, nonresidents' investment in long-term debt securities decreased by USD 8.5 million, primarily because of decreased investment into government securities.

*Bulgarian assets invested abroad (Other investment – assets)* fell by USD 3.3 million against USD 222.3 million in 1998. *Commercial banks' deposits abroad* (which comprise a significant portion of Bulgaria's investment abroad) dropped by USD 19.6 million (against a decrease of USD 69.4 million in 1998). Foreign currency deposits by *other sectors* (Bulgarian companies abroad) rose by USD 76 million (against an increase of USD 26.9 million in 1998).<sup>18</sup>

In 1999 foreign currency deposits by individuals and private companies (*Other currency and deposits*)<sup>19</sup> increased by USD 63.6 million (against an increase of USD 155.2 million in 1998), reflecting enhanced public confidence in the banking system.

During the review period *Bulgaria's obligations (Other investment – liabilities)* rose by USD 80.3 million (against a fall of USD 251.2 million in 1998), mainly as a result of the net growth in disbursed trade credits of USD 79.7 million and the increase in nonresidents' deposits by USD 44.6 million. Despite the decline in total credits disbursed by nonresidents in 1999 (by USD 26.4 million), credit extended to Bulgarian companies in 1999 rose by USD 87.8 million on 1998.

<sup>15</sup> Since March 2000 the BNB has initiated a survey of investment by Bulgarian financial and real sector enterprises abroad. Results from the survey will be used to update 1999 data currently obtained from commercial banks.

<sup>16</sup> More detailed information on direct investment into Bulgaria is available on the BNB website ([www.bnb.bg](http://www.bnb.bg)).

<sup>17</sup> Changes due to valuation adjustments excluded.

<sup>18</sup> Data obtained from the Bank for International Settlements is used for 1998 and the January to September 1999 period. Data obtained from companies providing information to the BNB is used for the October to December 1999 period.

<sup>19</sup> Changes due to valuation adjustments excluded.

The *overall balance* for the review period ran a surplus of USD 86.4 million against a deficit of USD -94.7 million in 1998.

Between January and December 1999 *BNB forex reserves* grew by USD 517.4 million (changes reflecting valuation adjustment have been excluded).<sup>20</sup> This growth was mainly a result of commercial banks' net purchases of foreign currency in the amount of USD 455.5 and increased balances on foreign currency accounts of budget organizations (USD 240.6 million). During 1998 BNB forex reserves had grown by USD 460.9 million. *Bulgaria's obligations to the International Monetary Fund* rose by USD 161.5 million (net) against an increase of USD 129.2 million in 1998.

*Exceptional financing* provided to Bulgaria in 1999 totaled USD 269.5 million, indicating a fall of USD 156.9 million or 36.8% compared with 1998 (USD 426.4 million). Exceptional financing in 1999 included loans extended in support of Bulgaria's balance of payments: from the Japanese Export-Import Bank (USD 50.6 million), Sweden (USD 6.2 million), the European Union (USD 40.2 million), and the World Bank under ASAL (USD 76.2 million) and FESAL-2 (USD 95.9 million).

## Foreign Debt and Debt Indicators

### Amount and Structure of Gross Foreign Debt

According to preliminary data, Bulgaria's gross foreign debt (GFD) by end-December 1999 totaled USD 9,989.3 million: a decrease of USD 270.2 million (2.6%) compared with end-1998. Bulgaria's reduced foreign debt reflects repayment of USD 711.5 million of debt to the International Investment Bank. During 1999 foreign debt service totaled USD 977.2 million. New credits and deposits disbursed totaled USD 1,168.9 million. As a result of concluded transactions Bulgaria's foreign debt decreased by USD 61.9 million, and as a result of valuation adjustments: by USD 208.3 million.

Between January and December 1999 the *net transfer of funds* indicated a surplus of USD 191.7 million (1.6% of GDP) against a deficit of USD 115.4 million (0.9%) in 1998.

#### MATURITY STRUCTURE OF GROSS FOREIGN DEBT

	1998		1999	
	million USD	% of GFD	million USD	% of GFD
Long-term foreign debt	9,277.7	90.4	9,468.8	94.8
Short-term foreign debt	981.8	9.6	520.5	5.2
Gross foreign debt	10,259.5	100.0	9,989.3	100.0

Source: BNB.

Compared with end-1998, *long-term foreign debt* increased by USD 191.1 million (2.1%). This increase is attributable to transactions worth USD 300.8 million, while valuation adjustments prompted a decrease of USD 119.7 million in the long-term debt. Loans disbursed in support of the balance of payments and funds extended under World Bank, European Investment Bank and European Bank for Reconstruction and Development projects contributed significantly to the long-term debt increase. The growth in long-term debt also reflected the assumption of the Mineralbank and Economic Bank debts to the Italian SACE, and of the Mineralbank obligations to Spain, totaling USD 84.9 million.

<sup>20</sup> With the inclusion of changes due to valuation adjustments, BNB reserves grew by USD 165.5 million.

### SCOPE OF GROSS FOREIGN DEBT: Methodological Notes

Data on gross foreign debt reported by the Bulgarian National Bank is summarized in two major groups: government and government guaranteed debt and nonguaranteed debt. The Ministry of Finance provides data on government and government guaranteed debt. Due to methodological differences there is a discrepancy of USD 104.8 million between 1999 foreign debt data by the Ministry of Finance and that of the BNB.

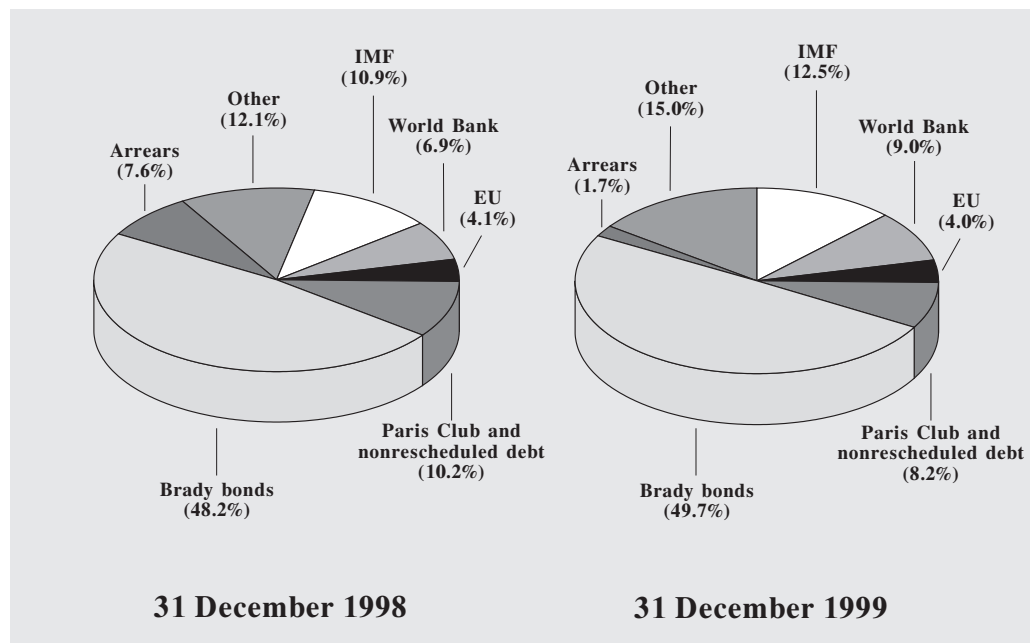
In accordance with international standards and particularly World Bank and other international financial institutions methodology, public foreign debt includes: government debt, local government debt, and obligations of enterprises with 50% or more state equity (*External Debt: Definition, Statistical Coverage and Methodology*, The World Bank, IMF, BIS, OECD, Paris, 1988, p. 173). *The IMF Balance of Payments Manual* (1993) includes the same scope of public foreign debt (paragraphs 85 to 87) which provides the required consistency between data on changes in the gross foreign debt of an individual country and balance of payments data.

Following these internationally recognized standards, the Bulgarian National Bank adds or subtracts the following to the debt reported by the Ministry of Finance: (1) foreign currency-denominated ZUNK bonds owned by nonresidents (USD 94.6 million by end-December 1999); and (2) Eurobonds issued by the Metropolitan Municipality, and owned by nonresidents (USD 27.1 million) are added; (3) bonds owned by residents (USD 16.9 million) are excluded from obligations on Brady bonds.

Compared with December 1998 *short-term debt* declined by USD 461.3 million (47%), reflecting settlement of the overdue portion of the debt to the *International Investment Bank* in March (USD 504.3 million by end-February 1999) and renegotiations on overdue obligations by Mineralbank and Economic Bank.

By the end of December 1999 Bulgaria's long-term obligations to *official creditors* totaled USD 4,044.8 million, increasing just USD 0.9 million on end-1998. Bulgaria's biggest institutional creditors are: the International Monetary Fund (12.5% of gross foreign debt), the World Bank (9% of gross foreign debt), and the European Union (4% of gross foreign debt). Bulgaria's long-term obligations to *private creditors* totaled USD 5,424 million: an increase of USD 190.2 million (3.6%) compared with 31 December 1998. The major reasons behind this are, *inter alia*, the increase of USD 132.8 million (106.7%) in unsecured debts by *Other sectors*, and nonresidents' purchases of bonds issued by the Metropolitan Municipality in the amount of USD 27.1 million.<sup>21</sup>

#### GROSS FOREIGN DEBT STRUCTURE BY CREDITOR



Source: BNB.

<sup>21</sup> EUR 27 million (at the USD exchange rate by end-December 1999).

## Gross Foreign Debt Service

During 1999 gross foreign debt payments totaled USD 977.2 million, including principal payments of USD 496.7 million (50.8%) and interest payments of USD 480.4 million (49.2%). Compared with 1998 gross foreign debt payments in 1999 decreased by USD 216.8 million (principal payments fell by USD 167.5 million and interest payments by USD 49.3 million).

### GROSS FOREIGN DEBT PAYMENTS IN 1999

	(million USD)				
	I quarter	II quarter	III quarter	IV quarter	Total
Principal	159.0	61.5	184.8	91.4	496.7
Interest	222.7	36.1	181.8	39.9	480.4
Total	381.7	97.6	366.6	131.3	977.2

Source: BNB.

In 1999 foreign debt payments (on long- and short-term loans) to *official creditors* totaled USD 564.9 million, including USD 370.3 million in principal payments and USD 194.6 million in interest payments. Compared with 1998 the amount of payments to official creditors declined by USD 243.7 million (principal payments declined by USD 198.4 million and interest payments by USD 45.3 million).

Foreign debt repayments to *private creditors* both on long- and short-term loans totaled USD 412.2 million, including principal repayments of USD 126.4 million and interest repayments of USD 285.8 million.

## Changes in Debt Indicators

The decline in gross foreign debt during 1999 helped improve the ratio of *gross foreign debt to gross domestic product* from 83.7% in December 1998 to 81.3% in December 1999.

As a result of export of goods and nonfactor services declining faster than gross foreign debt, the ratio of *gross foreign debt to exports of goods and nonfactor services* deteriorated: from 171.5% in 1998 to 173.7% in 1999.

The ratio of *foreign debt service to gross domestic product* improved from 9.7% to 8%: the result of lower spending on gross foreign debt service in 1999.

The ratio of *foreign debt service to exports of goods and nonfactor services* reached 17% by end-1999 indicating an increase of three percentage points from December 1998, attributable to the greater decline in foreign debt service expenses (by 18.2%) than in exports of goods and nonfactor services (by 3.8%).

The ratio of *short-term debt to gross domestic product* improved by 3.8 percentage points: from 8% by the end of 1998 to 4.2% by the end of 1999. This is due to settlement of Bulgaria's obligations to the International Investment Bank in March 1999 and repayment of a portion of the obligations of Economic Bank and Mineralbank.

Increased nonresidents' forex deposits coupled with higher residents' obligations on government securities in 1999, slightly affected the ratio of *total deposits and government securities held by nonresidents to BNB forex reserves*. This ratio rose from 5.5% in December 1998 to 6.7% in December 1999.

The ratio of *short-term debt to gross foreign debt* improved significantly from 1998 reflecting reduced arrears. It fell from 9.6% in December 1998 to 5.2% in December 1999.

## DEBT INDICATORS

(%)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Gross foreign debt/GDP <sup>1</sup>	161.1	160.5	130.5	118.1	78.1	102.9	96.0	83.7	81.3
Gross foreign debt/exports <sup>2</sup>	296.0	274.7	282.5	218.4	149.8	153.5	155.5	171.5	173.7
Gross foreign debt service/GDP <sup>1</sup>	3.2	5.1	4.0	15.1	7.5	11.6	8.8	9.7	8.0
Gross foreign debt service/exports <sup>2</sup>	5.8	8.8	8.7	27.9	14.5	17.2	14.3	20.0	17.0
Short-term foreign debt/GDP <sup>1</sup>	125.9	123.7	99.8	21.6	10.1	11.1	11.8	8.0	4.2
(Deposits+government securities) <sup>3</sup> / BNB forex reserves	0.0	149.5	156.9	37.8	13.6	20.3	11.3	5.5	6.7
Short-term foreign debt/gross foreign debt	78.1	77.1	76.5	18.3	12.9	10.7	12.3	9.6	5.2

<sup>1</sup> The GDP estimate for 1999 used in this report is USD 12,287 million.

<sup>2</sup> Exports of goods and nonfactor services.

<sup>3</sup> Including nonresidents' foreign currency deposits and foreign currency-denominated government bonds held by nonresidents.

Source: BNB.

## Foreign Trade

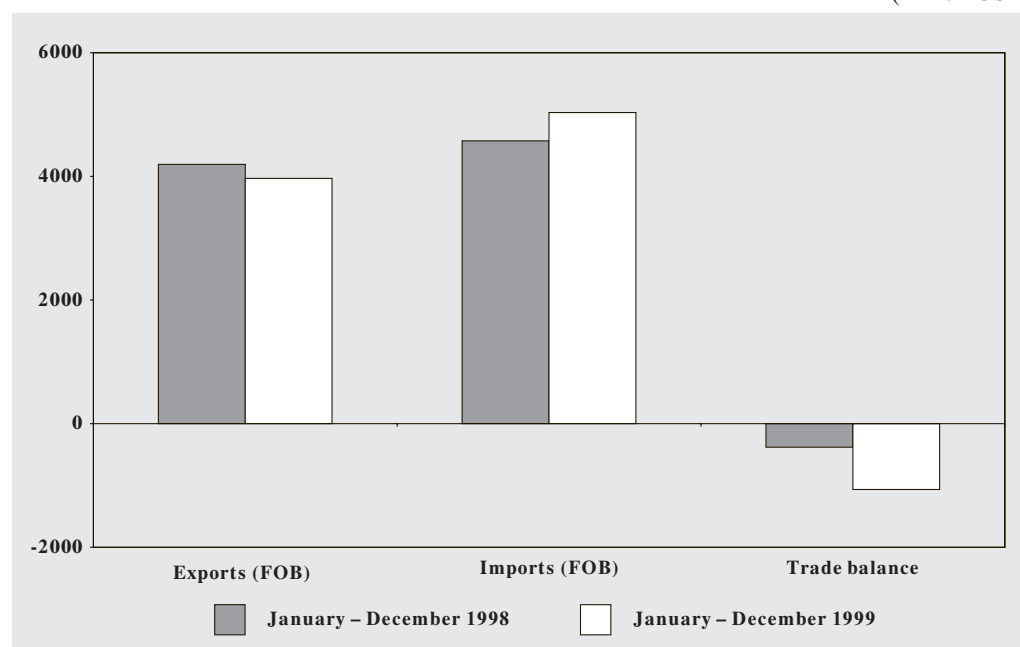
Between January and June 1999 Bulgaria's foreign trade developed in conditions of falling demand in international markets. The Kosovo Conflict seriously impeded Bulgarian exports to the European Union: Bulgaria's major trade partner. During the second half of 1999 economic activity in the EU picked up and Asian economic growth returned. This caused an upsurge in international commodity markets. Enhanced demand and reduced crude oil extraction resulted in a dramatic price increase. Prices of steel and nonferrous metals rose at a slower rate.

### The Trade Balance

According to preliminary data, the trade balance showed a deficit of USD 1,064 million (8.7% of GDP): an increase of USD 683.3 million compared with 1998. Exports (FOB) reached USD 3,967.2 million, a decrease of 5.4% (USD 226.3 million) on the same period of 1998. Imports (FOB) grew by 10% (USD 457 million) on 1998 amounting to USD 5,031.2 million.

### FOREIGN TRADE DYNAMICS

(million USD)



Source: Data based on customs declarations provided by the Computing Center Directorate within Information Service AD and the NSI, and adjusted by the BNB for date of customs clearance.



## Exports

Bulgaria's 1999 exports were governed by reduced demand for raw material feedstocks in international markets during the first half of 1999, the Kosovo Conflict, greater external demand in the last months of 1999, and structural changes in the Bulgarian economy.

### PRICES IN INTERNATIONAL COMMODITY MARKETS

Commodities	Average prices (USD per ton)		Change 1999/1998	
	1998	1999	USD	%
Cereals	126.1	112.0	-14.1	-11.2
Cotton	1,445.0	1,171.0	-274	-19.0
Wool	4,290.0	3,988.0	-302	-7.0
Carbamide	103.1	77.8	-25.3	-24.5
Triple superphosphate	173.1	154.5	-18.6	-10.7
Aluminum	1,357.0	1,361.0	4.0	0.3
Copper	1,654.0	1,573.0	-81.0	-4.9
Lead	529.0	503.0	-26.0	-4.9
Zinc	1,025.0	1,076.0	51.0	5.0
Hot rolled steel	279.2	243.3	-35.9	-12.9
Cold rolled steel	370.8	340.4	-30.4	-8.2
Steel products*	74.9	68.4	-8.7	-8.7
Crude oil**	12.7	17.8	5.1	40.2

\* Index 1990 = 100.

\*\* Brent, USD per barrel.

Source: Global Commodity Markets – Commodity price data. The World Bank, January 2000.

In 1999 export revenue from *raw material feedstocks* (with a low value added) declined by 13% (USD 250.6 million) from 1998 to reach USD 1,684.3 million. Exports of *fertilizers* (by use) dropped most significantly (by 53.5% or USD 42.2 million) reflecting progressively falling prices in international markets and structural changes in sector-specific enterprises. Exports of *cast-iron, iron and steel* dropped dramatically by 33.4% (USD 131.8 million), *textile materials* by 27.3% (USD 51.7 million), and *chemicals* by 22.9% (USD 44.4 million). Export growth was reported in the aggregate groups of *feedstock for food production*: by 29.3% (USD 43.7 million); *tobacco* by 24.8% (USD 12.7 million); *cement*: by 7.3% (USD 1.8 million); and *wood, paper and cardboard*: by 3.8% (USD 4.7 million).

Compared with 1998 exports of **investment goods** fell by 10% (USD 67.3 million) due mostly to lower vehicle exports (down by 49% or USD 45.2 million). Exports of *machines, tools and appliances* increased by 8.1% (USD 16 million) contributing to the smaller overall decline in exported investment goods.

### EXPORT DYNAMICS

Exports (by use)	Relative share for 1998 (%)	Contribution to total export change (percentage points)				
		1999				Total
		I quarter	II quarter	III quarter	IV quarter	
Consumer goods	31.1	-1.1	-1.0	4.7	0.8	0.7
Raw material feedstocks	46.1	-13.2	-16.1	0.7	5.9	-6.0
Investment goods	16.0	-3.0	0.1	-0.4	-3.1	-1.6
Energy resources	6.7	-3.0	1.8	2.2	5.0	1.4
EXPORTS, TOTAL (FOB)	100.0	-20.4	-15.2	7.3	8.6	-5.4

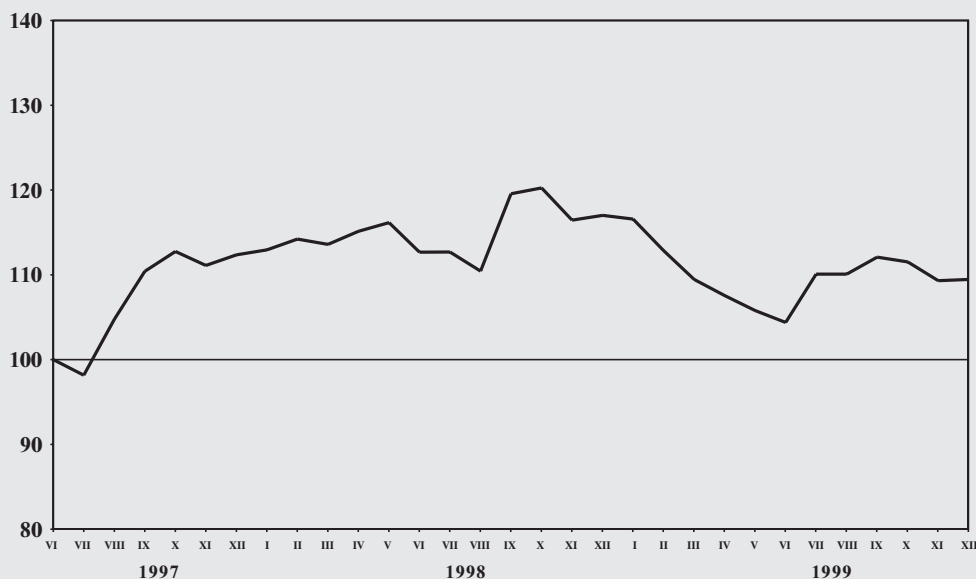
Source: Data based on customs declarations provided by the Computing Center Directorate within Information Service AD and the NSI, and adjusted by the BNB for date of customs clearance.

In 1999 exports of **consumer goods** increased (by 2.4% or USD 30.9 million), with exports of *clothing and footwear*, and *furniture* indicating the biggest growth: 23.6% (USD 126.2 million) and 13.9% (USD 12.2 million) respectively. Exports of *drinks, cigarettes and food* declined dramatically: by 35.8% (USD 50.8 million), 34% (USD 19.4 million) and 18.4% (USD 43.2 million) respectively. To a certain degree this export drop reflects reduced exports to Russia. The devaluated rouble (a result of the 1998 summer forex crisis) and the subsequent dramatic decrease in real public income in Russia resulted in reduced import consumption.

### REAL EXCHANGE RATE

In 1999 the real effective exchange rate devalued by 6.5% from end-1998 while exports decreased by 5.4%. Generally, real devaluation of the national currency results in higher export competitiveness and export growth. The paradox was particularly pronounced in the first half of 1999 when the real effective exchange rate devalued by 10.8% while exports fell by 17.8% on the first half of 1998. Conversely, in the second half of 1999 total exports (FOB) rose by 7.9% while the effective exchange rate appreciated by 3.5% on end-June 1999.

#### REAL EXCHANGE RATE INDEX (June 1997 = 100)



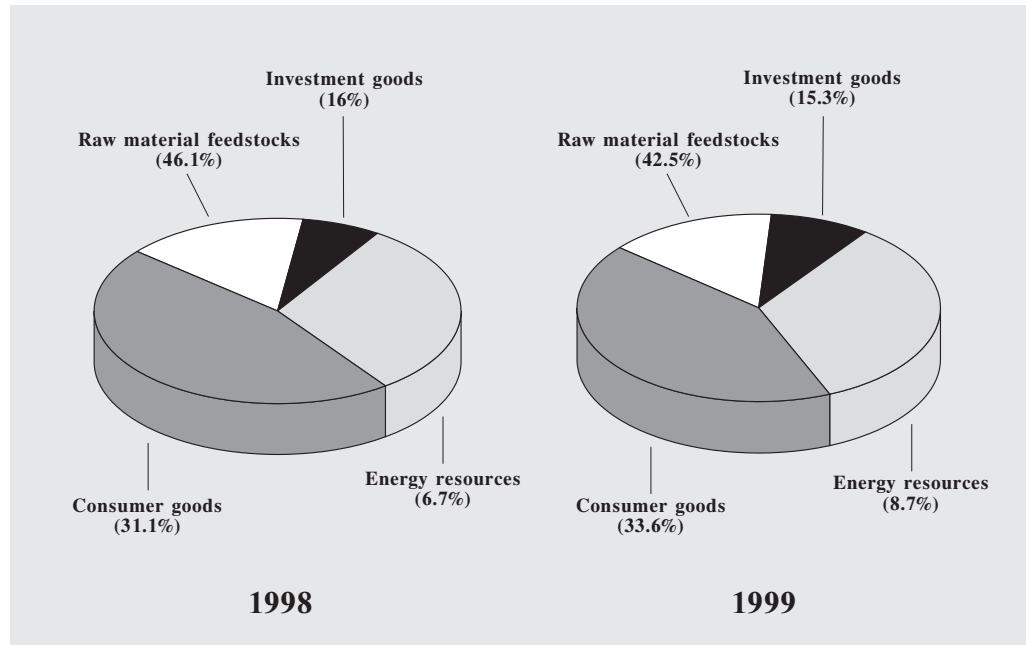
\* Based on countries' weight in settlements (USD – 75%, DEM – 20%, CHF – 5%).  
Source: BNB, NSI and International Financial Statistics.

The decline in Bulgarian exports (and lower export competitiveness) in 1999 cannot be explained merely by fluctuations in the real effective exchange rate through the reporting year. More intensive economic restructuring to increase labor productivity and change the structure of Bulgarian exports is needed for continued improvement of export competitiveness and sustained growth.

Despite the strong decline in exports of **electrical energy** in 1999 (by 45.3%, USD 52.5 million), exports of energy resources rose (by 21.5%, USD 60.7 million) from 1998, reflecting increased exports of *petroleum products* (by 75.6%, USD 116.7 million).

In the context of an overall export decline significant changes evolved in the commodity structure of exports. The share of *consumer goods* and *energy resources* increased at the expense of *raw material feedstocks* and *investment goods*. While export growth in *energy resources* is entirely driven by prices, increased exports of *consumer goods* are also accompanied by structural changes, clearly mapping Bulgaria's competitive positions. At the same time, the fall in exports of *raw material feedstocks* is another major venue of achieving higher export efficiency in the medium term.

## EXPORT STRUCTURE BY USE



Source: Data based on customs declarations provided by the Computing Center Directorate within Information Service AD and the NSI, and adjusted by the BNB for date of customs clearance.

## Imports

Factors impacting Bulgaria's imports in 1999 were: sharply raised crude oil prices in international markets, price rises in other imported goods (due to higher oil prices), increased external credits to the private sector, increased domestic credit to the private sector, and higher real salaries in this sector.

In 1999 imports of **investment goods** rose substantially (by 40.2%, USD 426.3 million) on 1998. Imports of *vehicles* increased most significantly (by 86.2%, USD 140.7 million).<sup>22</sup> Imports of *machines, tools and appliances* also rose substantially (by 56.8%, USD 215.2 million). Import growth in these commodity groups is due to investment, mainly in the private sector, particularly in companies with foreign stakes. This is confirmed by increased bank credit in dollar terms to the private sector (by 16.1%) and credit drawings from abroad (a 1.2-fold increase). A significant growth in imports of *electrical machines* was also reported in 1999 (by 23.6%, USD 40.4 million).

In 1999 imports of **consumer goods** grew by 33.1% (USD 234 million) attributable both to the lower competitiveness of Bulgarian goods in the domestic market and to the structure of the range of products. Imports of *automobiles, housing and home furniture, medical goods and cosmetics, and clothing and footwear* rose most significantly: by 258.4% (USD 104.9 million), 60% (USD 53 million), 29.4% (USD 38.6 million) and 16.8% (USD 25.3 million) respectively. At the same time, imports of *food, drink and cigarettes* dropped, by 13.6% (USD 25.9 million).

<sup>22</sup> One of the reasons for increased imports of *automobiles* is the new requirement for individuals importing automobiles to file customs declarations as of 1 January 1999 (pursuant to the *Customs Law* and the regulatory instruments on its enactment effective as of 1 January 1999). Cars split between investment and consumer goods fifty-fifty.

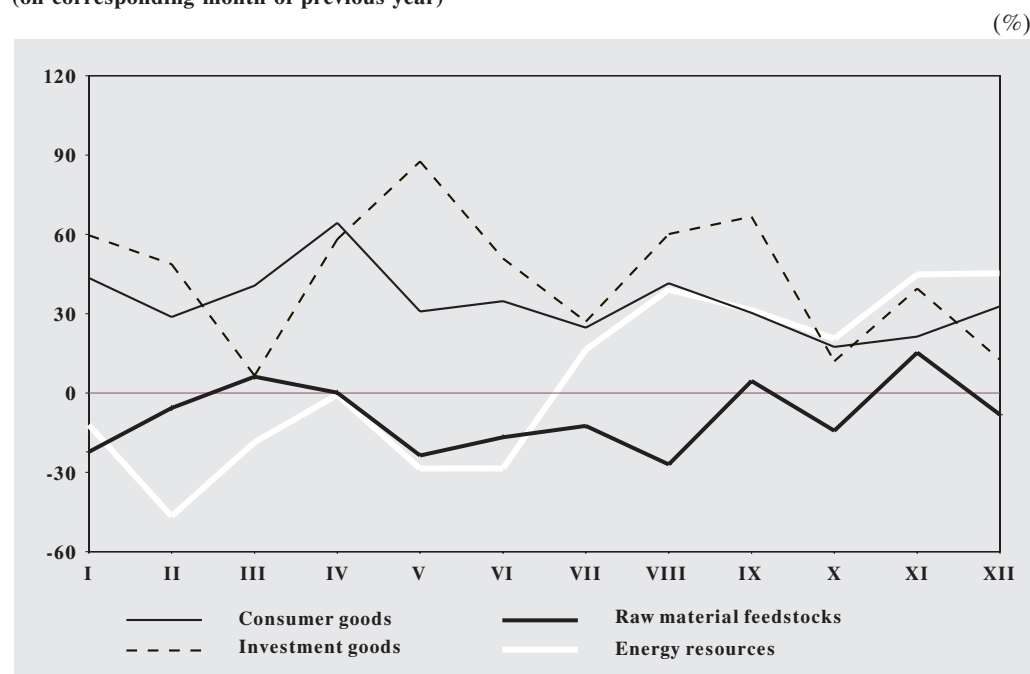
## IMPORT DYNAMICS

Imports (by use)	Relative share for 1998 (%)	Contribution to total import change (percentage points)				
		I quarter	II quarter	1999 III quarter	IV quarter	Total
Consumer goods	14.3	4.6	6.0	4.4	4.0	4.7
Raw material feedstocks	40.5	-2.2	-6.8	-5.6	-1.3	-3.9
Investment goods	21.4	6.4	12.5	11.1	4.8	8.6
Energy resources	23.8	-8.6	-4.1	6.1	7.9	0.6
IMPORTS, TOTAL (FOB)	100.0	0.2	7.7	16.0	15.4	10.0

Source: Data based on customs declarations provided by the Computing Center Directorate within Information Service AD and the NSI, and adjusted by the BNB for date of customs clearance.

In 1999 imports of **raw material feedstocks** decreased by 9.6% (USD 192.7 million) on the previous year. The most significant decline occurred in imports of *chemical products* (44%, USD 125.1 million), *ores* (22.5%, USD 44.4 million), and *cast-iron, iron and steel* (24.6%, USD 29.4 million). The decline in imports of cast-iron, iron and steel in 1999 is attributable to weaker demand for ferrous metals in international markets in the first half of the year. Import growth was reported for the *plastics and rubber* (17.9%, USD 33.3 million) and *textiles* (0.2%, USD 0.9 million) groups.

### IMPORT DYNAMICS BY USE IN 1999 (on corresponding month of previous year)



Source: Data based on customs declarations provided by the Computing Center Directorate within Information Service AD and the NSI, and adjusted by the BNB for date of customs clearance.

In 1999 imports of **energy resources** increased slightly (by 2.5%, USD 30 million) on 1998, entirely reflecting increased imports of crude oil (by 42.5%, USD 221.7 million). This is due both to a 161.1% rise in crude oil prices in international markets and increased Bulgarian exports of petroleum products (by 75.6%, USD 116.7 million). At the same time, imports of *coal* and *natural gas* declined significantly: by 48.2% (USD 81.4 million) and 18.2% (USD 58 million) respectively. The decline in natural gas imports is due to lower industrial consumption consistent with downsizing (and phasing out) inefficient manufacture using natural gas as fuel or feedstock and to the high indebtedness of a number of enterprises to Bulgargaz AD.

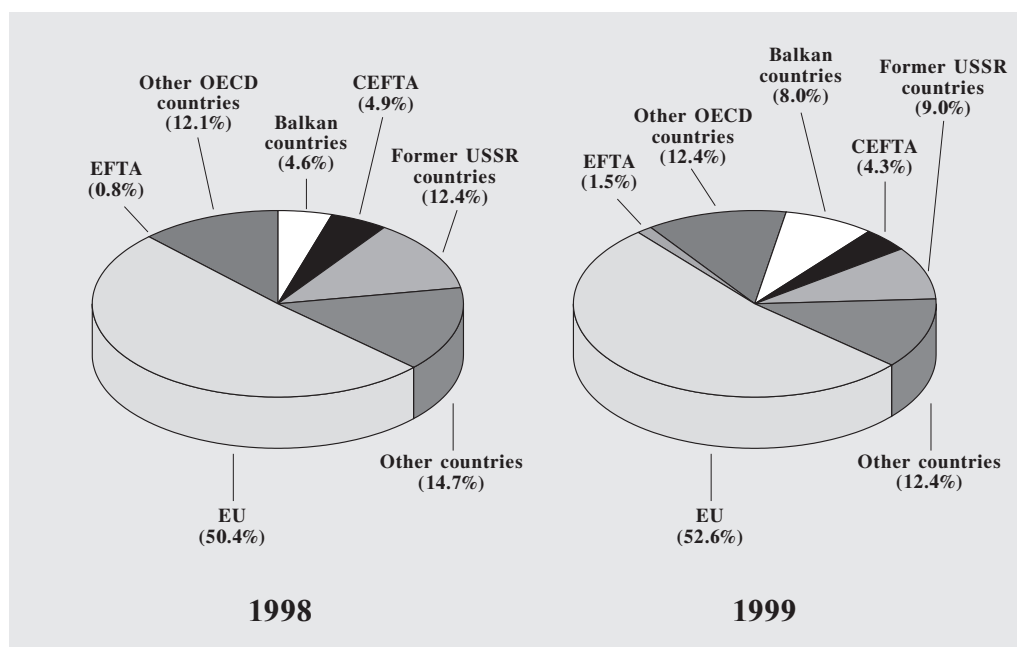
## Geographic Structure

**Exports.** External demand in the second half of 1999 increased, consistent with higher growth rates in the eurozone. Bulgaria's high share of exports in GDP (32.3% for 1999, according to estimates) and the increased share of exports to the European Union (from 50.4% in 1998 to 52.6% in 1999) point to a stronger dependence between European Union member countries' growth rates and Bulgaria's export and GDP growth rates. Lower exports to the European Union reflect lower growth rates in EU countries as a whole, as well as lower GDP growth rates in particular Union countries (Germany, Greece and the United Kingdom). Bulgarian exports were affected positively by the end of the Kosovo Conflict. In the second half of 1999 exports to Balkan countries rose markedly, by USD 142.5 million (up 154.6%) on the same period in 1998. Weaker demand in Russia and the Ukraine, consistent with their economic problems, had an extremely negative impact on exports.

In 1999 exports to the **EU** decreased by USD 28.8 million (1.4%) from 1998. The most significant decrease in exports was to **Germany** (by USD 52.4 million, 11.7%) and **Greece** (USD 26.2 million, 7.1%), mainly attributable to the cast-iron, iron and steel group. A decline in exports to **Spain** (by USD 13.6 million, 11.2%) and the **United Kingdom** (by USD 7.4 million, 6.9%) was also reported. Exports to **France** and **Belgium** rose (by USD 37.4 million, 26.1%; and USD 25.5 million, 16.8%, respectively).

Exports to the **former USSR** declined by USD 162.8 million (31.3%), contributing most significantly to Bulgaria's overall decline in exports (71.9%) in 1999.

### GEOGRAPHIC STRUCTURE OF EXPORTS



Source: Data based on customs declarations provided by the Computing Center Directorate within Information Service AD and the NSI, and adjusted by the BNB for date of customs clearance.

In 1999 exports to **Russia** decreased by USD 34.3 million (15.4%) from 1998. As a result, Russia's share in overall exports contracted, from 5.3% in 1998 to 4.8% in 1999. The decline in exports to Russia is due both to the lower competitiveness of exported goods (coupled with a rouble devaluating continuously since August 1998) and the steps taken by the Russian government to reduce imports. A decline in exports was reported for the following groups: miscellaneous foods (by USD 12.7 million, 84.7%), tobacco and processed substitutes (by USD 10 million, 46.1%) and pharmaceuticals (by USD 6.9 million, 23.0%). Exports to the **Ukraine** also decreased (by USD 40.9 million, 37.8%), mainly attributable to the mineral fuels, mineral oils and distilled products and soft and alcoholic drinks groups. Exports to **Georgia** declined dramatically (by USD 28.2 million, 40.9%).

In 1999 exports to the group of **Other OECD countries** declined by USD 17.3 million (3.4%) from 1998. Exports to **Turkey** fell most dramatically (by USD 47.1 million, 14.1%) in the reporting year, mainly due to decreased exports of copper and copper products and organic chemical products. Exports to the **USA** rose substantially (by USD 35.7 million, 32.3%) mainly due to exports of tobacco and processed tobacco substitutes and other mineral feedstock.

In 1999 exports to **CEFTA countries** dropped by USD 37.6 million (18.1%), most dramatically to **Poland** (by USD 25.3 million, 46.2%) due to drastically decreased *vessel* exports (by USD 26.9 million, 100%). Exports to **Slovakia** declined (by USD 13.8 million, 63.4%) associated with the introduction of an additional import charge. Exports to **Hungary** also decreased (by USD 7.9 million, 24.2%), while exports to **Slovenia** and **Romania** increased: by USD 4.7 million (14.4%) and USD 4.9 million (9.8%) respectively.

In 1999 exports to **Balkan countries** rose by USD 122.4 million (63.5%) from 1998. Exports to **Yugoslavia** rose substantially (by USD 85.4 million, 109.8%) due to exports of mineral fuels, mineral oils and distilled products. Exports to **Macedonia** posted a significant increase (by USD 28.9 million, 37.8%).

The 1997 crisis in **Southeast Asia**<sup>23</sup> and devaluation of local currencies there reflected on reduced exports to these countries (by USD 13.8 million, 45%).

**Imports.** Imports from the **European Union** rose by USD 419.5 million (18.7%) for the whole of 1999. As a result, the EU's share in Bulgaria's imports increased to 48.7% from 45.2% in 1998. This reflects fixed exchange rates of the lev against the eurozone currencies on the one hand, and the nominal lev devaluation against the US dollar in 1999 (by 16.2%), on the other. Cheaper imports (in lev terms) from eurozone countries prompted import shifts. The latter is also evident from the increased share of eurozone countries' currencies used in import payments (from 40.2% in 1998 to 46.4% in 1999) and the reduced share of the US dollar (from 53.9% in 1998 to 47.5% in 1999). In 1999 imports from **Germany** grew most substantially (by USD 128.6 million, 18.7%), mainly due to the automobile transport and nuclear reactors, boilers, machines and appliances groups. Imports from **Italy** also rose (by USD 82 million, 21.6%) attributable to the nuclear reactors, boilers, machines and appliances and cast-iron, iron and steel groups. Imports from the following countries also increased from a year earlier: **France** (by USD 63 million, 28.2%), **Sweden** (by USD 23.2 million, 44.7%), and **Austria** (by USD 22 million, 15.5%).

In 1999 imports from the **former USSR** rose on 1998 by USD 51.5 million (4.2%).

Significantly higher crude oil prices (particularly in the second half of 1999) led to an increase in imports from **Russia** during the review period (by USD 231.1 million, 48.6%). This contributed to an overall increase in imports from this country for 1999 as a whole (by USD 100.1 million, 9.8%). Increased imports from Russia are due mostly to the following commodity groups: mineral fuels, mineral oils and distilled products and nuclear reactors, boilers, machines and appliances. Imports from the **Ukraine** dropped on 1998 (by USD 45.3 million, 25.6%).

Bulgarian association to **CEFTA** in early 1999 and customs duty exemption on approximately 80% of trade with CEFTA members contributed significantly to increased imports from them: by USD 73.9 million (26.9%) from 1998. Imports from **Poland** rose most substantially (by USD 32.7 million, 79.2%) due to the nuclear reactors, boilers, machines and appliances group. Imports from **Hungary** and **Romania** also increased: by USD 13.4 million (36.7%) and USD 14.5 million (25.2%) respectively.

In 1999 imports from **Other OECD countries** rose by USD 17.8 million (4.4%). Imports from **Turkey** rose most significantly (by USD 44.6 million, 36.5%) associated with reduced customs duties on a great number of goods under the commercial free trade agreement with Turkey effective as of 1 January 1999. By commodity group, this is ascribable to increased imports of plastics and plastic products

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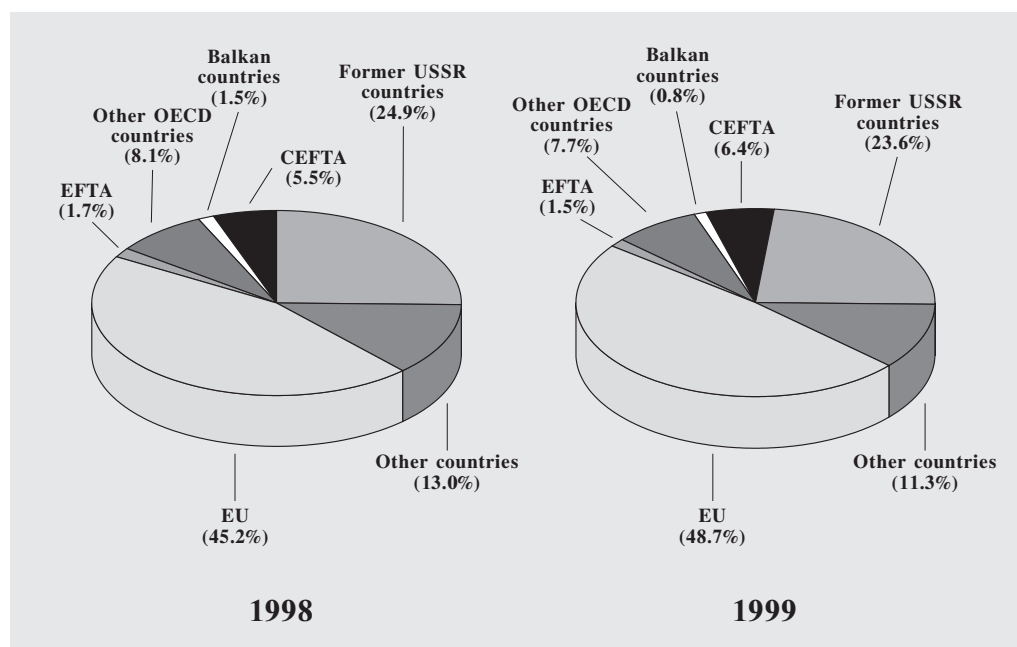
<sup>23</sup> Including Korea, Malaysia, Thailand, the Philippines and Indonesia.

and soaps and detergents. However, imports from the **USA** dropped (by USD 29 million, 14.4%), mainly attributable to the group of mineral fuels, mineral oils and distilled products.

In 1999 imports from **Balkan countries** decreased from 1998, by USD 33.9 million (44.2%), reflecting reduced imports from **Yugoslavia** (by USD 19.1 million, 55.3%) and **Macedonia** (by USD 11.1 million, 30.8%).

In the reporting year imports from **Southeast Asia** rose substantially (by USD 39.1 million, 46.9%) at the expense of the automobile transport group (by USD 29.1 million, 139.6%). Moreover, this may reflect the higher competitiveness of goods from the region consistent with devaluation of these countries' currencies following the 1997 crisis.

#### GEOGRAPHIC STRUCTURE OF IMPORTS



Source: Data based on customs declarations provided by the Computing Center Directorate within Information Service AD and the NSI, and adjusted by the BNB for date of customs clearance.

## 4. Monetary Sector

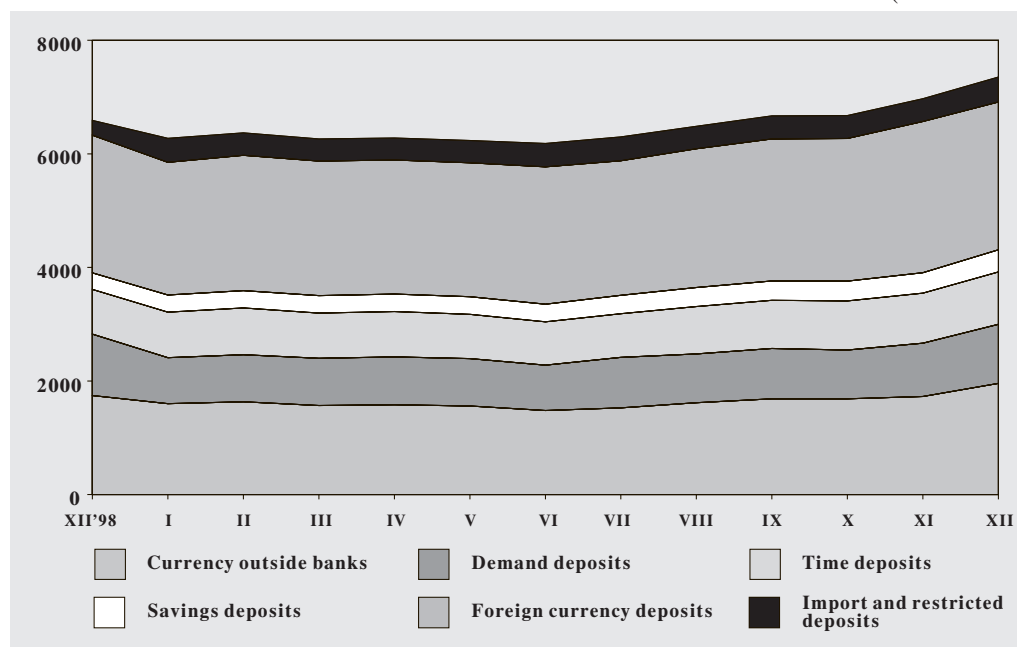
The year under review, 1999, is the second full calendar year after the introduction of the currency board in Bulgaria. The general trend of financial stabilization and remonetization of the national economy, established after the radical change in the monetary regime, continued. A comparison of the dynamics of major monetary and credit aggregates for 1999 with those for 1998 makes it possible to outline the stabilizing role of the currency board for the banking sector. Expectations that real monetary and credit growth, key indicators of the monetization of the economy, would continue, though at a slower pace, was confirmed. This is quite understandable in the context of ongoing structural reform in the real sector, in combination with external factors reflecting the balance of payments dynamics, and internal events such as the redenomination of the Bulgarian lev. The latter may be viewed as a test of confidence in the national currency and the monetary regime, which was successfully passed but caused certain fluctuations in monetary aggregates dynamics in the first half of the review year.

## Monetary Aggregates

In 1999 the BNB continued operating under a currency board regime and did not resort to the legally mandated function of lender of last resort in case of financial crisis. In this setting money supply, measured through the broadest monetary aggregate M3, including currency outside banks and all types of deposits, was entirely governed by economic agents' demand for money. In 1999 broad money rose by BGN 753.9 million, or 11.4% in nominal terms. Taking into account annual inflation, money supply grew by 4.9% in real terms. Although real money supply growth is lower than that posted in 1998 (8.5%), it indicates ongoing revival of money demand driven by economic growth and strengthened confidence in the lev and banks.

### MONETARY AGGREGATES DYNAMICS IN 1999

(million BGN)



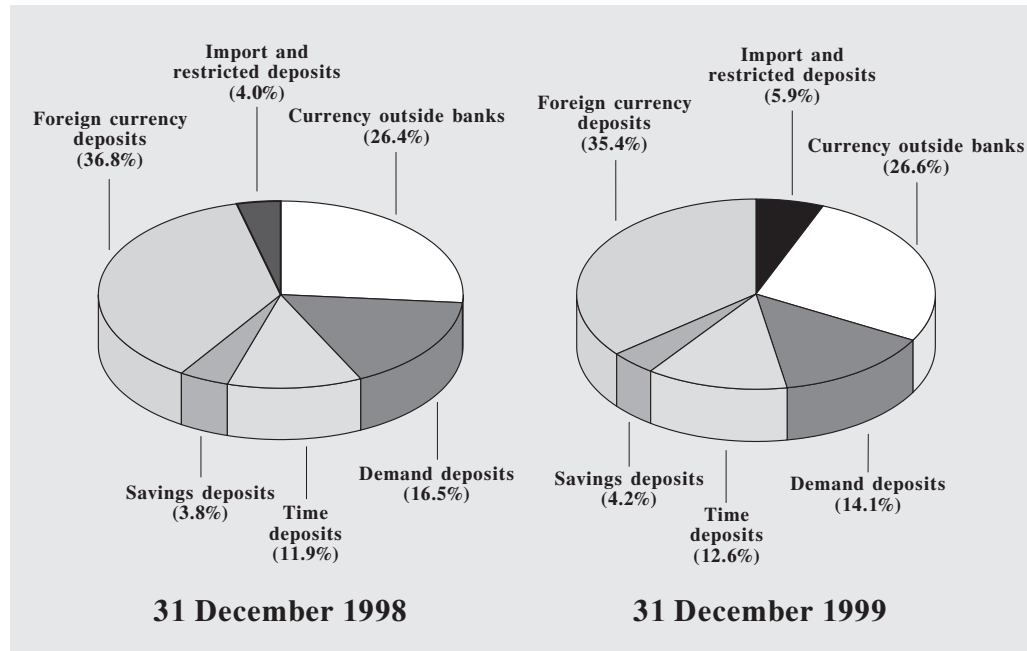
Source: BNB.

Broad money growth is prompted by lev component growth amounting to BGN 462.5 million, or 5% in real terms. Forex component growth is entirely attributable to the euro's devaluation against the US dollar, causing the Bulgarian lev's devaluation because of the fixed exchange rate. In dollar terms, even the forex component of broad money declined by USD 65.7 million, or 4.3%. Reported data does not suggest currency substitution but rather gives grounds for assuming economic agents' preference for the national currency. By comparison, in 1998 forex component growth in dollar terms was USD 65.6 million.

In contrast with 1998, in 1999 the most liquid monetary aggregate M1, including currency outside banks and demand deposits, contributed less markedly to money supply growth. In absolute terms M1 growth was BGN 241 million and accounted for 52% of lev component growth. In real terms it grew by 2.4%, or 18 percentage points less than in 1998. During the review year dynamics of the two M1 components diverged: currency outside banks increased by 5.8% in real terms and demand deposits decreased by 3.5%. Data indicates economic agents' ongoing preference for cash, which reflects not only the minor scale of automated payments but also the lingering motive to conceal transactions, mostly to evade tax. In this sense, the redenomination of the lev in midyear helped only temporarily reduce currency outside banks, by 15.1% at end-June, which reversed to a 32.3% growth at the end of the year.



## STRUCTURE OF MONETARY AGGREGATES



Source: BNB.

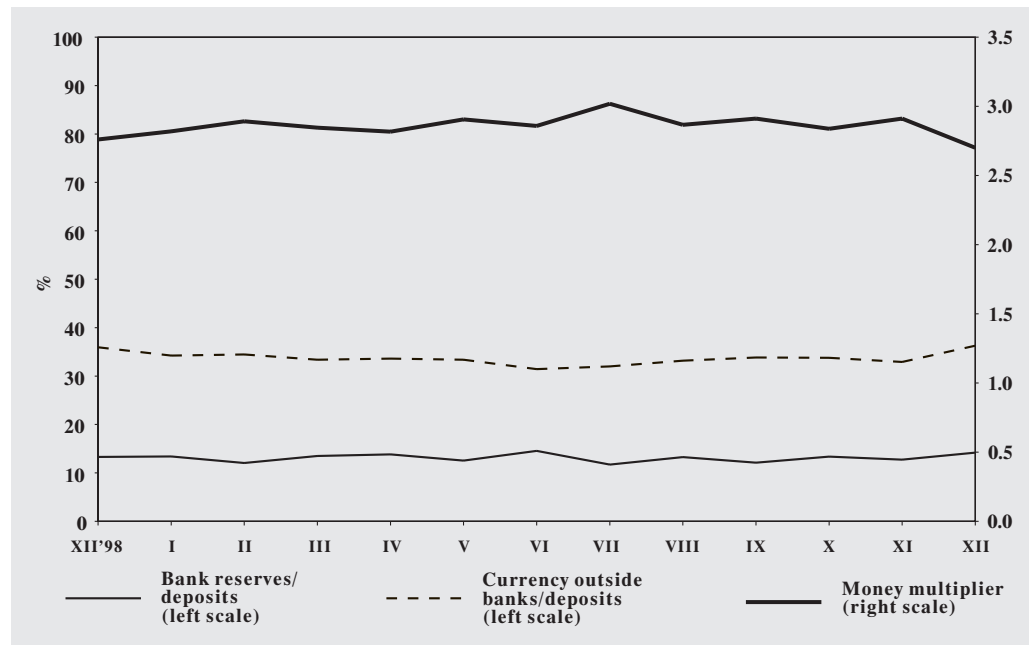
In 1999 M2 monetary aggregate, including M1 and quasi-money, grew by BGN 733.4 million, or 5.3% in real terms. The increase in quasi-money, including savings and time deposits in levs and foreign currency deposits, accounted for BGN 492.4 million, exceeding overall M2 growth by 2.4 percentage points. Within quasi-money, the lev component grew most, by 15.7% in real terms, with newly deposited funds being directed both to time and savings deposits. The public accounted for the largest share: a BGN 153.6 million growth in time and savings deposits (9.5% in real terms), followed by companies: BGN 83.6 million for state-owned and BGN 33.3 million for private. Foreign currency deposits in dollar terms declined by USD 68.8 million. Their dynamics by sector diverged. The public's funds rose by USD 46.2 million (5.5%) while companies' funds decreased: by USD 13 million (4.6%) for private and USD 91.7 million (39.5%) for state-owned. Quasi-money growth, the public's deposits in particular, provided additional credit resources, which are an indispensable condition for credit expansion. At the same time, these cannot be considered sufficient as commercial banks' lending policies are determined by their estimates of the risk in the real sector.

In 1999 the methodology of reporting monetary aggregates of banks in liquidation was modified. In accordance with international financial statistical standards their monetary aggregates were further segregated from those of operating banks. To this end, deposits with banks in liquidation were excluded from the more liquid M1 and M2 monetary aggregates and transferred into a specifically defined monetary aggregate, 'deposits of banks in liquidation,' with the lowest liquidity within the M3 monetary aggregate. Also, in segregating deposits of banks in liquidation into a separate column, again for comparability of time series, adjustment was carried back to its beginning in December 1997. The change accounted for some BGN 150 million (about 2% of broad money). It did not affect the level of money supply but rather its structure and M1 and M2 monetary aggregates.

During the reporting year reserve money dynamics and the process of money multiplication continued without the central bank's active intervention. Under currency board arrangement the BNB did not affect reserve money inasmuch as the level of minimum required reserves was preserved and commercial banks were not refinanced. In 1999 the M0 monetary aggregate (reserve money), including bank reserves and currency outside banks, grew by BGN 334.3 million, or 14%. Reserve money growth is 2.6 percentage points higher than the nominal growth of broad

money and is entirely attributable to the preferences of commercial banks, companies and the public. For the same period the money multiplier, reflecting the ratio between money supply and reserve money, declined from 2.76 in 1998 year-end to 2.70 a year later. The money multiplier decline is accounted for by a growth in currency outside banks to deposits ratio from 35.9% to 36.3% and a growth in bank reserves to deposits ratio from 13.3% to 14.2%. The former is the result of corporate and public propensity to keep cash instead of depositing it with banks, and the latter reflects banks' preference for depositing money with the BNB.

#### MONEY MULTIPLIER IN 1999



Source: BNB.

#### RESERVE MONEY AND MONEY MULTIPLIER\*

	XII'98	VI'99	XII'99
Broad money (million BGN)	6,597.2	6,183.6	7,351.1
Reserve money (million BGN)	2,387.4	2,163.0	2,721.7
Money multiplier	2.76	2.86	2.70
Currency outside banks/deposits (%)	35.9	31.4	36.3
Bank reserves/deposits (%)	13.3	14.5	14.2

\* In redenominated levs.

Source: BNB.

For the full 1999 broad money dynamics reflected reserve money dynamics, with money multiplier partially offsetting the impact of reserve money both in the first and second halves of the year. In the first half money supply declined under the impact of reserve money, despite the countering effect of the growing multiplier. In the second half broad money dynamics reversed: broad money growth reflected reserve money growth while money multiplier acted in the opposite direction.

**BROAD MONEY CHANGE IN 1999**

(million BGN)

	Jan. – June	July – Dec.
Broad money change driven by:	-413.6	1,167.5
– reserve money	-620.1	1,597.2
– money multiplier	227.9	-341.5
– both factors	-21.4	-88.2
Broad money change driven by reserve money source:	-620.1	1,597.2
– net foreign assets	-1,112.0	2,367.1
incl. forex reserves	118.3	3,173.0
– net domestic assets	491.9	-769.9
incl. net claims on government	-13.3	-582.1
– claims on banks	-29.0	-49.7

Source: BNB.

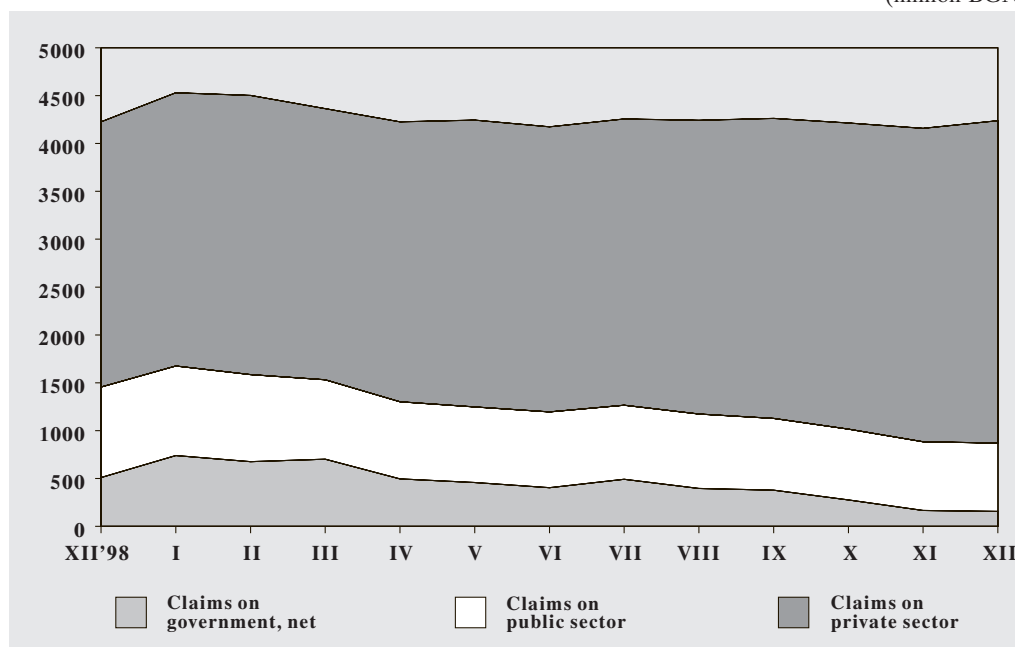
The analysis by source shows that broad money change driven by reserve money change is entirely attributable to net foreign assets of the central bank. Under a currency board these are closely dependent on forex reserves which are determined by BNB net forex purchases and net foreign financing on the one hand, and privatization receipts deposited by the government with the BNB on the other. In the first half of 1999 net foreign assets decreased, causing a decrease in reserve money and money supply. However, for the same period forex reserves increased slightly, at the expense of official financing. The latter entirely offset the decrease in forex reserves prompted by a seasonal fall in demand for cash, which intensified just prior to redenomination of the lev. In the second half dynamics reversed: broad money growth driven by reserve money growth was entirely related to growth in net foreign assets and a further increase in forex reserves. The change in BNB net domestic assets was negligible. The decrease in net claims on the government had a dampening effect on reserve money on the one hand, while the increase in the net deposit of the government with the BNB contributed to a growth in forex reserves. The BNB's decreasing claims on commercial banks as a result of partial repayments by some banks in liquidation had a similar effect.

**Credit  
Aggregates**

As in 1998, domestic credit dynamics did not match money supply dynamics but lagged far behind it. While broad money rose by over BGN 750 million, domestic credit of operating banks grew by only 15% (BGN 116.9 million), or BGN 10.2 million if the banks under liquidation are taken in account. Nevertheless, claims on the nongovernment sector grew faster at the expense of a further decline in net claims on the government. In 1999 the latter decreased by BGN 395.2 million in operating banks and in combination with overall domestic credit growth contributed to a BGN 512.1 million growth in claims on the real sector, or 21.5% in nominal terms and 14.4% in real terms. Over the same period net foreign assets of operating banks declined in dollar terms by USD 54 million, but this cannot be assumed to be a steady return of funds for credit expansion. Therefore, the relatively improved monetary environment reflecting noninflationary real growth of money supply, in combination with net depositing of funds with the banking system by the government, is capable of ensuring sufficient credit resources for real growth in lending to the national economy. Whether credit resources will be utilized for lending to the real sector depends to a large extent on commercial banks' lending policies, which take into account the viability of specific projects and the general level of risk in the country.

## DOMESTIC CREDIT DYNAMICS

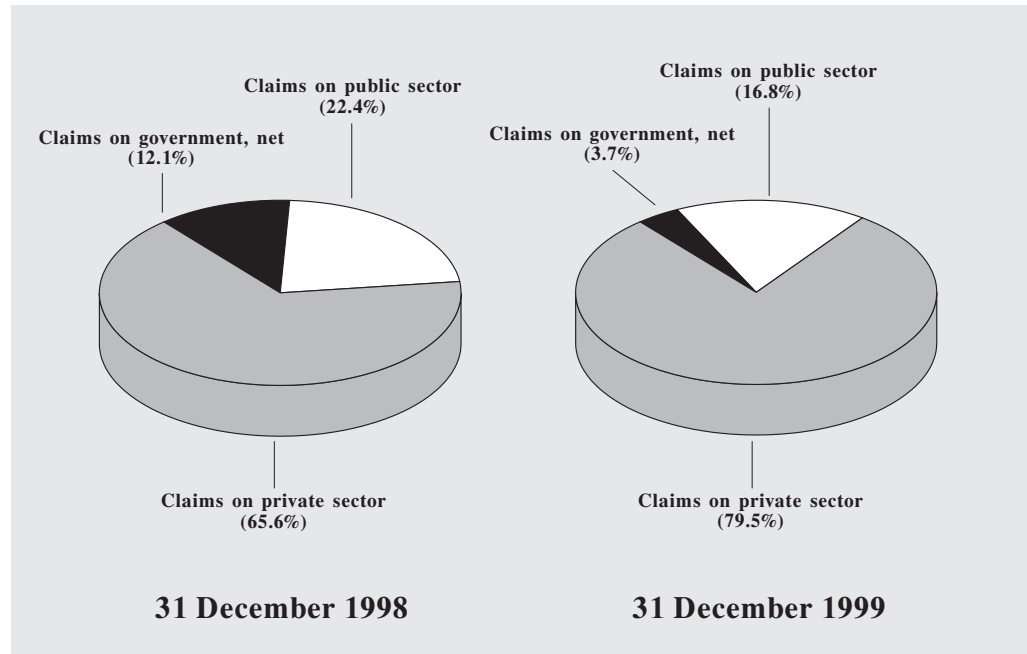
(million BGN)



Source: BNB.

As in the previous year, in 1999 operating banks' claims on the nongovernment sector increased, entirely attributable to reported lev component growth of BGN 295.6 million, or 13.3% in real terms. The forex component grew by BGN 217 million in nominal terms mostly due to the lev (and euro) devaluation against the US dollar; in dollar terms it grew by only USD 34 million, or 6.2%. The process of directing new credits mainly to the private sector continued due to the combination of two factors: continued private sector expansion through privatization and company launches, and improved private sector viability related to submission of an increased number of creditworthy projects. In 1999 banks' claims on state enterprises declined by BGN 164.8 million, or one-third in real terms. For private companies a growth of BGN 622.6 million, or 38.6% occurred. This growth is mainly attributable to lev component growth of BGN 369.7 million, or 43.3% in real terms, while forex component growth in dollar terms was USD 78.9 million, or 21.6%. Faster growth of credits to private companies, the lev component in particular, may be considered an indirect indicator of confidence in the national currency both from commercial banks and their major clients. In contrast with 1998, in the review year banks' claims on the public grew by only BGN 49.4 million, or 3.9% in real terms. Data indicates that the trend of a moderate increase in this indicator, started in mid-1998 following the robust credit expansion in the second half of 1997 and the first half of 1998, has been preserved. There is no ground to assume that the public's demand for credit has subsided substantially in comparison with the first year after currency board introduction. The decisive factors, however, are: available free funds and such credits' share in commercial banks' portfolios (especially that of DSK Bank which remained the main public lender).

## DOMESTIC CREDIT STRUCTURE



Source: BNB.

## Scale of Monetization

In 1999 the scale of monetization of the national economy, measured through the ratios of broad money to GDP and broad money to credit to the real sector, continued increasing. The upward trend started after the launch of the currency board and reflects reviving confidence in the national currency and the banks following the severe financial crisis in 1996 and early 1997. However, it should be noted that this is a slow process and after more than two years of macroeconomic and financial stability the scale of monetization attained is still well below the pre-crisis level. Data for 1999 shows an increase in the ratio of money supply to GDP from 30.6% for 1998 to 32.7% in 1999, and an increase in the ratio of credit to the real sector to GDP from 17.2% to 18.1%. A brief comparison with other countries with currency board monetary regimes and/or invitations to negotiate for EU accession makes it possible to assess Bulgaria's place in terms of monetization. According to the *money supply/GDP* indicator Bulgaria does not differ considerably from countries with currency boards such as Argentina and Estonia, and from some countries negotiating for EU accession such as Romania. According to this indicator, Bulgaria's scale of monetization is higher than that in Lithuania but lower than that in Poland. According to the claims on the *real sector/GDP* indicator, Bulgaria is closest to Romania, monetization is higher than in Lithuania but lower than in Argentina, Estonia and Poland. In general, the lower value of this ratio for Bulgaria reflects both moderately conservative commercial bank lending policies and the still high risk in the real sector consistent with its delayed restructuring.

## SCALE OF MONETIZATION

Country	Year	Money supply/GDP	Claims on real sector/GDP
Bulgaria	1999	32.7	18.1
Bulgaria	1998	30.6	17.2
Argentina	1998	28.7	23.6
Estonia	1998	28.4	34.2
Lithuania	1998	19.4	12.3
Poland	1998	47.0	29.7
Romania	1998	27.4	17.4

Source: International Financial Statistics, IMF.

## Interest Rates on Commercial Bank Operations

The downward trend in the base interest rate has continued for the last two years and the methodology of its setting has remained unchanged.

	(%)	
	1998	1999
Average annual base interest rate	5.35	4.68
Average annual interest rate in the interbank market	2.59	2.95

Source: BNB.

Interests rates on commercial bank operations in the interbank lev market in 1999 – time deposits and repo agreements – are well below base rate except for lev deposits extended for a term of over 30 days for November and December. The same trend evolved in 1998, when a deviation from the level of the average annual base interest rate was reported for an insignificant number of transactions for a term of over 30 days (for September and November).

The deviation of the average interest rate in the lev interbank market is indicative of available free lev funds, good liquidity of commercial banks and absent possibility of a liquidity risk for the system in the short run.

Average interest rates on interbank time deposits in foreign currency are as follows: 2.95% for DEM-denominated deposits, 3% for EUR-denominated deposits and 5.47% for USD-denominated deposits.

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

	(%)	
	1998	1999
Nominal annual interest rates on commercial bank short-term credits	14.14	13.56
Real annual interest rates on commercial bank short-term credits	13.07	6.98
Nominal annual interest rates on commercial bank one-month deposits	3.04	3.26
Real annual interest rates on commercial bank one-month deposits	2.06	-2.72

Source: BNB.

Interest rates applied by commercial banks on new short-term credits and one-month deposits in levs in 1999 do not differ significantly from those in 1998 as a source of income formation for banks.

Interest-bearing assets, which form commercial banks' interest incomes, cover mainly claims on banks and other financial institutions and account for the biggest share in the structure of financial assets, including interbank indebtedness within the country. The share of claims on foreign banks and other financial institutions makes up 31% of total asset value and the share of credits to the nonfinancial sector accounts for 33%.

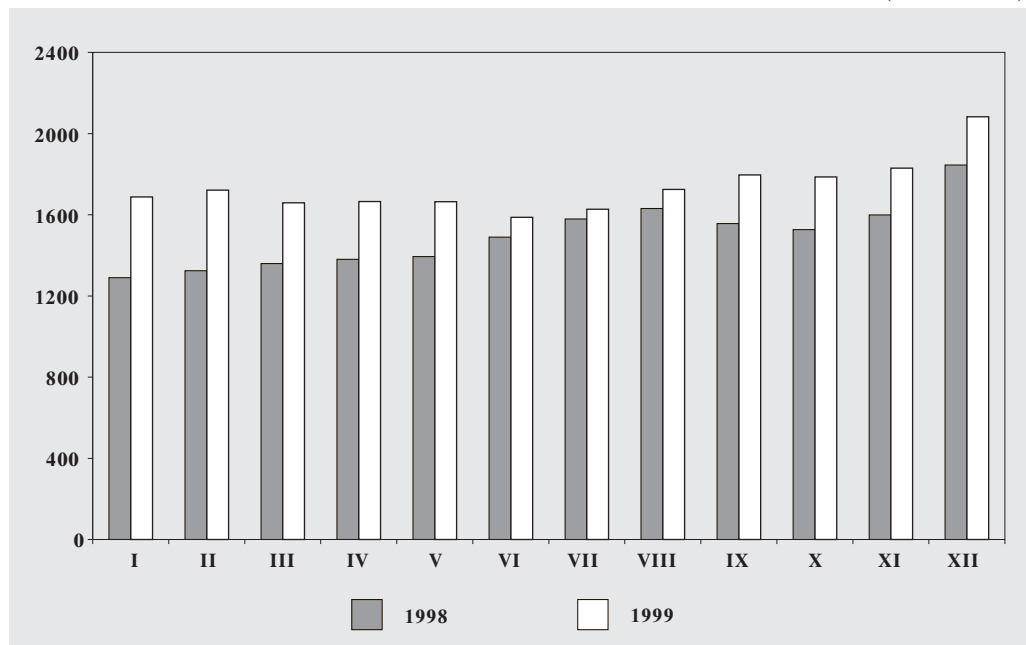
## BNB Issuing Activity

**Currency in circulation.** At the end of 1999 currency in circulation, including currency in the vaults of commercial banks and outside them, reached BGN 2,083 million, with banknotes and coins issued in 1999 accounting for BGN 2,019 million, or 97% of currency in circulation. At the end of the first half of 1999 currency in circulation decreased by BGN 258 million compared with end-1998 as the public and companies disposed of a portion of their free cash prior to redenomination. At the end of 1999 currency in circulation rose by BGN 238 million compared with end-1998, or 13%. The ratio of currency in circulation to broad money remained unchanged from 1998 (28%).

Cash in commercial banks' vaults amounted to BGN 122 million by end-1999 against BGN 103 million by end-1998.

**CURRENCY IN CIRCULATION**  
(outside BNB vaults)

(million BGN)



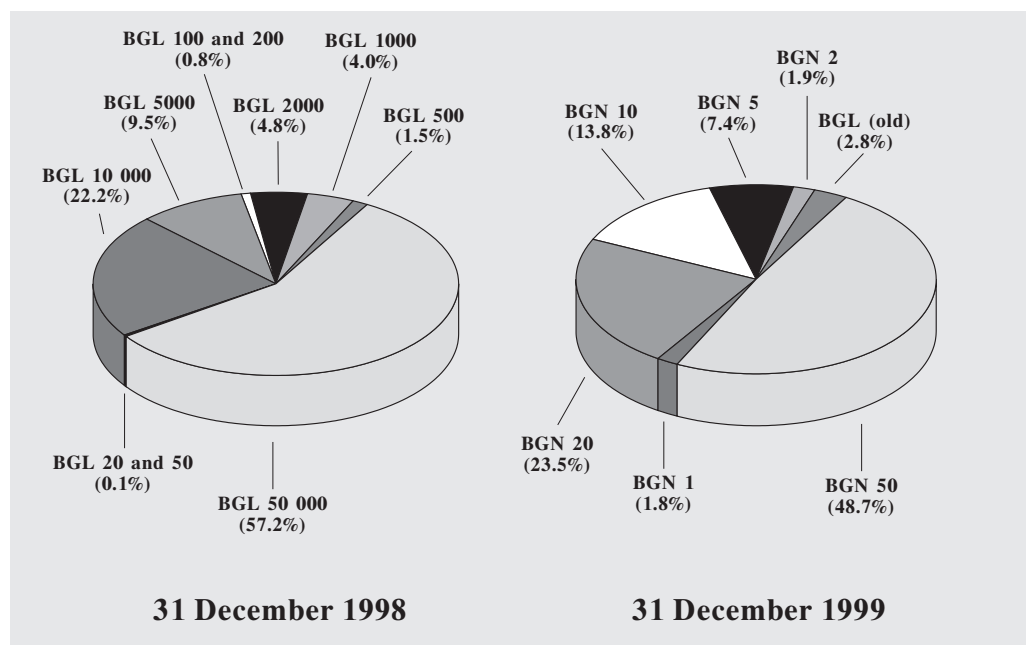
Source: BNB.

**Denomination composition.** Of the new banknote denominations 161 million were put into circulation with a nominal value of BGN 2,003 million. Prior to lev redenomination banknotes numbered 300 million, a decrease of 139 million by the end of 1999. This is mainly due to withdrawal of banknotes of lower denominations, which were replaced with coins after the redenomination.

At the end of 1999 coins comprised 1.1% of currency in circulation based on values. Of the new coin denominations, 143 million coins were put into circulation with a nominal value of BGN 17 million.

The denomination structure of banknotes and coins improved and optimized considerably once lev redenomination was completed.

**DENOMINATION COMPOSITION OF CIRCULATING BANKNOTES**



Source: BNB.

**Commemorative coin issue.** In 1999 the BNB put the following commemorative coins into circulation:

Name of coin	Issue	Nominal value (levs)	Metal	Circulation date	Mintage (number)	Sold in 1999 (number)
120 Years BNB	1999	20 000	gold	20.I.1999	30,000	4,968
120 Years Council of Ministers – EURO	1999	100	gold	5.VII.1999	5,000	1,218
120 Years Council of Ministers – EURO	1999	10	silver	5.VII.1999	20,000	5,007
A Plovdiv House – EURO	1999	10	silver	23.VII.1999	20,000	5,944
Wild Animals – Monk Seal	1999	10	silver	23.IX.1999	15,000	1,897
The Virgin Mary with Infant Christ	1999	20	gold	15.XII.1999	10,000	2,992
XXVII Summer Olympic Games, Sydney, 2000 – High Jump	1999	10	silver	22.XII.1999	20,000	703

Source: BNB.

## 5. Fiscal Sector

### Republican Budget

The central republican budget reported a cash surplus of BGN 410,984,100 as of 31 December 1999. Revenues exceeded legal projection by 6.3%, entirely due to an 88% increase in nontax revenues, against a BGN 285,770,000 projection. This reflects imposition of higher charges, including reporting the bulk of them as revenues of specific ministries and other government agencies after closure of extrabudgetary accounts and funds.

Lower direct tax rates did not reflect on tax revenue performance, in part due to their small share in total revenues and to partial execution of budget revenues under the Law on Taxation of Individual Incomes (94.6%). These results are consistent with insignificant declared salary increases in the private sector due to the abovementioned reasons. As salary increases in the public sector are administratively controlled, revenues under the LTII can be projected more precisely, while nonexecution of total revenues is due to overestimated expectations of the finance ministry about the private sector (for legalization of incomes), hence a significant portion of incomes was not captured by the tax system. Also, customs duty revenues did not match projection (59.3%), partly due to a change in the range of imported products, and to implementation of free trade agreements.

Noninterest expenditures of the republican budget comprised 81.3% of total expenditures. This is attributable to lower expenditures made than the projected 89.8%. The decrease is substantial for interest expenditures: overall execution accounted for 75% of projection, including 78% external interest execution and 67% internal interest execution. Lower interest rates on government securities and negative net issues in combination with high bank liquidity are the factors contributing to a cheap domestic government debt service. This reflected on higher figures for primary and internal surpluses than the legally provided ones.

The cash surplus reflected on a negative internal financing of about BGN 966 million. Operations with abroad (net) accounted for BGN 65 million and privatization receipts totaled BGN 489 million, or 128% of projection.

In 1999 a step-by-step introduction of the system of the unified budget account commenced. Commercial banks' budgetary service functions were limited to transit accounts, which are closed on a daily basis and residual balances carried over to the BNB. This is aimed to consolidate budgetary and extrabudgetary funds in lev and foreign currency to ensure better control over payments through setting limits on accounts within the system and provide for better monitoring, planning and analysis of budgetary cash flows. Moreover, this involves closure of extrabudgetary accounts, with balances on the accounts of the State Fund for Reconstruction and Development, the Energy Resources Fund and the Special Fund for State Protection of Deposits and Accounts of Individuals with Commercial Banks in Respect of Which the BNB Has Petitioned the Institution of Bankruptcy Proceedings being carried over as transfers. This exercise helped improve execution of government authorities' budgets.

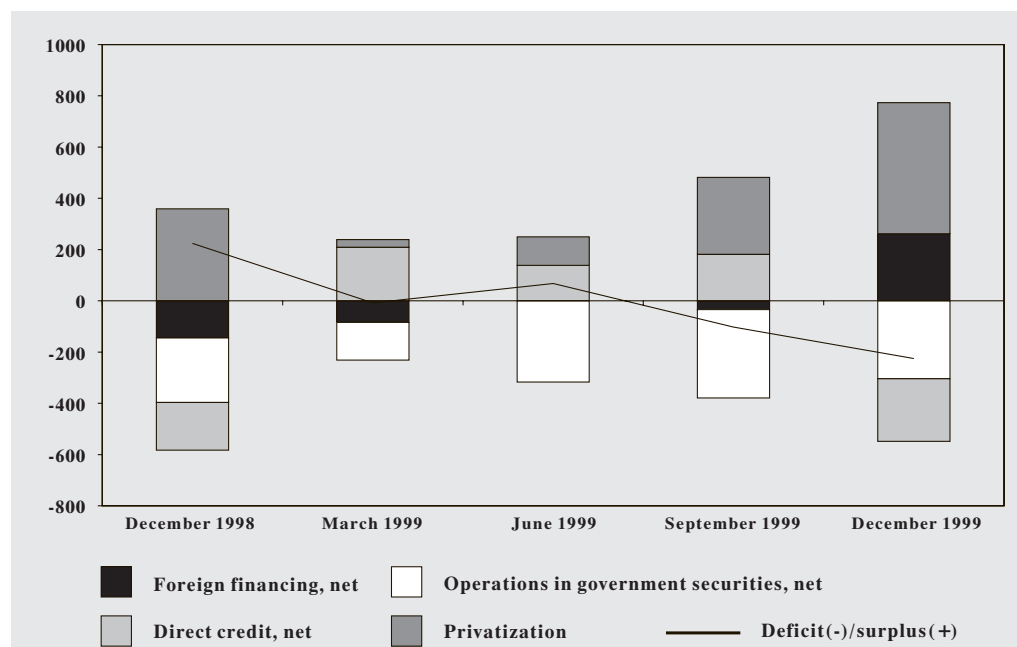


## Consolidated Budget

According to preliminary Ministry of Finance data, revenues on the consolidated state budget amounted to BGN 9,678.4 million, or 10.3% over projection. Tax revenues (also including social security contributions) comprised 77% of total revenues. Execution of tax revenues was close to the legally set projections (tax collection of customs duties was just 60% but their share is too small to have a significant effect). Expenditures of the consolidated budget totaled BGN 9,901 million. Interest expenditures amounted to BGN 898.3 million, including BGN 207.9 million on domestic debt service. The primary surplus on the consolidated budget was BGN 675.4 million.

### END-OF-MONTH BUDGET DEFICIT FINANCING

(million BGN)



Source: MF and BNB.

The deficit on the consolidated budget for 1999 accounted for BGN 222.6 million, or 0.6% of GDP projection. Net foreign financing was BGN 283 million. IMF financing of the budget is reported under internal financing as liabilities to the BNB. Between 31 December 1998 and 31 December 1999 these rose by BGN 547 million (part of this increase is due to valuation adjustments), while the government's deposit with the Issue Department balance sheet grew by BGN 745 million.

In 1999 repayments to the IMF through the BNB amounted to BGN 226 million, and credits received totaled BGN 533 million, a net increase of BGN 307 million. Privatization receipts used to cover the deficit on the consolidated budget amounted to BGN 522 million (the difference with privatization receipts used to cover the deficit on the republican budget results from a portion of these funds being deposited with extrabudgetary accounts). These revenues contributed to higher government deposits with the BNB. Given the lower growth in liabilities to the BNB than the deposit's growth as a result of privatization receipts, the absolute increase of the government's negative net exposure to the BNB is quite understandable: BGN 198 million (at end-1999 it was BGN -490 million against BGN -292 million at end-1998). Therefore privatization receipts helped cover the deficit on the consolidated budget to a great extent.

Within internal financing, only the net item to the BNB is positive, under which liabilities to the IMF are reported: an increase of BGN 307 million. Negative are the net issue of government securities (BGN -312 million) and changes in deposits, *i.e.* funds on government accounts grew by BGN 592.2 million at the end of 1999.

Above data shows that the government opted for external loans (chiefly from the IMF) and privatization receipts (which should be considered an easy but limited source of funds) as the main sources of budget deficit financing. This reflected on the profitability of commercial banks with large portfolios of government securities because of the low interest rates consistent with a limited number of new issues.

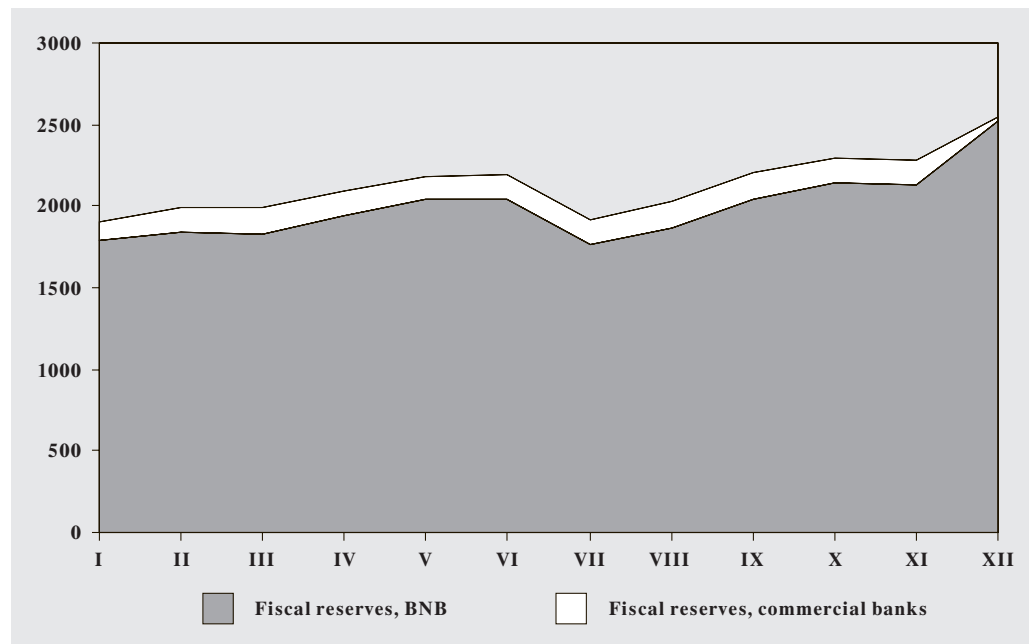
## Fiscal Reserves

Fiscal reserves are the sum total of the government's deposits with the BNB and residual balances at commercial banks. Fiscal reserve dynamics is determined by government revenues and expenditures, external loans drawn and external obligations repaid, net issues of government securities and tax revenue dynamics. Fiscal reserves at the central bank comprised 99% of total fiscal reserves at the end of 1999. Centralization of extrabudgetary funds and a gradual transition to a unified budget account helped reduce budget funds at commercial banks.

As the bulk of fiscal reserves are included in the Issue Department balance sheet, changes in fiscal reserves affect directly the total value of currency board assets and the restructuring in the Issue Department liabilities.

### FISCAL RESERVES IN 1999

(million BGN)



Source: BNB and MF.

Data for 1999 shows a growth in fiscal reserves over the reporting year. Fiscal reserves declined in July, consistent with payments on Brady bonds. Funds of the republican budget within fiscal reserves followed a clearly set pattern: decreasing in January and July reflecting external debt payments and growing in the remaining months. A factor for the increase in fiscal reserves is the inclusion of social security funds, which grew by over BGN 100 million during the review period.

## Domestic Debt

In 1999 domestic government debt rose by 8.4% in nominal terms, combined with certain structural changes. Direct government debt to the BNB under Article 45 of the Law on the BNB rose in absolute terms (by 32.25% in lev equivalent) as a result of the higher SDR exchange rate and increased use of IMF loans. Estimated in SDR, direct debt to the BNB grew by 16.7%.

## DOMESTIC GOVERNMENT DEBT

	XII'98 (million BGN)	Share (%)	XII'99 (million BGN)	Share (%)
Government securities for budget deficit financing	749.9	15.7	804.7	15.6
Direct debt to the BNB	1,665.9	34.9	2,203.1	42.6
Government securities for structural reform	1,512.2	31.7	1,141.7	22.1
Euro-denominated government bonds under RBSBL for 1999	0	0	96.8	1.9
Total government debt	3,928.1	82.4	4,246.4	82.2
Government-guaranteed debt	839.5	17.6	920.1	17.8
Total domestic debt	4,767.7	100	5,166.5	100

Source: MF.

Growth occurred among all items with the exception of government securities issued for structural reform: a decrease of 25%. This made up for the increase in government securities for budget deficit financing (7.32%) as these had a smaller share in total government debt and grew less. As a result, the net issue of government securities in 1999 was negative and was issued at higher prices, hence lower yield, which relieved the burden on the government budget. The finance ministry opted for government securities with longer maturity. The average weighted maturity of government securities for budget deficit financing was one year and nine months.

Euro-denominated government bonds pursuant to § 10 of the Transitional and Final Provisions of the 1999 State Budget Law of the Republic of Bulgaria introduced a new element to government debt. These were issued to optimize debt service: for repurchase of Bulgaria's external and internal obligations, provided the government budget would not increase. Their value amounted to BGN 96,817,000, or 1.87% of total domestic debt. The issues are four in number, maturing in nine, 15, 22 months and 20 years.

Expenditures for domestic debt service as of 31 December 1999 totaled BGN 53,760,100 on government securities for budget deficit financing; BGN 76,791,000 on government securities for structural reform, BGN 72,169,000 on direct debt to the BNB and BGN 48,100 on government-guaranteed debt.

Government foreign debt at the end of 1999 reached USD 9,060.14 million.<sup>24</sup>

## Government Budget Foreign Debt

	XII'98 (million USD)	XII'99 (million USD)	Change (%)
1. Government debt	7,674.2	7,250.05	-5.53
1.1. Long-term securities	50,12.14	4,977.41	-0.69
1.1.1. Brady bonds	4,977.41	4,977.41	0.00
1.1.2. Other	34.73		
1.2. Long-term credits	2,622.06	2,272.64	-13.33
1.2.1. Paris Club	1,044.55	814.83	-21.99
1.2.2. World Bank	564.96	714.37	26.45
1.2.3. G-24	218.42	71.18	
1.2.4. European Union		401.84	
1.2.5. Other	834.12	270.43	
2. Government-guaranteed debt incl. IMF	1,596.54 1,114.54	1810.1 1,248.58	13.38 12.03
TOTAL	9,270.74	9,060.14	-2.27

Source: BNB.

<sup>24</sup> See Methodological Notes on p. 30 for different definitions of foreign debt.

In the year under review foreign debt payments of USD 860.7 million were made, including USD 406.4 million in principal repayments and USD 454.3 million in interest repayments. This comprised 7.61% of GDP for 1999. By creditor, these were distributed as follows: USD 259 million on Brady bonds, USD 165.5 million in principal repayments and USD 51.5 million in interest repayments to the Paris Club, USD 124 million in principal repayments and USD 39.5 million in interest repayments to the IMF. Projected repayments for 2000 are USD 885.2 million, excluding new external financing.

Debt growth in December 1999 (USD 304.6 million) is attributable to inclusion of the obligations of Economic Bank and Mineralbank into the government debt, as well as to valuation adjustments.

In absolute terms, the foreign debt measured in US dollars decreased by 2% on December 1998, but it grew as a share in GDP, reflecting valuation adjustments. The decrease is due to Bulgaria's exposure to the Paris Club. Borrowings from the IMF and the World Bank increased.

### **III. Foreign Exchange Reserves Management**



# 1. Management Strategy

## Investment Policy

Foreign exchange reserves management investment policy reflected the stipulated restrictions in the Law on the BNB, investment goals, and market risk assessment in 1999. The restrictions in the Law on the BNB establish major objectives and the general risk framework in foreign exchange reserves management. The goal pursued by the Treasury in 1999 was to maintain foreign reserves liquidity which enabled the BNB to buy and sell euro against levs without limit within Bulgaria.

Investment restrictions associated with foreign exchange reserves management may be grouped as follows:

- **foreign exchange risk:** there is a list of instruments in which the BNB may invest under the provisions of the Law on the BNB and namely that the value of foreign exchange assets shall not deviate by more than 2% from the total amount of foreign exchange liabilities;
- **country risk:** a list of countries in whose currencies the BNB may invest;
- **credit risk:** a set of rules interpreting credit ratings determined by credit rating agencies; a list of approved credit rating agencies used by the BNB in the assessment of credit risk; a set of rules for determining maximum credit exposure based on credit rating;
- **bank risk:** a total limit of bank exposure in time deposits, a list of banks and maximum BNB exposure with each of them; other transactions: a list of banks with whom the BNB may conduct particular transactions;
- **market risk:** interest rate risk is considered a major element of market risk; to limit interest rate risk the portfolio's duration was modified by determining a neutral-risk duration and admissible departures from it; new benchmarks for foreign exchange assets both in euro and US dollars were developed, effective as of 1 April 1999 (a benchmark is a model portfolio of securities providing neutral risk positions in assets management, including duration);
- **liquidity risk:** setting limits on excess liquidity assets; amount and quality specifications for securities issues into which the BNB may invest;
- **operations risk:** internal rules for Treasury operations, control over transactions; regular accounting.

## Market Positioning of Foreign Assets

In 1999 portfolio management was affected by the following factors: central banks' interest rate policies, market state, monetary flows and the Millennium Bug. During the first quarter international forex assets were restructured, consistent with effective limits and the new benchmark for the year, in force since 1 April 1999.

**Portfolio positioning in euro.** Given the major events affecting the market, EUR-denominated portfolio management was divided into two periods.

Due to the introduction of the new single European currency, the euro investments into government securities issued by Germany were diversified with government securities issued by other eurozone countries: France, the Netherlands, Austria and Belgium. Funds were invested in securities issued by international financial institutions with a term of up to one year. Portfolio duration during *the first half of 1999* was maintained longer than that of the benchmark due to anticipated interest rate reductions by the European Central Bank.

Radically diverged market factors during *the second half of 1999* prompted changes in the strategy intended to shorten portfolio duration in respect to the benchmark. Securities with longer maturities were sold, and securities with shorter maturities and floating-coupon securities were purchased. Positions in premium securities were reduced at the expense of benchmark securities traded at a premium. Funds were invested mostly into government securities issues by the Netherlands, Austria and Belgium which continued to generate relatively higher premium than benchmark German and French government securities. Measures intended to avoid any possible problems associated with the dawn of the year 2000 entailed an adoption of a conservative strategy during the third quarter of 1999 relating to the Millennium Bug and reduced market activity.

**Portfolio positioning in US dollars.** Portfolio dependence on monetary flow developments was taken into account and USD-denominated assets significantly decreased during the third quarter of 1999 due to foreign debt repayments. To minimize the effects of climbing interest rates and falling securities prices, floating-coupon securities were purchased since February. Portfolio duration was neutral compared with the benchmark in the first half of 1999 and shorter than the benchmark in the second half of 1999. During the last quarter of 1999 USD-denominated revenue exceeded payments and free funds were invested in money market instruments. To minimize the possible consequences of the Millennium Bug liquid funds were increased and portfolio duration was maintained lower than that of the benchmark at end-November and December. In December there were no transactions.

## 2. Foreign Exchange Reserves Structure

The second half of 1999 witnessed a clear upward trend in foreign exchange assets. Major factors behind this were: purchases of reserve currency from residents, receipts on government accounts including revenue from privatization and from foreign exchange reserves management transactions. Foreign debt payments appeared the major counteracting factor.

The structure of BNB foreign exchange assets by balance sheet item changed as a result of restructuring of foreign exchange assets management, consistent with the new benchmark introduced on 1 April 1999. Changes in international financial markets, and government foreign debt payments and receipts in foreign exchange also significantly impacted asset structure.

As a result of the adopted strategy, geared toward a reduction of credit risk through investment in government securities, the share of securities in the assets structure increased, while the share of cash balances diminished.

### Balance Sheet Item Assets Structure

#### BALANCE SHEET ITEM ASSETS STRUCTURE IN 1999

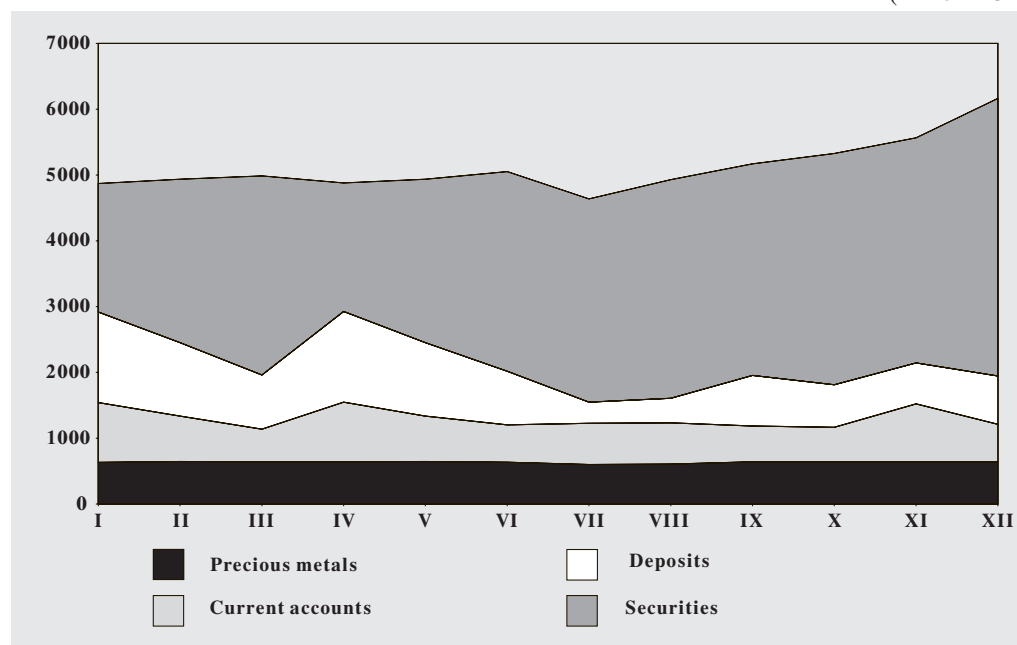
	(%)											
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Current accounts	18.51	13.89	9.80	18.49	13.89	10.99	13.18	12.44	10.29	9.64	15.55	9.08
Deposits	28.07	22.42	16.29	28.03	22.42	15.78	6.73	7.36	14.56	11.91	10.98	11.73
Securities	39.79	49.93	59.76	39.73	49.93	58.77	64.97	65.77	60.85	64.69	60.36	67.23
Precious metals	12.92	13.00	12.67	13.05	13.00	12.31	12.65	12.00	12.14	11.81	11.32	10.23
Cash in foreign currency	0.33	0.44	0.40	0.33	0.44	0.80	1.11	1.13	0.91	0.59	0.61	0.54
Accrued interest receivable	0.37	0.32	1.08	0.37	0.32	1.35	1.36	1.29	1.25	1.36	1.17	1.19

Source: BNB.



**STRUCTURE OF ISSUE DEPARTMENT ASSETS  
BY FINANCIAL INSTRUMENT IN 1999**

(million BGN)



Source: BNB.

**Structure of Assets by Residual Term**

The bulk of BNB assets was invested in instruments (current accounts, short-term deposits in foreign currency and gold, and securities) with a residual term to maturity of up to one year. By end-March these assets comprised 70.76%, and by end-December 69.24%. The structure of international foreign exchange assets by residual term to maturity is shown below.

**STRUCTURE OF ASSETS BY RESIDUAL TERM IN 1999**

(% at end-quarter)

Residual term	I	II	III	IV
Up to 1 year	70.76	61.03	65.41	69.24
From 1 to 3 years	17.78	24.73	23.63	21.75
From 3 to 5 years	11.46	14.24	10.96	8.80
From 5 to 10 years	0.00	0.00	0.00	0.21
Over 10 years	0.00	0.00	0.00	0.00

Source: BNB.

**Currency and Foreign Exchange Risk Assets Structure**

The bulk of BNB assets was denominated in euro: its share rose from 65.57% by end-January to 72.55% by end-July and 71.68% by end-December 1999. This growth reflects primarily BNB purchases of reserve currency from residents.

The share of assets denominated in US dollars varied from 17.73% at end-January to 8.67% at end-July, and 11.94% at end-December 1999. The decline in USD-denominated assets in absolute and relative terms during the second half of 1999 was associated with the conversion of USD-denominated BNB funds into euro and levs.

The share of special drawing rights increased in June and December due to loans disbursed by the International Monetary Fund.

The foreign exchange risk is minimized by complying with the admissible deviation of  $\pm 2\%$  of the currency structure of assets from the currency structure of liabilities.

**STRUCTURE OF ASSETS BY CURRENCY IN 1999**

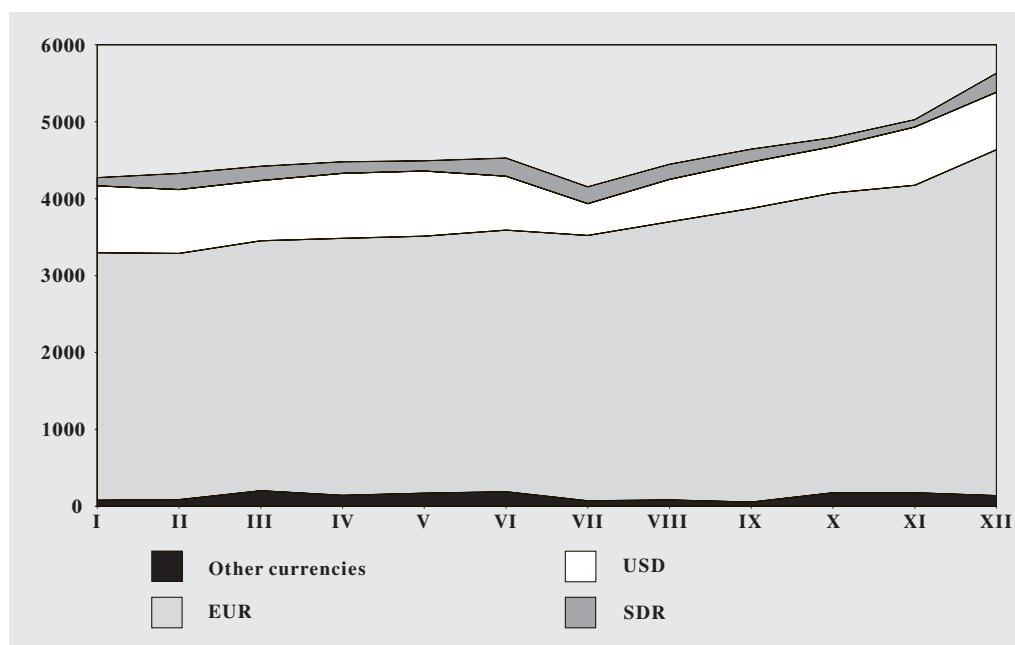
(%)

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
EUR	65.57	64.35	64.18	65.27	65.11	65.90	72.55	71.58	72.26	71.69	70.54	71.68
USD	17.73	16.71	15.50	16.50	16.50	13.58	8.67	10.92	11.43	11.14	13.35	11.94
SDR	2.17	4.21	3.66	2.91	2.58	4.56	4.62	3.88	3.14	2.11	1.68	3.92
Other currencies	1.61	1.73	3.99	2.79	3.31	3.65	1.51	1.62	1.03	3.25	3.10	2.22
Gold	12.92	13.00	12.67	12.53	12.50	12.31	12.65	12.00	12.14	11.81	11.32	10.23

Source: BNB.

**STRUCTURE OF ISSUE DEPARTMENT ASSETS BY CURRENCY IN 1999**

(million BGN)



Source: BNB.

BNB gold reserves continued to be vulnerable to risk in 1999 due to gold price fluctuations. Gold price changes affected the market value of BNB net reserves and Banking Department deposit (gold value has not been reported in accounting statements since in most months of 1999 the price exceeded DEM 500 *per* troy ounce).

**Credit Structure and Credit Risk**

The bulk of BNB international foreign exchange assets was invested in government and government guaranteed securities (over 62% exposure to other countries and less than 20% of assets deposited with commercial banks). Most BNB correspondent banks and counterparts (more than 80%) have the highest AAA credit rating. This guarantees the safety of BNB investments, consistent with the Law on the BNB.

**STRUCTURE OF ASSETS BY FINANCIAL INSTITUTION IN 1999**

(% at end-quarter)

Financial institution	I	II	III	IV
Commercial banks	18.47	18.74	19.27	15.80
Central banks and government debt	72.04	70.58	71.59	62.71
International financial institutions	9.49	10.68	9.14	21.49

Source: BNB.

**STRUCTURE OF ASSETS BY CREDIT RATING IN 1999**

(% at end-quarter)

According to Fitch IBCA and Standard & Poors and Moody's credit ratings	I	II	III	IV
AAA	85.80	84.15	82.73	86.85
AA	14.20	15.85	17.27	13.15

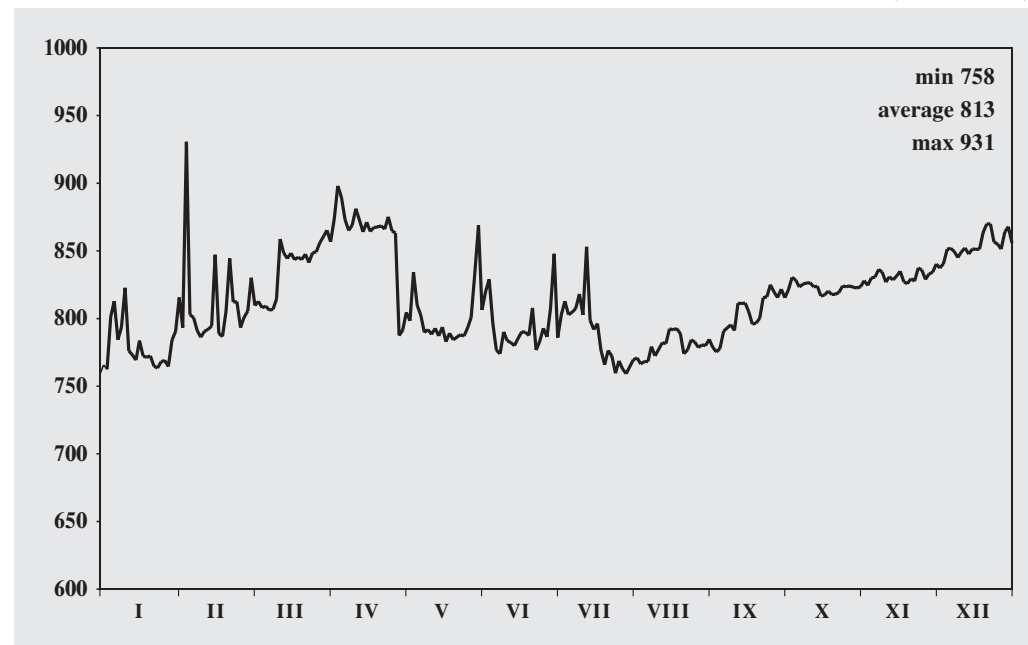
Source: BNB.

**Coverage of Total BNB Monetary Liabilities**

The market value of BNB international foreign exchange assets covered entirely BNB monetary liabilities, providing an excess of international foreign exchange reserves over monetary liabilities. This was expressed in the Banking Department deposit which is the BNB's net foreign exchange reserve.

**BNB NET FOREX RESERVES IN 1999 ON A DAILY BASIS**

(million BGN)



Source: BNB.

**Interest Rate Risk**

The modified duration of international forex assets, a measure of interest rate risk, was under one year. This limited the risk of devaluating international forex assets as a result of interest rate increases. USD-denominated portfolio duration changed more often compared with the EUR-denominated portfolio duration. This was due to comparatively more dynamic movements in cash flows in this portfolio.

### 3. Net Revenue and Profitability from Foreign Exchange Reserves Management

Annualized return, including monthly revaluation of securities in 1999, accounted for 2.2% on international forex assets and 2.4% on the actively managed portion of forex assets.

#### RETURN BY CURRENCY IN 1999

Currency	Annualized return, %			
	I quarter	II quarter	III quarter	IV quarter
EUR	2.5	1.8	2.0	2.1
USD	4.9	3.4	6.9	4.6
SDR	0.6	1.9	2.0	1.8
XAU	0.3	0.3	0.9**	2.6**
Other currencies	0.7	0.3	1.3	0.9
Actively managed				
forex reserves, total	2.8	2.0	2.6	2.3
Forex reserves, total*	2.5	1.8	2.3	2.1

\* Includes monetary gold and cash in foreign currency.

\*\* Interest paid in US dollars also included.

Source: BNB.

#### RETURN ON EUR-DENOMINATED AND USD-DENOMINATED PORTFOLIOS AGAINST BENCHMARKS IN 1999

Currency		Annualized return, %				
		quarters				
		I	II	III	IV	II – IV
EUR	portfolio	2.5	1.8	2.0	2.1	2.0
	benchmark		1.7	1.7	2.0	1.8
USD	portfolio	4.9	3.4	6.9	4.6	5.0
	benchmark		3.6	5.2	3.9	4.2

Source: BNB.

Between April and December 1999 when the new benchmark was applied, the return on both EUR-denominated and USD-denominated portfolios exceeded that on both benchmarks. This was a result of the adopted investment strategy for portfolio duration management during the period.

## **IV. Financial Markets and Liquidity**



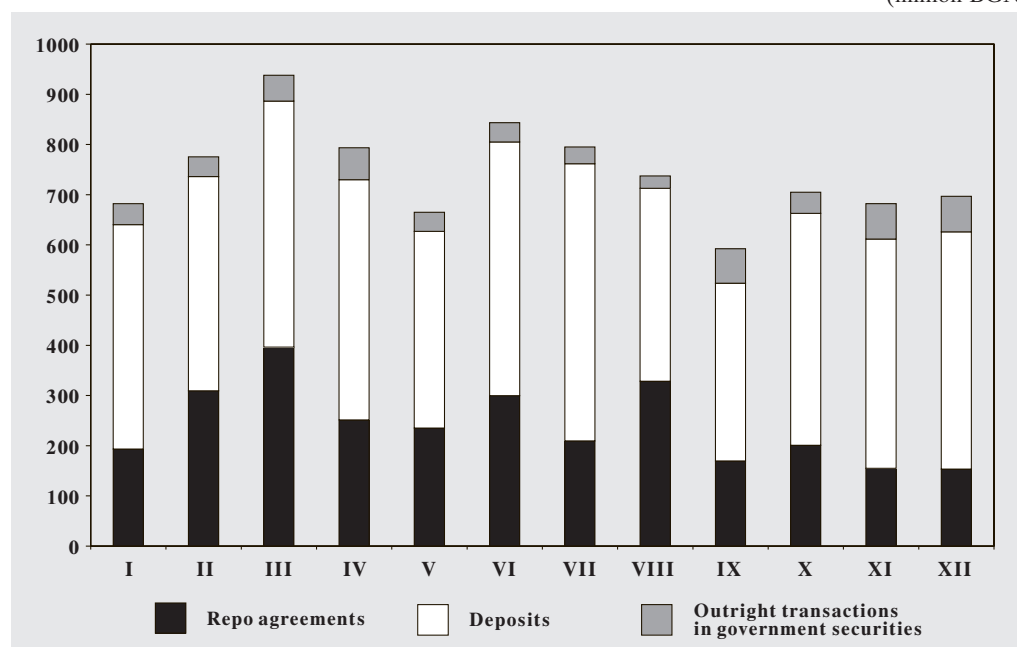
# 1. Liquidity

## The Interbank Money Market

The volume of traded funds in the interbank money market increased substantially in 1999, by BGN 3,294.6 million in absolute terms compared with the previous year. In structural terms, repo agreements grew by 78%, while deposits rose by 59%. Repo agreements and deposit transactions grew by 66% on 1998. Major internal factors affecting the development of the interbank money market were cash flows to and from the MF. The ratio between foreign currency assets and liabilities within the banking system also impacted developments in the interbank money market.

INTERBANK MONEY MARKET IN 1999

(million BGN)



Source: BNB.

Cash flows to and from the MF followed a monthly cyclical pattern, reflecting the accumulation of excess reserves in commercial bank settlement accounts at the beginning of the month and nonperformance of minimum required reserves from mid-month until its end. Therefore liquidity dynamics determined demand for and supply of resources and caused changes in the average interbank interest rate.

In 1999 foreign banks' credit exposure increased, given the relatively steady lev deposit base. The upward trend in lev credits combined with a wider range of provided services related to lev liquidity, such as higher overdrafts on customer settlement accounts, reflected a steady demand for funds from these banks. It should be noted that foreign banks, thanks to their high rating, were able to borrow funds through unsecured deposits. As a result, a change evolved in debt internal structure compared with the previous year:

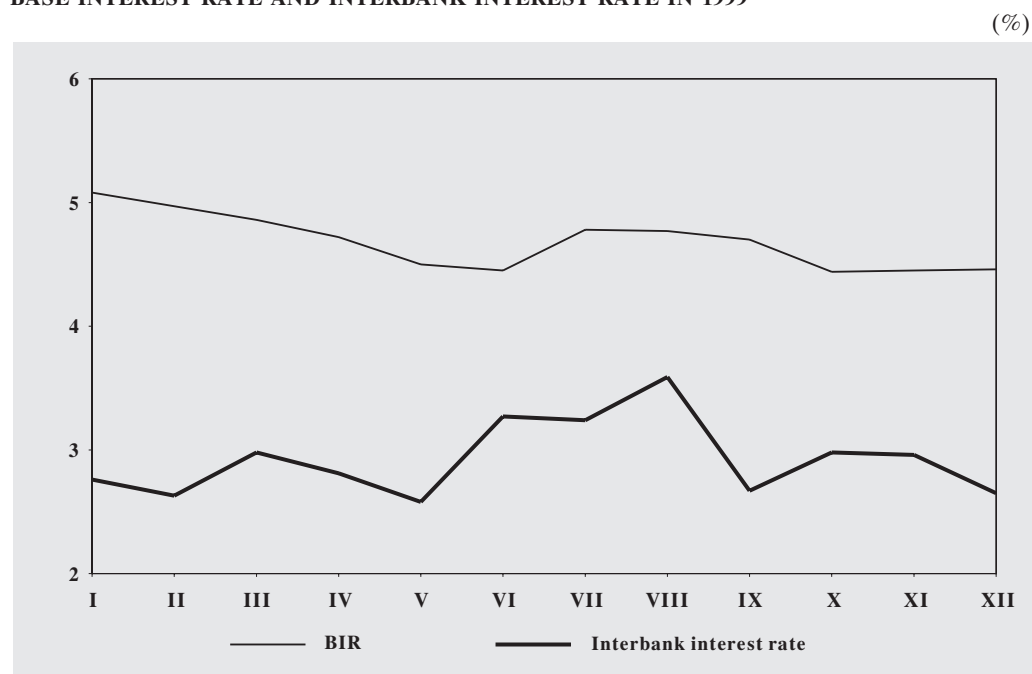
Year	Secured debt	Unsecured debt
1999	44	56
1998	76	24

Source: BNB.

In 1999 interbank money market funds traded below the base interest rate while the method of base rate setting on the basis of auctions for three-month government securities was kept.

August made the only exception to this, when interest on particular transactions reached 16.75%, hitting a monthly high average of 3.59% for 1999. The main factor for market tension in August was the timing of cash flows from the MF to the banking system.

#### BASE INTEREST RATE AND INTERBANK INTEREST RATE IN 1999



Source: BNB.

### Commercial Bank Reserves

In 1999 the volume of attracted funds by commercial banks was volatile, given a complex and ever-changing domestic setting. Political events in the region in early 1999 led to a reduction and maintenance of the deposit base through the first half of the year at lower levels than those reported for end-1998. Only after initiation of lev redenomination in July did attracted funds gradually increase and the banking system reported an overall growth of 14.03% in December compared with the same period of 1998. Lev deposits grew by 12.87% and foreign currency deposits rose by 14.98% in lev equivalent. (This was also a result of the lev's devaluation against the US dollar by 13.68%.)

In 1999 minimum required reserves remained unchanged: 11% of the deposit base.

Under volatile conditions significant fluctuations occurred in the structure of reserve assets held by banks as required reserves. In different periods and to different degrees the banks used their right to maintain minimum required reserves in foreign currency on attracted funds in foreign currency. While in December 1998 the lev equivalent of deposited foreign currency comprised 43.74% of required reserves on foreign currency deposits, in August 1999 it reached 73.48%. The main reason for this was the dramatic shortage of lev funds at commercial banks as a result of disturbed cyclical pattern of cash flows from the MF to the banks, and of a BNB



Managing Board resolution on the transfer of failed banks' accounts from commercial banks to the BNB. Changing conditions in international markets prompted significant changes in the structure of reserves maintained in foreign currency by type of currency: those held in US dollars and euros decreased by 70% and 5.60% respectively, while reserves held in Swiss francs increased by 25.08% on a year earlier.

Although the banks were flexible in managing current and medium-term liquidity through changes in the structure of reserve assets during the year, the practice of maintaining considerable excess reserves continued: BGN 30,829,000 on average for the banking system. While this reflected the need to service current payments, it also showed up a continuing shortage in lev funds in the market consistent with reduced net issues of government securities and an ongoing reluctance by banks to extend more widespread credit to the real sector.

Overall, in 1999 banks did not face difficulties in maintaining minimum required reserves with the BNB. In certain months certain banks failed to comply, which may be seen as incidental and attributable to current and medium-term liquidity mismanagement. The Balkan Universal Bank was the only bank to systematically and drastically default on its minimum required reserves (from August till year-end) but this did not pose risks for the entire banking system as the bank's attracted funds accounted for just 0.11% of total commercial bank deposits and it was practically isolated from the interbank money market. Due to noncompliance with financial regulations and legal provisions, including Regulation No. 21, the bank's license was revoked in December 1999.

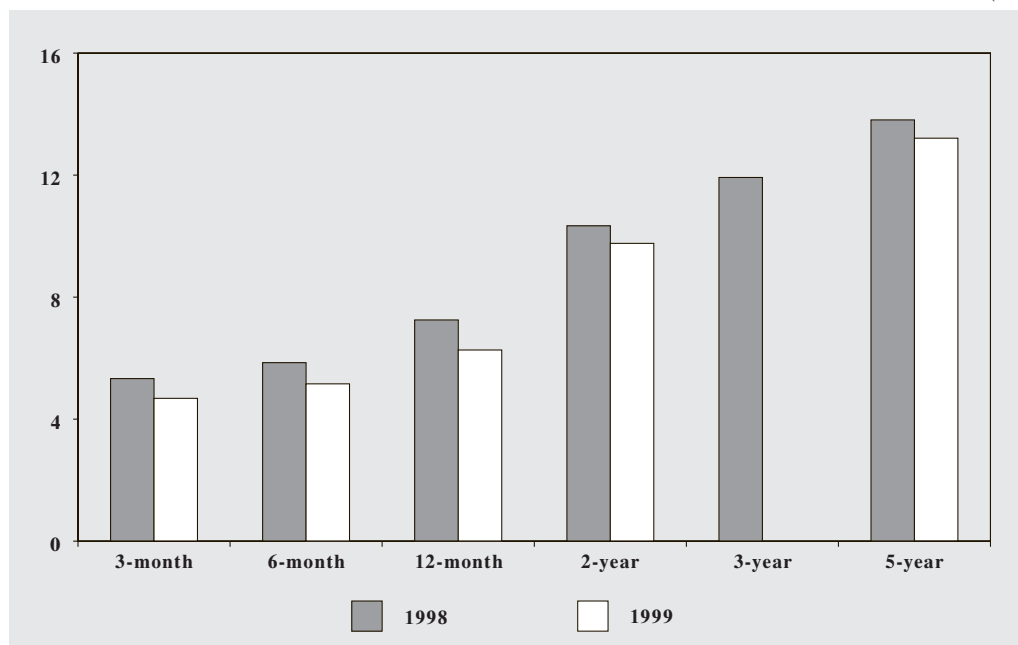
## 2. Financial Markets

### The Government Securities Market

**Primary market.** The introduction of the currency board created conditions for financial stabilization and the MF gradually opted for issue of fixed-income government securities of longer maturity.

AVERAGE ANNUAL YIELD OF GOVERNMENT SECURITIES

(%)



Source: BNB.

The primary market was characterized by sustained prevalence of demand over supply, which prompted changes in the yield curve compared with 1998 until it balanced in the upper end. Lack of securities with over five-year maturity and the limited amount of five-year government securities (securities of BGN 3,190,000

nominal value were circulated from early 1999 till year-end) made it possible for two-year bonds to become the benchmark.

In 1999 the yield curve for two-year bonds displayed relatively low volatility, consistent with MF issuing policy to a great extent. The yield curve for 12-month government securities displayed similar results while the yield curve for three-month securities was most volatile.

**Secondary market.** In 1999 the volume of the government securities secondary market was 2.68 times higher than that of 1998. Boosted trade in government securities is attributable to the growing number of market participants as a great number of brokerage financial houses joined the business.

USD-denominated bonds issued under ZUNK were most attractive in 1999. The volume of transactions in these securities rose 2.33 times on 1998. In 1999 a maximum difference between the price attained in the interbank market and the nominal value was reported, USD 13 per USD 100 nominal value, the lowest average price being attained in April (USD 54 per USD 100 nominal value) under the impact of the Kosovo Conflict. Trade in these securities intensified substantially at year-end and in December the average price reached USD 67 per USD 100. Expectations are for a further rise in the average price consistent with partial repayment of the principal and a reverse repurchase by the MF.

Regardless of boosted trade in government securities the secondary market lacked market makers for transactions with final investors. Primary dealers participated in the secondary market mainly to cover current liquidity needs, whereby the scope and volume of government securities transactions were reduced. On the other hand, banks' investments in government securities comprised on average 20% of those assets which do not require capital cover. Should the range of services diversify and bank lending intensify in 2000, it may be assumed that the government securities market will enter a new stage of development which in turn will boost trade in corporate securities in the capital market.

## Equity and Corporate Debt Securities Markets

**Trade performance.** The Bulgarian Stock Exchange (BSE) reported a total turnover of BGN 133.8 million for 1999, smaller than the equivalent of BGN 214.1 million (BGL 214.1 billion; BGN 1 = BGL 1,000) for the total turnover in 1998. Ordinary trade in the two main markets of the *bourse*, the official one and the free one, was of a daily character, though of small dimensions. However, the block deals that went through these markets, while not a daily occurrence, amounted to BGN 83.6 million, thus producing the bulk of total annual turnover. A separate constituent market of the BSE was established in mid-December for privatization transactions.

A foreign bank topped the list of *bourse* intermediaries with largest annual turnover (block deals included), followed by two banks and two investment intermediaries. The daily and monthly turnover of the stock exchange (as well as of off-*bourse* transactions) tended to vary significantly. A surge in ordinary trade in the free market and in block transactions took place in the BSE in December.

**Equity.** The general price level of Bulgarian shares did not deviate substantially from its low in the autumn of 1998. In terms of the *BSE Sofia Warburg* index, that level was approximately 60 points (the index started at 100 points for 31 December 1997). Rising interest in the shares of Neftochim, Solvey-Sodi, Bulgartabac Holding (and the tobacco sector in general) raised the Bulgarian share prices index in early 1999. In March it touched 80, when buying interest retraced and a return to the general tendency in the price level followed.

In the second half of the year, shifts in the ownership structure of large traded companies were followed by pressure on equity prices due to speculation about possible neglect of minority shareholders' interests in cases of increases in capital. Such speculative expectations applied to Neftochim, which contributed to the fall of the index to the level of 40 in October. The fears were unjustified, and the price index subsequently recovered, however remaining close to 50. The stalling of such

fears was one of the objectives of the new Law on Public Offering of Securities, voted in December 1999 and effective from early 2000.

The shares of Neftochim, whose prices experienced great fluctuation, were also among the most liquid on the BSE.

At the end of 1999, market capitalization amounted to BGN 219.1 million for the official market of the BSE and to BGN 1,154.2 million for the free market of the *bourse*, i.e. to a total of BGN 1,373.3 million.

**Corporate debt securities.** In August a private company launched an issue of corporate bonds with a 5-year maturity. These were the only bonds traded on the BSE. The corporate bond official market of the *bourse* comprising transactions with this issue reported a turnover of BGN 0.5 million by end-1999, i.e. a tiny fraction of BSE trade.

Comprising deals with only one issue, the corporate bond trade on the BSE could not attain a daily character.

## **The Forex Market**

**An overview of the forex market.** The total forex market volume amounted to EUR 12,579.7 million based on commercial bank data on transactions with a value date of two business days, including classical spot transactions, transactions with value date next business day and same business day, and cash-desk transactions. During the second half of 1999 the total volume of the forex market was EUR 6,665.9 million, exceeding the volume of the previous six-month period by approximately 13%. During 1999 commercial bank purchases (including BNB) significantly exceeded sales (mainly in the second half of 1999): by EUR 245 million.

Comparison of 1998 and 1999 needs certain clarification. In early 1999 the new single European currency was introduced at the exchange rate of the Deutsche mark (Bulgaria's reserve currency until 1998 in compliance with currency board rules) to the euro of DEM 1.95583 per EUR 1. The 1998 report published in Deutschemark was recomputed at the same rate. Compared with 1998 forex market volume grew by approximately 30%. Almost all foreign exchange trade segments indicated a growth on 1998: the interbank market (BNB excluded), commercial bank transactions with the BNB and commercial bank transactions with final customers. Compared with 1998 only the volume of BNB transactions with final customers (budget organizations) and foreign exchange trade associated with Bulgaria's foreign debt payments reported a decline.

**Market sectors.** Commercial bank operations with final customers (companies, budget-supported organizations, nonbank financial institutions, individuals, nonresidents, and foreign exchange transactions associated with foreign debt payments) comprised the largest market sector. The total 1999 volume of bank forex purchases (the BNB included) from final customers considerably exceeded forex sales: by approximately EUR 185 million. During the first half of 1999 bank sales to final customers exceeded purchases by EUR 50 million (the BNB included).

**SPOT OPERATIONS WITH CUSTOMERS**

(million EUR)

	Bought	Sold	Balance
Total for 1999	3,404.4	3,219.0	185.4
incl.:			
commercial banks	3,278.6	3,038.2	240.4
BNB	125.8	180.8	-55.0
of which:			
January – June	1,466.7	1,516.0	-49.3
incl.:			
commercial banks	1,439.9	1,470.2	-30.3
BNB	26.8	45.8	-19.0
July – December	1,937.7	1,703.0	234.7
incl.:			
commercial banks	1,838.7	1,568.0	270.7
BNB	99.0	135.0	-36.0

Source: BNB.

In 1999 the volume of the interbank forex market (the BNB excluded) increased by 24% on 1998. Compared with the previous year BNB participation in the interbank forex market in 1999 rose by about 6%.

**INTERBANK SPOT MARKET**

(million EUR)

	Bought	Sold	Balance
Total for 1999	2,994.9	2,416.1	578.8
incl.:			
commercial banks*	2,462.5	2,403.1	59.4
BNB with commercial banks	532.4	13.0	519.4
of which:			
January – June	1,477.3	1,324.0	153.3
incl.:			
commercial banks*	1,358.8	1,311.0	47.8
BNB	118.5	13.0	105.5
July – December	1,517.6	1,092.1	425.5
incl.:			
commercial banks*	1,103.7	1,092.1	11.6
BNB	413.9		413.9

\* Some imperfections in reporting lead to a minimal difference between the Bought and Sold columns, which are identical for operations between fully licensed banks.

Source: BNB.

The BNB share in the 1999 forex trade volume approximated 7% of total volume. Compared with 1998 the BNB share declined by almost 2%, mostly at the expense of sales to final customers. Within BNB purchases from final customers, operations at its cash tills had the largest share (worth EUR 50.8 million), with approximately 100% of purchases effected during the second half of 1999 (EUR 49 million). The BNB sold foreign currency predominantly to the Ministry of Finance for Bulgaria's foreign debt payments: EUR 84 million, with the bulk of payments effected during the second half of 1999.

**BNB SPOT TRANSACTIONS**

(million EUR)

	Bought	Sold	Balance
Total for 1999	658.2	193.8	464.4
BNB with commercial banks	532.4	13.0	519.4
BNB with customers	125.8	180.8	-55.0
incl.:			
with companies	34.9	7.4	27.5
with budget organizations	34.9	55.7	-20.8
with state funds	4.7		4.7
with MF for foreign debt	0.0	84.6	-84.6
other	0.4		0.4
cash operations at tills	50.8	33.1	17.7

Source: BNB.

**Market structure by currency.** The market structure by currency did not experience significant changes from 1998. With the introduction of the single European currency, the euro and its components were traded almost equally, comprising slightly less than 50% of the forex market volume. The share of the US dollar and foreign currencies other than those from the eurozone accounted for 51%. The share of the US dollar was 47% against 35% for the euro. Compared with 1998 when the forex trade was dominated by the US dollar and the Deutschemark, the US dollar share declined by a few percentage points (52.5% in 1998). The interbank market was dominated by the euro (approximately 60% against 37% for the US dollar), consistent with currency board arrangements. The US dollar sustained its leading position in final customers operations: approximately 60% of purchases from, and 56% of sales to, final customers. Compared with 1998 the trade in US dollars declined insignificantly: about 7% in purchases while in sales the 1998 level was sustained (55%). Despite this forex market structure, the average monthly US dollar market rate, recomputed *via* all other traded foreign currencies, proved lower than the official average rate. This is shown in the table below.

**AVERAGE MONTHLY BGN/USD EXCHANGE RATE**

	Average monthly (market) BGN/USD 1	Average monthly (official) BGN/USD 1	Deviation market/official, %
I quarter	1.78794	1.79737	-0.52
II quarter	1.87353	1.88473	-0.59
III quarter	1.8520	1.86367	-0.626
IV quarter	1.9227	1.93489	-0.630

Source: BNB.

Financial markets behavior throughout 1999 (funds traded in the interbank market at a lower price than the base interest rate, lower market rate of the US dollar than the official US dollar rate, insignificant movements in market prices of government securities and traded stock) indicates no threat of liquidity risk in 1999 or 2000. In support of this, it is worth mentioning the compliance of commercial banks with minimum reserve requirements. By the end of December 1999 commercial bank minimum required reserves reached +10.02%.

In addition, stabilization reached as a result of the currency board was favorable to commercial bank financial performance. During the last three financial years commercial banks reported positive results which helped capitalize banks and hence provide them with sufficient liquid assets to meet current obligations. The ratio of liquid assets exceeding 40% by the end of 1999 indicates sufficient commercial bank liquidity. Consequently, sufficient commercial bank liquidity maintained during 1999 was the major factor which helped avoid central bank intervention in its capacity as lender of last resort.

### 3. Payment System and Settlement

Following the exclusion of bankrupt banks from the payment system in the second half of 1998, the number of newly opened input points in the BISERA network grew due to direct inclusion of newly opened commercial banks' branches in the payment system. As a result by the end of 1999 the number of participants reached 634 against 621 by the end of 1998.

Between January and December 1999, 13,037,333 interbank settlements (daily average 59,672) were cleared through the BISERA electronic interbank transfers system, totaling BGN 45,054,315 million (average daily BGN 178,787,000). This indicates a substantial increase of 25.8% in number and 16.8% in volume of settlements.

In certain periods payment activity was seriously affected by current economic conditions. During the first half of 1999 due to the stagnation resulting from the Kosovo Conflict and to pending national currency redenomination, the number of payments rose by 4.1% on the second half of 1998, reaching 6,696,962, while the volume of payments indicated a slight decrease of 1.6%, totaling BGN 19,850,633,000. Average daily values over this period were 54,008 in number and BGN 160,086,000 in volume. During the second half of the year these values improved reaching 8,340,371 in number and BGN 25,203,682,000 in volume (daily average 65,159 and BGN 196,904,000 respectively).

During the second half of 1999 work on the BISERA 4 project was initiated. This involves a real time payment system. The BNB Board approved the task and requirements in terms of project design and timescale. Necessary arrangements were made to finish installation of the system in the first quarter of 2001.

During 1999 legislative acts regulating transactions and payments between residents and nonresidents, transborder transfers and payments, imports and exports of foreign currency in cash were adopted in line with Bulgaria's liberalized foreign exchange regime and harmonization of Bulgarian legislation with the requirements of international institutions.

By the end of 1999 the BNB Banking Department issued instructions for enactment of statutory instruments related to the Foreign Exchange Law.

## **V. The Banking Sector and Banking Supervision**





# 1. Major Trends in the Development of the Banking Sector

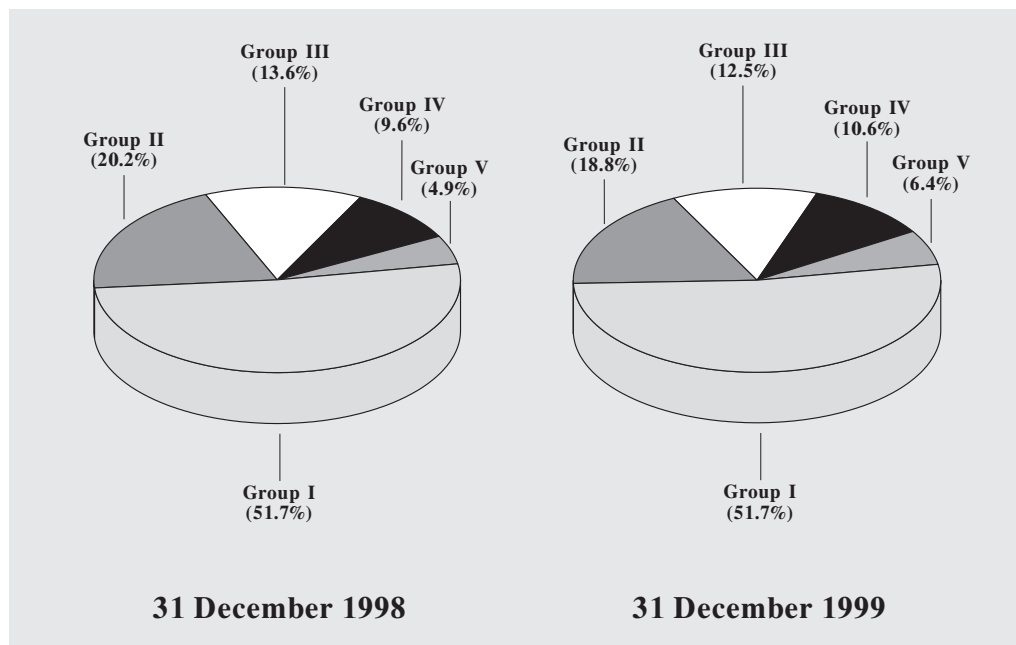
For a third consecutive year banks continued to pursue a policy of conservative market behavior and maintenance of low-risk assets and high capital adequacy ratio: a clear sign that banks were extremely prudent in terms of risks related to economic processes in the country. Return on assets (ROA) of the banking sector in 1999 was 2.37% (against 1.72% in 1998), and return on equity (ROE) 20.88% (against 15.78% in 1998). The emergence of Bulgarian banks as major economic and financial agents, and their future position in international markets will depend on the pace of economic reform, and on restructuring of banks' activity and organization.

During 1999 the three biggest Bulgarian banks<sup>25</sup> (Bulbank, DSK Bank and the United Bulgarian Bank) sustained their big shares in total banking sector assets: 52%, including 38% from lending, 74% from securities in the investment portfolio, and 56% from securities in the trading portfolio). This group concentrated 56% of all investments of nonfinancial institutions and other customers. The group which ranks second by size and significance (Biochim, the Bulgarian Post Bank, Societe Generale Expressbank, and Hebrosbank) experienced a decline of approximately 1%, the result of restructuring. However, this group had a significant market share comprising 19% of total banking sector assets (against 20% in 1998). No significant changes occurred in the market shares of banks included in the other three groups. In the group of foreign banks' branches, ING Bearings, which owns half of the assets in the group, participated most actively in the market.

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<sup>25</sup> To ensure precise monitoring of changes and their dynamics within the system, in 1999 commercial banks were reclassified into five groups from the previous three. This was intended to improve the precision of market share surveys, the nature of business profile, and comparability in terms of supervisory regulations. Based on these criteria commercial banks were divided into four classification groups according to balance sheet size: Group I – over BGN 500 million; Group II – from BGN 300 million to BGN 500 million; Group III – between BGN 100 million and BGN 300 million; and Group IV – up to BGN 100 million; Group V comprises foreign banks' branches.

## ASSETS BY BANK GROUP



Source: BNB.

### Bank Assets and Liabilities

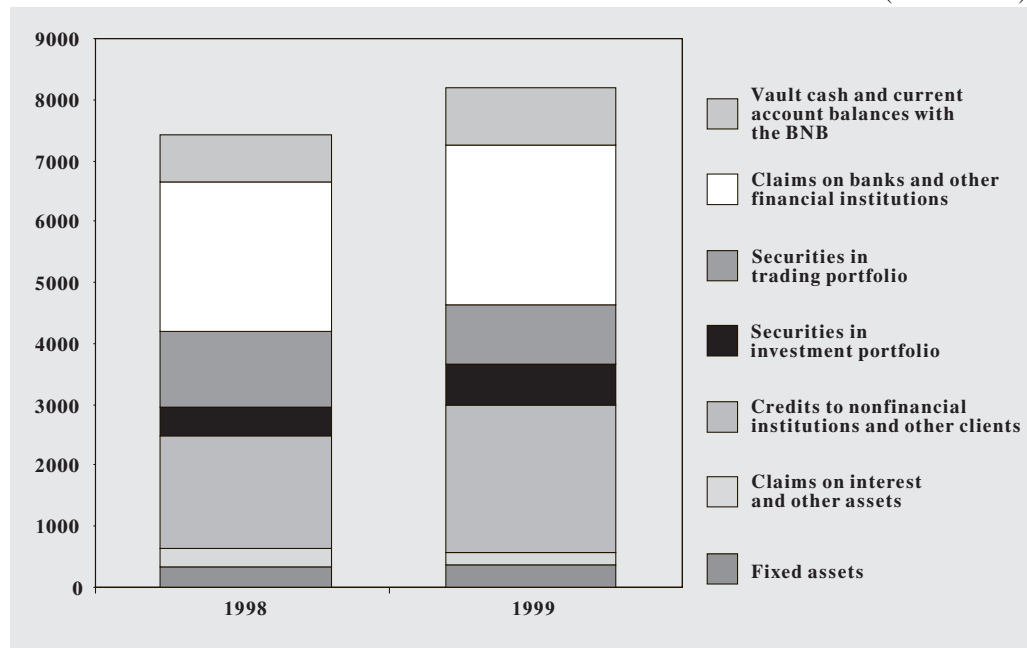
By the end of 1999 total banking system assets increased by BGN 797 million (10.7%) in nominal terms, reaching BGN 8,223 million. In fact this growth reflected to a greater degree the increased lev equivalent of assets foreign exchange component, resulting from the approximately 16% appreciation of the US dollar from end-1998. Assets in levs increased by almost BGN 206 million (6.1%), while assets in foreign currency measured in conventional USD<sup>26</sup> decreased by approximately USD 39 million in real terms. Given enhanced competition and the need to cover overheads, in 1999 commercial banks cautiously restructured low-risk and high-risk assets into assets earning higher yield. The share of claims on banks remained most significant: 32%. Lending, banks' major activity, saw a growth on 1998. Loans in foreign currency increased by approximately USD 123 million (conventional US dollars) and loans in levs by BGN 250 million. However, the share of loans in banking system assets remained low: less than 30%.

By the end of 1999 banking system liabilities reported a nominal increase of BGN 577 million (9%) in borrowed funds, reaching BGN 6,945 million. As in assets this reflected a higher lev equivalent of the liabilities foreign exchange component. In real terms, no significant decrease in foreign currency deposits was reported: approximately USD 23 million (in conventional US dollars). Interest obligations and other liabilities were substantially reduced, resulting in an overall decrease in foreign exchange liabilities by approximately USD 130 million (in conventional US dollars). In addition, lev deposits of nonfinancial institutions and other customers rose by BGN 198 million (8.5%) from end-1998. These changes suggest a restructuring of banks' deposit base which stood stable by its volume in 1999. The low level of saving and accumulation did not allow for supply of a greater amount of long-term savings and investment products by banks.

<sup>26</sup> Conventional US dollars: positions denominated in various foreign currencies recomputed in US dollars. Used only for monitoring and comparison.

### STRUCTURE OF ASSETS IN THE BANKING SECTOR, TOTAL

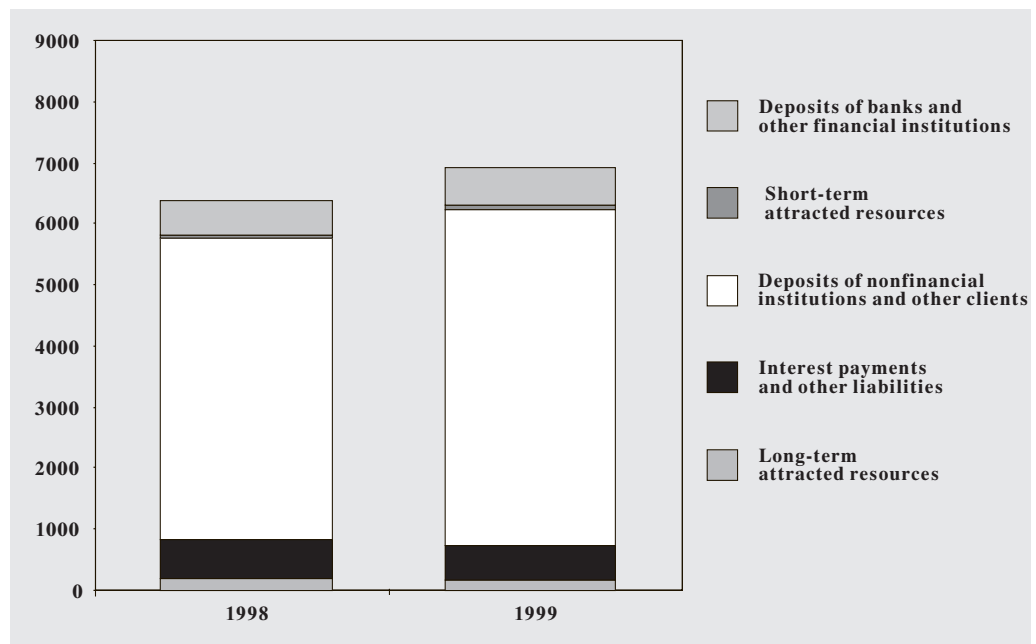
(million BGN)



Source: BNB.

### STRUCTURE OF LIABILITIES IN THE BANKING SECTOR, TOTAL

(million BGN)



Source: BNB.

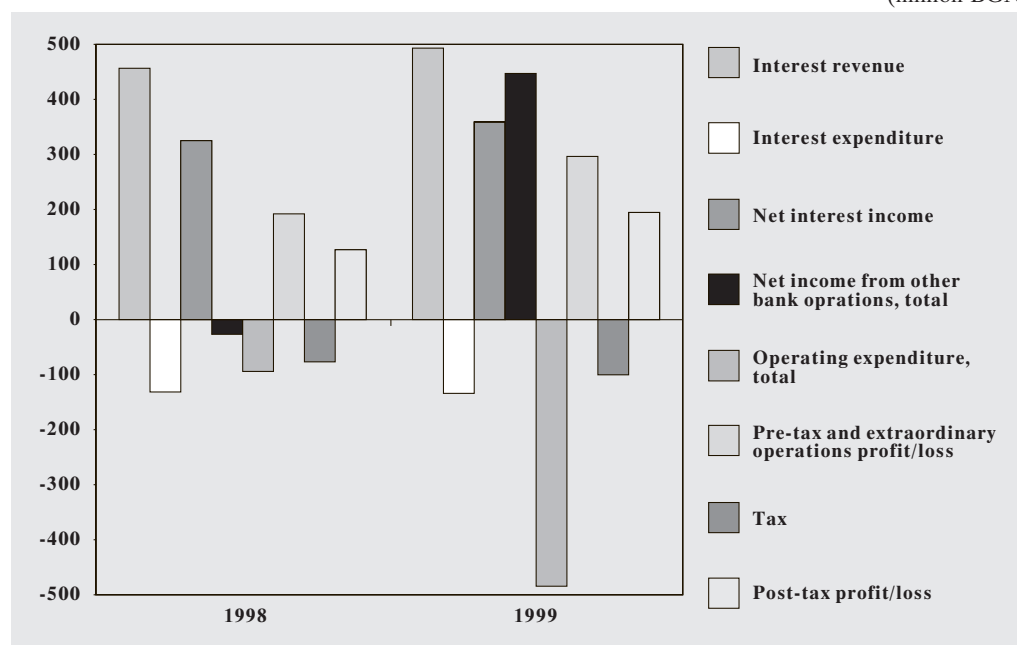
### Profitability

The Bulgarian banking sector reported a net profit of approximately BGN 195 million (a 54% increase on 1998). The net interest income stood stable over the year, marking an increase of BGN 34 million (an increase of 11% on 1998). The ratio between net interest income and operating expenses (90%) was lower than in 1998 (93.4%). Comparing 1999 and 1998 revenues, it should be taken into account that banks did not earn income from reintegration of provisions allocated for covering credit losses. In 1998 almost all operating expenses were covered by these provisions. The growth in net interest income in 1999 was cancelled up by a nearly matching increase in operating expenses. Operating profit before taxation and other extraordinary operations indicated an increase of BGN 91 million, or 44.6% on

1998. It is of note that the performance of particular banks significantly diverged from the general picture, reflecting the quality of their credit portfolios, trading portfolio indicators and policies pursued.

#### BANK REVENUE AND EXPENDITURE

(million BGN)



Source: BNB.

## 2. Compliance with Supervision Requirements

### Capital Adequacy (Solvency)

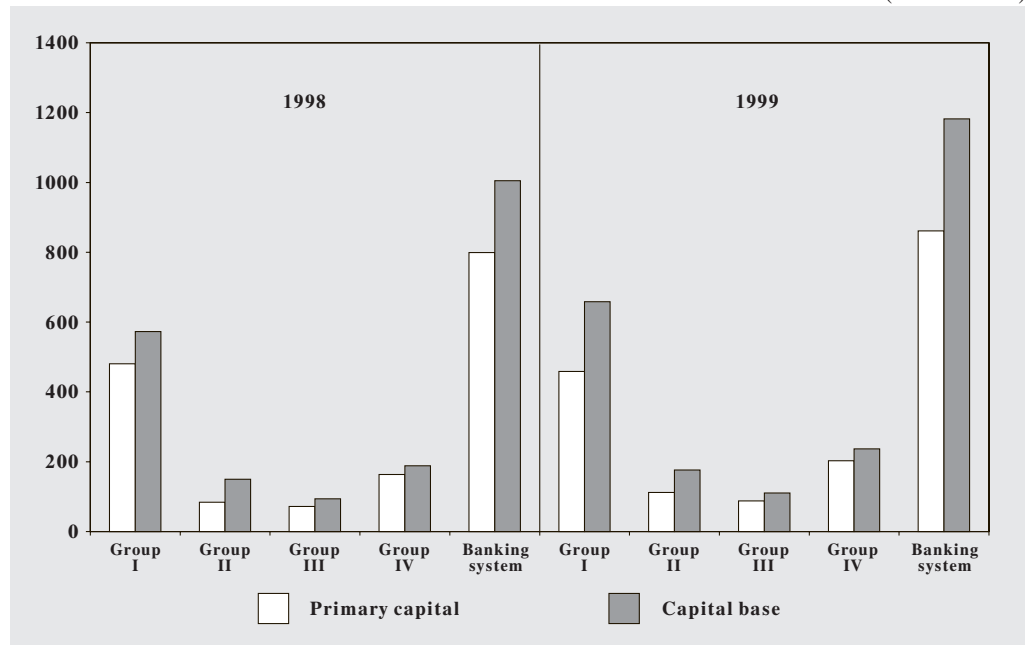
During 1999 the capital adequacy ratio of the banking system stood high. The total risk component of assets changed insignificantly: BGN 2,876 million against BGN 2,797 million in 1998. The capital base of the banking system reached BGN 1,188 million, an increase of BGN 145 million (13.9%) from 1998. As a result capital adequacy indicators improved: 41.31% against the minimum required capital adequacy ratio of 12%. The growth in the capital base reflected capitalized profits and increased shareholder capital through new monetary contributions. Own capital of Group I banks increased most substantially (by 15%) due to good financial results.

The higher own capital reported by most banks may be used as a prerequisite for expanding their activity. However, it is of note that unlike the potential for an increase in risk exposures shown by Group I and II banks, the capital base of some Group III and IV banks proved insufficient for business expansion. The table below shows the banking system total ratio and capital ratios by bank group.

High capital adequacy ratios primarily reflected commercial banks' conservative policy of placing funds in low-risk investments. The degree of assets risk stood constant primarily reflecting the improvement and stabilization of credit portfolio quality. The total moderate lending growth had a positive effect on the classification of claims. Consequently the ratio of overdue credits (the sum total of all overdue credits) to the capital base dropped to 39.3% by the end of 1999. Some deviations from the banking system average ratio occurred in particular bank groups. Some banks' own capital provided lower cover on risk assets. Insufficient profits reflecting low return on assets combined with the need for additional provisioning of exposures did not allow for a capital increase in many banks.

**PRIMARY CAPITAL AND CAPITAL BASE**

(million BGN)



Source: BNB.

**CAPITAL RATIOS FOR THE TOTAL BANKING SYSTEM AND BY BANK GROUP IN 1999**

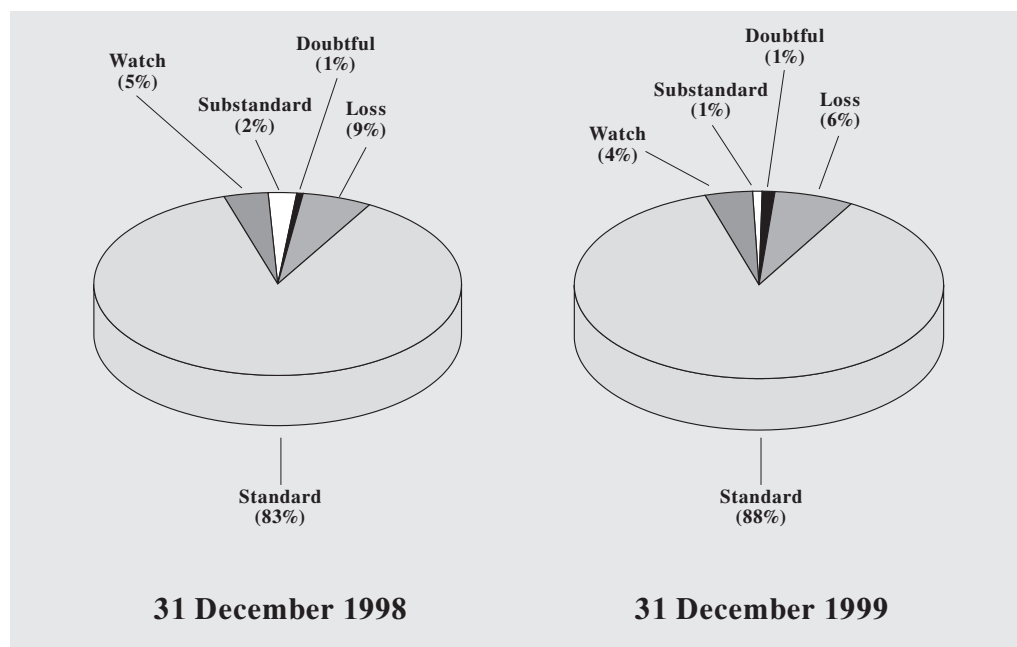
(%)

Commercial banks	Total capital adequacy	Primary capital adequacy	Degree of asset cover
Group I	50.0	34.9	15.5
Group II	28.8	18.4	11.2
Group III	22.3	17.7	10.7
Group IV	52.8	45.6	26.0
Total	41.3	30.3	15.3

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

Until the end of 1999 compliance with the required limitation to big exposures had been applied only in respect of big loans. Since early 2000 concentration risk assessment will include all other exposures: balance sheet and off-balance sheet. During the review period banks continued to comply with the requirement for aggregate big exposure, with banks' total amount of big loans in the banking system capital base falling to 60.3% (against the admissible level of 800%). Changes in the regulation intended to reduce big interbank exposures dependent on their residual maturity and the correspondent bank's licensing country on the one hand, and with the sizable weight of these exposures in bank assets on the other, contributed most significantly to the drop of this indicator. Nevertheless, deviations of over 25% of own funds occurred in the individual exposures of a number of banks.

## STRUCTURE OF BANKING SYSTEM RISK EXPOSURES



Source: BNB.

Placements of commercial banks in securities trading and investment portfolios during 1999 were comparatively less vulnerable to market risks as most banks invested in debt instruments of prime-rate central banks and governments. *Sensitivity to market and foreign exchange risks* was minimized due to smooth movements in the base interest rate, consistent with the government's fiscal policy intended to minimize government budget interest expenditure. A small number of banks traded in foreign exchange derivatives and used a portion of their resources to service foreign trade and insignificant capital flows. Some banks minded to invest in more risky securities aiming at increasing revenue from commercial operations.

The banking system total *open foreign exchange position* accounted for just 4.6% of banks' own funds (against 15% in 1998). *Banking system foreign exchange risk decreased more than three fold*, reflecting banks' improved management of foreign currency positions and security against foreign exchange risk through hedging operations, consistent with international forex market developments. By the end of 1998 the US dollar position accounted for half the weight of the net open foreign exchange position, while by the end of 1999 this weight was less than 1%. This change reflects the closure of a part of open US dollar positions in the last quarter of 1999 and their conversion into euro positions due to expected progressive exhausting of opportunities for gains at the existing levels of the US dollar.

Throughout 1999 commercial banks maintained high levels of primary and secondary liquidity. If there was any threat of liquidity risk so far, it was associated mostly with maturity mismatches between liabilities and liquid assets. Although average minimum balances on short-term deposits were left on account for a long time, they could not be characterized as long-term target savings, since they had to be at depositors' disposal. This impeded transformation of assets maturity into credit operations and investments with longer maturity. Therefore commercial banks had to maintain high liquidity levels. Banking system cumulative cash flows in time horizons of up to three months were positive, as were six-month time horizons for 15 banks and branches. In addition, the country's settlement system operated normally, indicating a moderate increase in the volume of payments. Banks easily provided liquidity to meet increased noncash payments in 1999. The ratio of high-liquid assets to borrowed funds reflected the changes which occurred during 1999: moderate lending growth and improved bank management.

### 3. Banking Supervision Activities throughout 1999

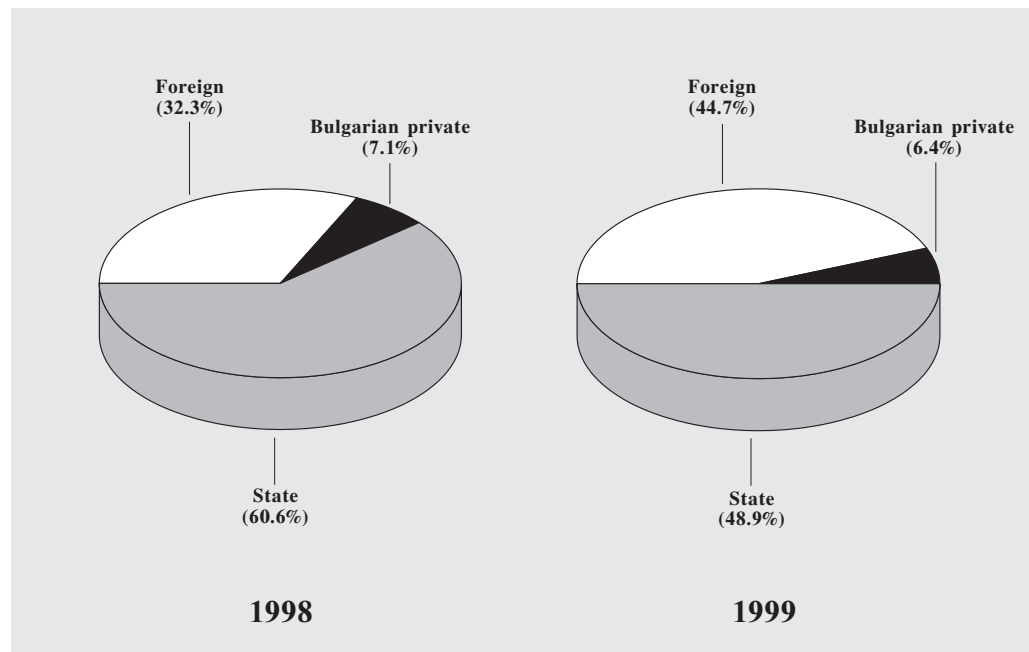
As a result of accelerated bank privatization and economic stabilization, the equity structure of a number of banks experienced serious changes in 1999. The most significant changes reflect acquisition of equity stakes upon a permit from the BNB by foreign investors as Refco Capital Markets, AIG-New Europe Fund, Societe Generale, and the Regent Pacific Group. Banking system assets controlled by foreign investors dramatically increased.

Changes in the corporate structure of banks prompted dynamic movements in their management bodies. Certificates for participation in bank management were issued to 44 persons. During 1999 two banks were granted licenses to conduct bank transactions and opened offices. Demirbank (Bulgaria) A.S. is the first private Turkish bank in Bulgaria. After several years of delay the Promotional Bank was established with government funds to encourage small- and medium-scale business.

A number of companies were interested in bankrupt banks and applied for a license to conduct bank transactions. The applications were rejected mostly due to the unacceptable amount offered to satisfy these banks' creditors, the lack of transparency in intentions and in the origin of funds.

By the end of 1999 licenses of all banks and foreign bank branches were renewed, consistent with the Law of Banks with the exception of the Balkan Universal Bank.

#### BANKING SYSTEM ASSETS BY MAJORITY CAPITAL



Source: BNB.

#### Regulation of Bank Activities

In the context of increased foreign participation in Bulgaria's banking system, supervisory activities and bank regulation should be sufficiently flexible and reflect financial sector developments and trends. In the pursuit of a policy of adapting international best practice, the Banking Supervision Department's priorities involved maximum harmonization of Bulgaria's banking laws and regulations with EU financial sector Directives and adjustment of banking system activities in conformity with the major principles for effective banking supervision of the Basle Committee on Banking Supervision. In its capacity as a regulatory and supervisory body the BNB intensively participated in the harmonization of the bank regulatory framework with

EU financial sector Directives and in compliance with the major principles for effective banking supervision. It is of note that the harmonization and experience in applying the above requirements marked significant progress. To this end, the BNB accepted the IMF's proposal to make an expert assessment of the attained level of efficiency of applied procedures, as well as of the degree of transparency of banking supervision policies and activities. The assessment was published on the Internet.

Based on the amendments made to the Law on Banks in June, and in compliance with the Banking Supervision Department program, a new regulation on licenses and permits issued by the central bank was drafted, providing improved transparency in requirements and in procedures for issuing licenses.

The introduction of the euro, the single European currency, and indirect fixing of the lev exchange rate to the euro entailed changes in BNB Regulation No. 4 on foreign currency positions of banks. In practice, limitation on banks' foreign currency positions in euro and euro-included currencies were removed. Reporting forms were changed and improved.

Amendments made to Article 29 of the Law on the BNB and work on a new regulation on big exposures were intended to bring this regulator in line with the requirements of EU Directive 92/121 on monitoring and control over big exposures of credit institutions. The Regulation was adopted by the BNB Board, coming into force in November. With its adoption the scope of risk exposures has been widened: it includes in the general risk for a bank an object of limitation and related persons. Exposures should be reported, that is this Regulation should apply, both on an individual and consolidated basis.

BNB Regulation No. 9 on the evaluation of banks' risk exposures and the allocation of provisions to cover the risk from losses was amended significantly. Changes aimed to provide, ~~4<B>4;3</del> more adequate regulation of netting exposures subject to provisioning with risk-free collateral; treatment of renegotiated and restructured credits; liberalizing requirements for the size of provision; and facilitating banks in writing off claims recognized as a loss within a shorter period.~~

Significant work on unifying and bringing banks' annual financial statements in compliance with international accounting standards was carried out. This helped achieve transparency, data comparability and public accountability.

In addition to the requirements for consolidated financial statements, detailed instructions on consolidation methods were developed, providing a solid foundation for applying the principles of consolidated supervision over bank groups and financial holdings.

During the review year the system of off-site banking supervision (an early warning system) was improved, which helped monitoring and analysis of a database for each bank and for the entire banking system. Uniform monthly and quarterly forms of analytical reporting were introduced as an element of the system. This made for comparability and consistency of results for analysis and subsequent decision-making.

With a view to ensuring regular and timely presentation of analytical reports, banking supervision information technology were upgraded to gather and process incoming information from bank reports, maintain databases and archive them bank-by-bank, so as to address the needs of banking supervision staff, management and other users.

The methodology for assigning quarterly ratings under the CAEL system of indicators was improved. Assignment of CAEL ratings to banks and their systematizing was aimed at optimizing control within the supervisory strategy developed for each bank.

An important aspect of banking supervision activity was the periodic preparation of monthly statistical information on banks and aggregate information on selected indicators for the banking system, published in BNB bulletins. Work on compiling quarterly reports on performance and trends in the banking system continued.

Banking supervision plays an important role in assessing the risks of commercial banks servicing external lines of credit guaranteed by the Bulgarian Govern-



ment. The Department is also in charge of preparing information related to the selection of primary dealers of government securities among the banks in order to guarantee government budget funding and liquidity.

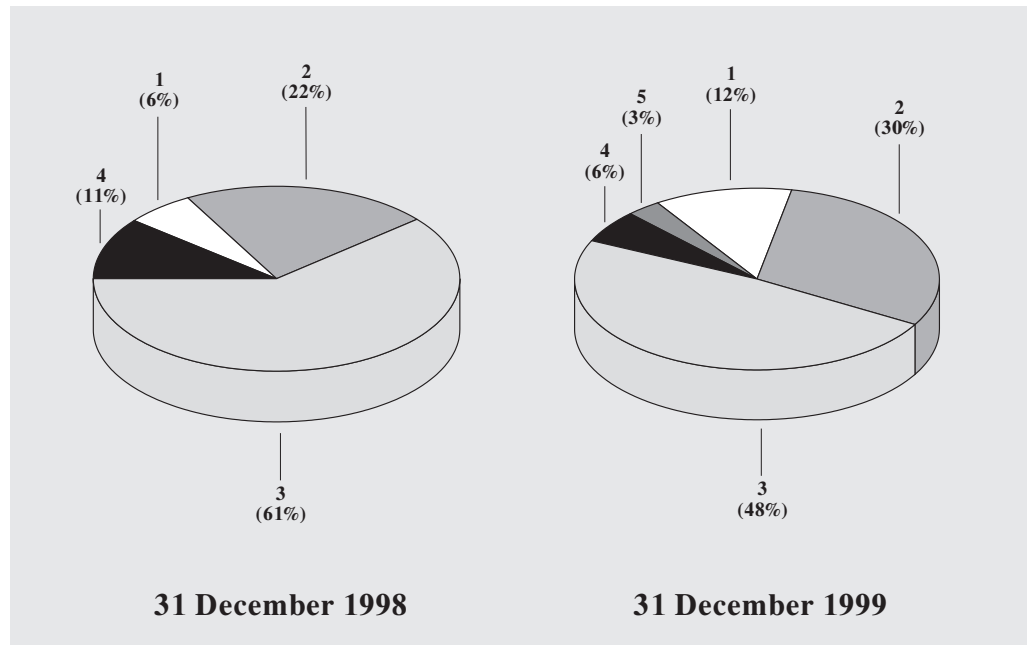
**On-site  
Supervision  
(Inspections)**

In 1999 the Banking Supervision Department updated and enacted the new manual on banking supervision. The manual provides for standardized on-site supervision procedures based on a five-scale CAMELS/AIM system of assigning bank ratings and allows for higher efficiency and consistency in conducting inspections and examinations. Similarly to the early warning system, CAMELS/AIM is a risk-based approach to financial performance assessment and to the determination of appropriate and timely enforcement measures against problem banks depending on their weight and the gravity of violations found.

The rating scale ranges from one to five, rating one indicating the best financial performance and use of risk management procedures in accordance with a bank's size, complexity of operations and risk profile, and requiring minimum supervisory attention. Rating five means a critical level of financial performance and lacking or inadequate risk management procedures, as well as maximum attention from banking supervision.

The chart below, based on data from the assessment of all operating banks, illustrates that the number of institutions with higher ratings (one and two) increased in 1999 compared with 1998 mainly at the expense of the group rated satisfactory three.

**CLASSIFICATION OF BANKS UNDER CAMELS/AIM**



**Note:** The Promotional Bank and Demirbank (Bulgaria) were not assigned ratings due to incomplete business year.  
Source: BNB.

After a series of examinations and supervisory enforcement measures, including license restrictions, at the end of 1999 the BNB appointed a conservator and in early 2000 filed in court for the institution of bankruptcy proceedings against the only bank with the lowest rating: the Balkan Universal Bank. Banks with a rating of four reported better financial indicators at the end of the review year which gives grounds for assuming that a higher rating could be assigned to them in 2000.

The positive change in the classification of banks under the CAMELS/AIM system compared with 1998 reflects their conservative risk policies.

In 1999 the Inspections Directorate carried out 19 thorough supervisory inspections, including three in banks with systemic significance from Group I and

Group II, ten in banks (including a foreign bank's subsidiary) from the medium and small group, and six in branches of foreign banks. A great number of target examinations with different scopes and objectives were conducted.

In structuring bank assets priority has been assigned to liquidity risk. Assessment and management of credit risk has been overlooked by a number of banks. In some banks there is no risk management system, or else divisions charged with it do not operate effectively. Criteria for risk exposure classification adopted by some banks do not provide sufficient information on their actual quality and do not comply with supervisory regulations fully. Inspections found a number of mismatches in banks' lending activities despite the adoption of formal rules for effective lending (lending rules and credit committees). A number of banks do not have systems for current monitoring and analysis of financial performance, market behavior and borrower status. In some banks where equity is concentrated within a family circle, risk concentration was higher because of pressures to extend specific loans becoming nonperforming later. Some findings reveal improper interpretation and use of 'high-liquidity collateral' and of 'the net value' of credit exposures, which reflected negatively on the extent of allocated provisions.

In 1999 some banks failed to make consistent and decisive efforts to optimize their *organizational structure and management*. Procedures for risk assessment and management of particular types of risk (credit risk, country risk, market risk) were not designed by some banks, while elsewhere breaches of these procedures were found. The future development of bank institutions is paid insufficient attention. Some banks have no strategic programs for capital provision, and no financial revenue and expenditure plans itemized by potential source of revenue and item of expenditure. Restructuring of some banks' internal control is still underway and is inadequate. Staff number and qualification should be tailored to specific needs with a view to improving and increasing the volume and diversity of bank operations. The ongoing process of replacing majority shareholders impacted some banks' activities adversely.

All banks successfully resolved the Millennium Bug problem thanks to markedly upgraded and better information systems. At the same time, enhanced software potential and available databases were not used properly to improve management. Inspection findings reveal breaches of internal bank rules regulating different activities and noncompliance with legislative requirements on precision and thoroughness.

## **Special Supervision**

In view of the topicality of the money-laundering problem, in 1999 commercial banks were given assistance in organizing their activities in compliance with the Law on the Measures against Money Laundering (LMML). The Banking Supervision Department prepared methodological instructions on designing internal rules for enactment of this Law by banks. Training on preventing the use of bank operations for the transfer of illegal capital was organized in collaboration with the Ministry of Finance's Financial Intelligence Service Office. Two glossaries were compiled: on financial crimes and on suspicious operations. These were distributed among specialized staff at commercial banks. A special manual was compiled on the basis of improved methodology of inspections and examinations of banks on compliance with the LMML, systematizing and standardizing the procedures for these supervisory functions.

Commercial banks' operations as investment intermediaries are of crucial importance for building higher credibility in the capital market and its development. In 1999 inspections of 15 banks were carried out together with the Securities and Stock Exchanges Commission (SSEC). Serious breaches of the Regulation on requirements for trading as an investment intermediary and the Law on Securities, Stock Exchanges and Investment Companies were found: lacking requisites in contracts on individual securities portfolio management, including notification to customers on investment risks.

Executive directors of banks were advised to remove breaches and infringements within foreseeable time limits while noncomplying banks were sanctioned by the SSEC.

BNB Regulation No. 26 on transactions by finance brokerage houses in foreign instruments of payment was developed and amended, so as to regulate nonbank financial institutions' activity. The Banking Supervision Department was set on exercising full control over compliance with the Law on Transactions in Foreign Currency Valuables and Currency Control (and after its repeal, the new Foreign Exchange Law) and statutory instruments thereof. The licenses of 222 finance brokerage houses and exchange bureaux were revoked. By the end of 1999 one-year permits for conducting cash transactions in foreign instruments of payment were granted to 48 finance brokerage houses.

### **Banks in Bankruptcy**

During the reporting period the Banking Supervision Department monitored the process of liquidation of banks in bankruptcy through their reports. The BNB made efforts to render assistance and accelerate the process, despite its limited powers. The analysis of particular indicators on the state of affairs of banks in bankruptcy proceedings as of 31 December 1999 shows that the process is slow and its results unsatisfactory.

The total value of these banks' assets as of 31 December 1999 (BGN 687,808,000, including cash balances) covered 49% of recognized and approved claims, which amount to BGN 1,390,011,000.

Low collection rates on loans and other claims combined with difficulties in selling fixed tangible assets consistent with the lack of markets and demand did not contribute to replenishing the mass of bankruptcy as quickly as envisaged. Liquidation costs as of 31 December 1999 covered 40% of collected receivables. The sale of property and the sale of banks as going concerns, as set forth in § 46, para. 4 of the Transitional and Final Provisions of the 1999 Law on Banks, is aimed to complete the process and concentrate remaining assets in one center created to that end: the Unified Revenue Agency.

### **Legal Activity and Supervisory Measures**

During the review year the Banking Supervision Department was charged with drafting amendments and supplements to the Law on Banks which came into force in June 1999. These helped improve the legal framework by clarifying terms, and expanding the scope of supervisory measures against operating banks and banks in bankruptcy with a view to accelerating bankruptcy proceedings. A number of draft amendments to supervisory regulations and new BNB regulations were reconsidered and made more precise. Newly adopted or amended Articles of Association of 12 banks were reviewed and statements of opinion on their compliance with the Law or breaches found in the entry of amendments in the Commercial Register were provided.

The Banking Supervision Department considered a number of complaints by persons who claimed their rights and interests had been infringed by commercial banks. Many of these cases were brought by government offices, companies, or legal authorities. Some cases were highly complex while others were groundless. This activity is of great importance for supervisory work because it provides a form of control over banks' relations with customers and is an indirect indicator of banking system status and credibility.

In compliance with established practice for the eradication of commercial banks' supervisory requirements breaches, 25 supervisory measures were imposed. Eight of these were formal and relevant orders were issued for their enforcement. Supervisory measures of an informal nature prevailed in the review period. These included meetings with banks' managements to recommend various actions, prepare plans and undertake commitments to remove banking regulation breaches. All formal measures were brought into effect and banks presented notifications of rectification undertaken in respect of informal measures. The record of supervisory measures imposed is permanently updated and is intended to monitor whether supervisory measures are applied properly, consistently and effectively.

Along with imposing supervisory measures, the Banking Supervision Department instituted several administrative penalty proceedings against managers, bank officials and banks. Most of these resulted in written warnings and four: with the

imposition of penalties. Despite the improved effectiveness of supervisory measures, some banks failed to comply with recommendations and instructions in an adequate and timely manner. Clearly, measures under Article 65, para. 2 of the Law on Banks should be imposed more frequently.

Bulgaria is one of the pilot countries tested for compliance with Major Principles of Effective Banking Supervision and practical relevance of particular regulations. The modern methodology used employs primary and secondary criteria graded as fully applied, broadly applied, partly applied and non-applied. Primary criteria show that Bulgaria applies 23 of the total of 25 principles. Fifteen of these are fully applied, eight are broadly applied, and internal rules on one partly applied principle and one formally non-applied one will be harmonized with international standards in the transition period. Based on both primary and secondary criteria used by EU member countries, Bulgaria applies nine principles fully, 14 broadly, one partly (in the context of legislative changes on consolidated supervision) and one is not applied (country risk). Gradual convergence toward major principles of effective banking supervision and enforcement by the BNB corresponds to the Code of Sound Practice of Transparency in Monetary and Financial Policies, as approved by the IMF in general terms.

Looking at the progress made by banking supervision, which has contributed considerably to Bulgaria's banking sector stability, the following major issues emerge in the context of the formal introduction of the legal framework of Major Supervisory Principles: consolidated supervision and accounting; country risk; and market risks. A focus will also be put on requirements for bank managements to submit and implement integrated rules and procedures for, *inter alia*, corporate management, risk management systems, and management information systems.

## **VI. European Integration and International Activity**



# 1. European Integration

In October 1999 the European Commission published its second Regular Progress Report on Bulgarian compliance with the Copenhagen Criteria for EU membership. The general evaluation was positive in political and economic terms. The report motivates the invitation extended by the Council of Europe in December 1999 in Helsinki to Bulgaria to start EU accession negotiations together with Latvia, Lithuania, Malta, Romania and Slovakia. This event marked the beginning of a new stage in relations between the Republic of Bulgaria and the European Union, entailing great challenges for the Bank.

Bulgaria's relations with the European Union legally rest on the European Association Agreement signed in 1993 and effective from 1 February 1995. This created the institutional mechanism and legal framework for holding bilateral discussions on promoting economic links and support for Bulgarian economic reforms.

The BNB took part in the preparation for EU accession through its membership in the government-established European Integration Council and the Committee on Eurointegration, and at expert level through participation in working groups on issues within its field of competence. Negotiations with the EU are being held at government level. Although the BNB does not take direct part in them, its involvement is of the utmost importance in the fields where the Bank is mandated key functions, including the authority to determine and implement monetary policy, issue regulations, and exercise banking supervision.

Since 1997 the Deputy Governor heading the Banking Department is a member of the European Integration Council. BNB employees are included in four working groups: on the Freedom to Provide Services, on the Free Movement of Capital, on Company Law, on Economic and Monetary Union, and, since June 1999, on Statistics.

During the review year Bank experts worked on drafting and presenting several documents: the National Program for Adoption of *Acquis Communautaire* (a self-assessment document on the compliance of Bulgarian legislation with EU legislation), the Accession Partnership report, and the Joint Assessment of Medium-Term Priorities for Bulgaria's Economic Policy. BNB representatives discussed proposed changes in legislation in relation to central bank and commercial bank activities and the payment and settlement systems during multilateral and bilateral screenings (an analytical review of Bulgarian legislation and its compliance with EU legislation).

BNB experts participated in the preparation of major amendments to banking legislation aimed at harmonization with *Acquis Communautaire*: the Law on Banks, the Foreign Exchange Law and their regulations on implementation.

In the field of freedom to provide bank services, the BNB consistently elaborated the legal framework and its implementation. Significant progress was made in implementing the Basle Committee on Banking Supervision principles and in transposition of European legislation with regard to, *inter alia*, single bank license, banks' capital adequacy, evaluation of banks' risk exposures and allocation of provisions to cover the risk of losses, regulation of banks' big exposures.

BNB experts participated in the preparation of the new Foreign Exchange Law and its regulations on implementation. This provides for liberalized capital movement and payments between residents and nonresidents in compliance with the

Treaty on European Union and EU Directives on the free movement of capital within the European Union. Work on the BISERA 4 project (the payment system for on-line gross settlement) intensified. This system shall comply fully with European regulations on payment systems (TARGET). Central bank experts took part in seminars organized by the European Commission and the TAIEX Office dedicated to member country experience in harmonizing legislation on bank services and the free movement of capital.

The BNB is participating in preparing a strategy for accession to the Economic and Monetary Union. BNB priorities involve the creation of an institutional and legal framework for joining the single currency union as regards central bank independence, a ban on lending to government institutions and a ban on priority government access to financial institutions. The objective is to attain a higher level of integration, viz. the fulfillment of convergence criteria for eurozone membership. Work on harmonizing Bulgarian statistics with EU requirements is administered and coordinated by the National Statistical Institute. The BNB participates in this as regards statistics compiled by it on monetary and banking data and the balance of payments. As a first step in establishing regular contacts with the European Central Bank for harmonizing monetary and banking statistics with EU standards, in December BNB employees attended a European Central Bank seminar for EU accession countries. Currently interest rate statistics is being updated in compliance with European Central Bank practice. Experts from the Statistics Directorate took part in a pilot project on the General Data Dissemination Standard, and the BNB has begun applying it.

Forthcoming accession negotiations motivated institutional strengthening of the International Relations Directorate and the creation of an European Integration Sector there. The new Sector's major objectives are: to establish contacts between the BNB, the European Commission, the European Central Bank and the Bulgarian Government in relation to negotiations; to coordinate European integration activities within the BNB and to prepare materials, opinions and statements on negotiations.

A key international cooperation event was the participation of BNB representatives in the Helsinki Seminar on the Accession Process, organized jointly by the European Central Bank and the Finnish Central Bank, on 10 – 12 November 1999. The Seminar gathered representatives from the European Central Bank, the 11 eurozone countries and the central bank governors of the 12 EU accession countries. Being the first of its kind, the objective of the Seminar was to make a complete review of central banking issues involved in accession, to identify the main problem areas, and to enhance cooperation between the European system and candidate countries' central banks.

## 2. International Activity

The year marked developments in BNB international activity in the context of enhanced cooperation with European institutions. Intensive communication with the European Commission, the TAIEX Office and the European Central Bank reflects the strategy for Bulgarian accession to the EU, and the need for mutually beneficial and fruitful relations and for technical assistance.

### **Relationships with Central Banks**

Ties with central banks are a key element of international activity. Contacts with the central banks of EU member countries are essential in the context of providing technical assistance and cooperation in the pre-accession period. Relationships with the central banks of France, Germany and the Netherlands have been established and maintained, paving the ground for further cooperation. Relationships with the central banks of Estonia, Poland and Hungary, countries which started their EU accession negotiations in 1998 and have accumulated organizational and institutional experience, are regarded as most fruitful.



**Relationships  
with Interna-  
tional Financial  
Institutions**

At the initiative of the International Monetary Fund, working jointly with the BIS, the reports on *Transparency of Bulgaria's Monetary and Fiscal Policies* and on *Major Basle Principles of Effective Banking Supervision: Evaluation for Bulgaria* were prepared. They were based on answers to questionnaires provided by the Bulgarian authorities and the meetings and talks in June and July 1999 between representatives of the BNB, other domestic financial institutions, and the IMF Technical Mission.

Bulgaria took part in an initiative of the Coordination Group within the BIS in relation to central bank management. Experts from the International Relations Directorate participated in the project for the creation of an informal system of information exchange between central banks and the BIS on issues related to efficient central bank management.

The BNB continued to act as depository and agent of the government in the context of its membership and financial relationships with the IMF, the International Bank for Reconstruction and Development, the European Union, the G-24 countries, and the European Investment Bank for the service of loan agreements on funding small and medium enterprises.

**The Organization  
for Black Sea  
Economic  
Cooperation  
(OBSEC)**

In September 1999 the BNB took part in a meeting of the Banking and Finance Work Group within OBSEC. The Work Group adopted an Action Plan, aimed to provide conditions for institutionalizing dialogue and for cooperation between the banking and financial institutions of OBSEC member countries. It also aimed at further development of economic ties, trade and joint ventures in the context of these countries' future integration into the European Union. Opportunities of establishing a Financial Institutions Association for member states were discussed at the meeting.



## **VII. BNB Financial Statements**



## 1. Annual Financial Statement

The annual financial statement was prepared in accordance with the Law on the BNB and the principles of International Accounting Standards.

The Issue Department balance sheet, whose assets reflect the structure and amount of BNB international foreign exchange reserves, was published weekly. Publicity was in line with the adopted policy of transparency in BNB operations to ensure credibility in the national currency.

International foreign exchange assets include invested cash in the form of deposits and nostro accounts (current accounts of prime-rate banks); monetary gold in bullion market standard (valued at DEM 500 per troy ounce, or at market value based on the London Stock Exchange official exchange rate, if lower), and cash placed in prime-rate high-liquid foreign government securities (at market value).

The Banking Department balance sheet assets include, *inter alia*, nonmonetary gold and other precious metals; investment portfolio of securities held by the Bank until maturity; loans and advances to banks net of provisions; receivables from government on extended credits; Bulgaria's IMF quota; the deposit with the Issue Department; and fixed assets. The liabilities include all Bulgarian obligations to international financial institutions, BNB equity, and reserves.

Major BNB revenue sources are income from interest, fees, commissions and valuation adjustments. Central bank income depends primarily on flexible management of the Bank's international foreign exchange reserves, in compliance with Articles 28 and 31 of the Law on the BNB.

BNB interest income and expenses are recognized on the basis of the accrual method and income and expenses for fees and commissions are recognized at the date of their origination.

Performing its function of fiscal agent on the cash basis reporting of the state budget the BNB continued to service accounts of prime budget entities free of charge.

During 1999 interest income was generated almost completely from operations in foreign currency and foreign currency-denominated securities. Interest income generated in the reporting period accounted for BGN 161,785,000, an increase of 33% from 1998. Interest expenses in 1999 totaled BGN 17,046,000, a decrease of 73% compared with the previous year. In 1999 BNB net interest income totaled BGN 144,739,000, an increase of 148% on 1998. The major reasons behind this growth are higher average assets profitability and reduced interest expenses.

The structure of BNB net financial result prior to allocation of provisions was as follows:

	(%)	
	1998	1999
Net interest income	69.85	72.42
Income from dividends	3.43	1.56
Net income from fees and commissions	-0.56	0.62
Net income from government securities operations	65.36	14.06
Net profit from valuation adjustments	-43.40	3.46
Other income	5.32	7.88
Total	100.00	100.00

Source: BNB.

BNB profit net of allocated provisions and deductions of a portion of the profit for special reserves totals BGN 184,688,000, an increase of 50% on 1998.

## **Auditors' Report to the Managing Board of the Bulgarian National Bank**

*We have audited the financial statements of the Bulgarian National Bank for the year ended 31 December 1999, which are set out on pages 97 to 110.*

### ***Respective responsibilities of directors and auditors***

*As set out in the Statement of Responsibilities on page 96, these financial statements are the responsibility of the Managing Board. It is our responsibility to form an independent opinion, based on our audit, on the statements and to report our opinion to you.*

### ***Basis of opinion***

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

### ***Qualified opinion on the financial statements***

*As described in the accounting policies, the Bank values its monetary gold in accordance with the Law on the Bulgarian National Bank at the lower of either market value or DEM 500 per troy ounce. At 31 December 1999, the value of monetary gold was in excess of DEM 500 per troy ounce. Under International Accounting Standards, monetary gold in the balance sheet should be carried at market value. The effect of doing so would be to increase its recorded value by BGN 85 million, increasing net income from ordinary activities and transfers to special reserves by the same amount.*

*In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of the Bulgarian National Bank as at 31 December 1999 and of the results of its operations and its cash flows for the year then ended and have been prepared in accordance with International Accounting Standards.*



**KPMG Audit Plc**  
Chartered Accountants



**KPMG Bulgaria OOD**  
Chartered Accountants

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

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

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

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

26 April 2000

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

**Svetoslav Gavriiski**  
Governor of the BNB



**Balance Sheet**  
**of the Bulgarian National Bank**  
**as of 31 December 1999**

	Notes	1999	1998
		BGN '000	BGN '000
<b>ASSETS</b>			
Cash and amounts due from banks	7	1,251,736	2,971,965
Gold and other precious metals	8	732,601	697,024
Securities	9	4,371,489	1,572,435
Loans to banks and other financial institutions	10	13	1,350
Interest receivable	12	74,797	17,877
Receivable from Government	13	2,203,159	1,665,949
Equity investments and quota in IMF	14	1,624,139	1,102,701
Property, plant and equipment	15	148,722	139,624
Other assets	16	7,933	8,760
<b>Total assets</b>		<b>10,414,589</b>	<b>8,177,685</b>
<b>LIABILITIES</b>			
Due to banks and other financial institutions	17	638,112	551,436
Government deposits and current accounts	18	2,694,175	1,947,104
Borrowings against Bulgaria's IMF participation	19(a)	1,533,975	1,018,707
Borrowings from general resources of IMF	19(b)	2,430,830	1,866,957
Other borrowings	20	411	18,257
Currency in circulation	21	2,082,918	1,845,056
Accruals and other liabilities	22	148,630	94,057
<b>Total liabilities</b>		<b>9,529,051</b>	<b>7,341,574</b>
<b>Equity</b>			
Capital	23	20,000	20,000
Reserves	24	865,538	816,111
<b>Total liabilities and equity</b>		<b>10,414,589</b>	<b>8,177,685</b>

*The accompanying notes on pages 100 to 110 form an integral part of these financial statements.*

The BNB Managing Board approved the financial statements on 26 April 2000.



**Svetoslav Gavriiski**  
Governor of the BNB

## Income Statement

	Notes	1999	1998
		BGN '000	BGN '000
Interest and similar income	4	161,785	121,512
Interest expense and similar charges	4	(17,046)	(63,341)
<b>Net interest income</b>		144,739	58,171
Dividend income		3,123	2,855
Net fees and commissions		1,245	(464)
Net gains arising from securities		28,094	54,427
Net foreign exchange gains / (losses)	5	6,918	(36,145)
Other operating income		15,748	4,434
Operating expenses	6	(45,617)	(29,026)
Bad debt recoveries	11	29,713	27,157
Provision for losses	11	-	(768)
<b>Net income from ordinary activities</b>		183,963	80,641
Transfer from special reserves	24	725	42,940
<b>Net income after special reserve transfer</b>		184,688	123,581
Contribution to the State Budget	22	(136,669)	(91,450)
<b>Transfer to other reserves</b>	24	48,019	32,131

*The accompanying notes on pages 100 to 110 form an integral part of these financial statements.*

## Statement of Recognized Gains and Losses

	Notes	1999	1998
		BGN '000	BGN '000
Surplus on revaluation of properties	24	3,766	2,668
Net gains not recognized in the income statement		3,766	2,668
Transfer to other reserves		48,019	32,131
<b>Total recognized gains and losses</b>		51,785	34,799

*The accompanying notes on pages 100 to 110 form an integral part of these financial statements.*

## Cash Flow Statement

	Notes	1999 BGN '000	1998 BGN '000
<b>Net cash flow from operating activities</b>			
Net income from ordinary activities		183,963	80,641
Dividend income		(3,123)	(2,855)
Provision for loan losses	11	-	768
Bad debt recoveries		(29,713)	(3,654)
Depreciation	6	8,574	5,937
Net translation losses		725	42,940
<b>Net cash flow from operating activities before changes in operating assets and liabilities</b>		160,426	123,777
<b>Change in operating assets</b>			
(Increase)/decrease in gold and other precious metals		(371)	30,047
(Increase)/decrease in securities		(2,872,787)	229,883
Increase in receivable from Government		(304,630)	(33,821)
Decrease in loans to banks and other financial institutions		1,337	252
Increase in interest receivable and other assets		(56,093)	(10,534)
<b>Change in operating liabilities</b>			
Increase/(decrease) in due to banks and other financial institutions		86,616	(217,872)
Increase in Government deposits and current accounts		654,360	236,549
Increase in borrowings from IMF		640,868	173,700
Increase in currency in circulation		237,862	425,135
Increase/(decrease) in accruals and other liabilities		36,727	(68,100)
<b>Net cash flow from operating activities</b>		(1,415,685)	889,016
<b>Cash flow from investing activities</b>			
Purchase of fixed assets		(13,272)	(6,552)
Dividends received from associated undertakings		3,123	2,855
(Increase)/decrease in equity investments and quota in IMF		(336,238)	19,166
<b>Net cash flow from investing activities</b>		(346,387)	15,469
<b>Cash flow from financing activities</b>			
Payment to Government		(89,719)	(6,238)
Other payment (from)/to reserves		1,120	(46)
<b>Net cash flow from financing activities</b>		(88,599)	(6,284)
Add gains/(losses) on foreign currency cash		130,442	(127,668)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,720,229)	770,533
<b>Cash and cash equivalents at beginning of year</b>		2,971,965	2,201,432
<b>Cash and cash equivalents at end of year</b>	7	1,251,736	2,971,965

*The accompanying notes on pages 100 to 110 form an integral part of these financial statements.*

## Notes to the Financial Statements

### 1. Organization and operation

The Bulgarian National Bank (the 'Bank') is 100% owned by the Bulgarian State.

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

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

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

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

- the Bank may only provide funds to the government in accordance with rigid criteria;
- the Bank may only lend to commercial banks in accordance with very stringent terms and conditions;
- the Bank may not deal in Bulgarian government bonds;
- the Bank may not issue Bulgarian leva in excess of the Bulgarian leva equivalent of the gross international foreign currency reserves; and
- the Bank must prepare its accounts in accordance with International Accounting Standards (IAS).

### 2. Basis of preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards. The financial statements are prepared under the historical cost convention as modified for by the revaluation of certain assets and liabilities to fair value.

On 5 July 1999 the Bank redenominated the Bulgarian lev (BGL) into the new Bulgarian lev (BGN) on a 1,000 to 1 basis. As such, the comparatives have been restated to BGN.

### 3. Summary of significant accounting policies

#### (a) Interest income and expense

Interest income and expense are recognized on an accrual basis and are calculated in accordance with Bulgarian law or any agreement between lenders and borrowers. Interest income ceases to be accrued when a loan repayment becomes more than 90 days overdue.

#### (b) Fee and commission income and expense

Fee and commission income and expense are recognized in the income statement at the date earned or incurred.

#### (c) Securities

Investment securities are those securities where the intention is to hold them until maturity. These are valued at cost, with any premium or discount on acquisition being recognized on an accrual basis.

Trading securities are those foreign debt securities which form part of the gross international foreign exchange reserves of the Bank. These securities are recorded at market value. Movements in the market value of these securities are initially recognized in the income statement and then transferred to a special reserve in accordance with the Law on the Bulgarian National Bank.

#### (d) Loans and provisions for possible credit losses

Loans are stated in the balance sheet at the amount of principal outstanding less any provision for bad and doubtful debts. A provision is made for any amounts where recovery is uncertain. The provision is recognized as an expense in the income statement and deducted from the total carrying amount of the loans.

#### (e) Gold and other precious metals

In accordance with the Law on the Bulgarian National Bank, monetary gold is valued at the lower of DEM 500 per troy ounce or market value based on the official London fixing rate at the balance sheet date. Monetary gold is classified as gold in standard form.

Gold, including nonstandard gold, and other precious metals are valued at market value based on the official London fixing rate as of the balance sheet date.

**(f) Investments in other entities**

Details of investments held are set out in note 14.

The wholly owned trading subsidiaries are included in the financial statements at the cost of the investment and are not consolidated, as the effect of nonconsolidation of these subsidiaries is not material in the context of the financial statements taken as a whole.

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

**(g) Property, plant and equipment**

Property, plant and equipment are stated in the balance sheet at their purchase cost as modified by any revaluations, less accumulated depreciation. Revaluations were undertaken at 31 December 1999 in accordance with the revaluation indices published by the Bulgarian government. When an asset's carrying amount is increased as a result of revaluation, the increase is credited directly to the reserves, subject to the revalued amount not exceeding the estimated market value. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is offset against any previous revaluation in the reserves, with any excess being recognized as an expense.

Depreciation is provided on a straight line basis at prescribed rates designed to write-off the cost or valuation of fixed assets over their expected useful lives. The following are approximations of the annual rates used:

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

A valuation was performed by the Managing Board on the fixed assets at 31 December 1999 which increased the value of the fixed assets by BGN 3.7 million.

Property, plant and equipment in progress are not depreciated until they are completed or ready for use. The asset is then transferred to the relevant asset class and depreciated accordingly.

**(h) Foreign currencies**

Income and expenditure arising in foreign currencies is translated at the official rates of exchange ruling at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the official exchange rate ruling on the last day of the accounting period. Gains and losses are recognized in the income statement. Gains and losses are then transferred to or from a special reserve as permitted by the Law on the Bulgarian National Bank, refer note 3 (k) below. Foreign currency-denominated non-monetary assets and liabilities are valued at the historical rate at acquisition.

Open forward foreign exchange contracts are valued at market value.

The exchange rates of major foreign currencies at 31 December 1999 were:

Currencies	1999	1998
US dollar (USD)	1 : BGN 1.94687	1 : BGN 1.6751
Deutschemark (DEM)	1 : BGN 1.00000	1 : BGN 1.0000
Euro (EUR)	1 : BGN 1.95583	1 : BGN 1.9629
Special drawing rights (SDR)	1 : BGN 2.66906	1 : BGN 2.3565

**(i) Taxation**

The Bank is not subject to income tax on profits. It is required to contribute a portion of its net income to the Bulgarian State as described in note 3(k).

**(j) Loans from International Monetary Fund (IMF)**

The borrowings from the IMF are denominated in special drawing rights (SDR). Any unrealized exchange gains or losses are accounted for in accordance with note 3(h).

**(k) Share capital and reserves**

Share capital represents nondistributable capital of the Bank.

In accordance with the Law on the Bulgarian National Bank, the Bank is required to

transfer to reserves 25% of the annual excess of revenue over expenditure. Special reserves are established from 1% of the annual excess of income over expenditure; the net gains and losses arising on the revaluation of assets and liabilities denominated in foreign currencies or gold; or on a decision of the Managing Board.

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

#### (I) Cash and cash equivalents

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

#### 4. Interest income and expense

	1999 BGN '000	1998 BGN '000
<i>Interest income</i>		
Banks and financial institutions		
- in BGN	315	174
- in foreign currencies	161,470	121,338
Total	161,785	121,512
<i>Interest expense</i>		
Banks and financial institutions		
- in BGN	2,281	4,848
- in foreign currencies	14,765	58,493
Total	17,046	63,341

#### 5. Net foreign exchange gains / (losses)

	1999 BGN '000	1998 BGN '000
Revaluation of gold and precious metals	35,206	(27,661)
Foreign exchange gains	10,864	17,763
Foreign exchange losses	(39,152)	(26,247)
Total	6,918	(36,145)

#### 6. Operating expenses

	1999 BGN '000	1998 BGN '000
Personnel	12,076	9,222
Administration	24,112	13,179
Depreciation charge	8,574	5,937
Other expenses	855	688
Total	45,617	29,026

#### 7. Cash and amounts due from banks

	1999 BGN '000	1998 BGN '000
Foreign currency cash	33,921	17,764
Nostro and current accounts with other banks	482,223	779,372
Deposits in foreign currency	735,592	2,174,829
Total	1,251,736	2,971,965

#### 8. Gold and other precious metals

	1999 troy ounces '000	1999 BGN '000	1998 troy ounces '000	1998 BGN '000
Gold bullion in standard form	1,031	515,611	1,031	496,368
Gold in other forms	252	126,177	262	126,215
Other precious metals	-	90,813	-	74,441
Total		732,601		697,024

Gold in other forms includes gold held with correspondents. This gold earns interest at rates between 1% and 2% per annum.

## 9. Securities

	<b>1999 BGN '000</b>	<b>1998 BGN '000</b>
<b>Market value of trading securities</b>		
Foreign treasury bills, notes and bonds	4,216,004	1,438,657
Forward foreign exchange contracts	-	30
<i>Total market value of trading securities</i>	4,216,004	1,438,687
<b>Cost of investment securities</b>		
Foreign treasury bills	155,485	133,748
<b>Total</b>	<b>4,371,489</b>	<b>1,572,435</b>

Investment securities are US Treasury bills held with the Federal Reserve Bank of New York. These are held as collateral for the annual interest payments under the Front Loaded Interest Rate Bond (FLIRB) portion of the Bulgarian Brady bonds. Interest is earned on these US Treasury bills at approximately 4.1%. These securities have been included as an asset of the Bank as it is not the intention of the government to use these securities in order to extinguish the interest liability.

## 10. Loans to banks and other financial institutions

	<b>1999 BGN '000</b>	<b>1998 BGN '000</b>
Loans to domestic financial institutions:		
- in BGN	131,956	144,142
- in foreign currencies	93,808	114,601
Provision for possible credit losses	(225,751)	(257,393)
Written down value of loans to domestic banks	13	1,350

During the year no interest has been accrued on these loans and they have a theoretical maturity within one year.

## 11. Provision for losses

	<b>1999 BGN '000</b>	<b>1998 BGN '000</b>
Provision against cash and amounts due from banks at 1 January	-	1,504
Provision against equity at 1 January	369	369
Provision against loans to banks and other financial institutions at 1 January	257,393	282,278
Provision at 1 January	257,762	284,151
Add charge for the year	-	768
Less recoveries	(29,713)	(27,157)
Less provisions on bad debts written off	(1,929)	-
Provision at 31 December	226,120	257,762

The provision may be analyzed as follows:

Provision against loans to banks and other financial institutions	225,751	257,393
Provision against equity investments	369	369
<b>Total</b>	<b>226,120</b>	<b>257,762</b>

## 12. Interest receivable

	<b>1999 BGN '000</b>	<b>1998 BGN '000</b>
Interest on investments	73,014	15,043
Interest on cash accounts and loans	1,261	2,202
Other	522	632
<b>Total</b>	<b>74,797</b>	<b>17,877</b>

### 13. Receivable from the government

	1999 BGN '000	1998 BGN '000
Receivable from the government	2,203,159	1,665,949

The value of the receivable from the government at 31 December 1999 is SDR 825 million (1998: SDR 708 million), see note 25(a).

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

Year	BGN '000
2000	265,623
2001	558,145
2002	422,755
2003	163,000
2004	165,448
2005	139,597
2006	139,597
2007	139,597
2008	139,597
2009	69,800
Total	2,203,159

The ability of the government to pay according to the repayment schedule will depend on the performance of the Bulgarian economy.

### 14. Equity investments and quota in IMF

	1999 BGN '000	1998 BGN '000
Bulgaria's IMF quota	1,621,235	1,095,611
Equity investments in international financial institutions	840	4,271
Equity investments in Bulgarian institutions	2,433	3,188
Provision against investments in Bulgarian institutions	(369)	(369)
Total	1,624,139	1,102,701

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

Name of institution	Holding %	Principal activity
<i>Subsidiaries</i>		
BORIKA	100	Management of cash point machines
Bulgarian Mint EOOD	100	Minting coins
Bank for Agricultural Credit	52	Banking institution in process of liquidation
<i>Associated companies</i>		
Bankservice AD	36	Interbank clearing
International Banking Institute	42	Financial training and research
Central Depository	20	Agent for government securities



## 15. Property, plant and equipment

	Land and building BGN '000	Motor vehicles BGN '000	Fixtures and fittings BGN '000	Equipment BGN '000	Assets in progress BGN '000	Other BGN '000	Total BGN '000
<b>Cost or valuation</b>							
At 1 January 1999	20,154	2,096	2,417	71,132	51,805	1,273	148,877
Additions	617	-	288	3,673	9,361	9	13,948
Disposals	(313)	-	(16)	(195)	-	(62)	(586)
Transfers	34,213	204	140	12,591	(47,448)	300	-
Revaluation	2,700	45	544	616	201	7	4,113
At 31 December 1999	57,371	2,345	3,373	87,817	13,919	1,527	166,352
<b>Depreciation</b>							
At 1 January 1999	(1,013)	(1,202)	(574)	(6,373)	-	(91)	(9,253)
Charge for the year	(1,585)	(338)	(378)	(5,900)	-	(373)	(8,574)
On disposals	313	-	9	97	-	43	462
Reclassification	(389)	469	141	(231)	-	10	-
Revaluation	(135)	(22)	(7)	(100)	-	(1)	(265)
At 31 December 1999	(2,809)	(1,093)	(809)	(12,507)	-	(412)	(17,630)
<b>Net book value at 31 December 1999</b>	54,562	1,252	2,564	75,310	13,919	1,115	148,722
<b>Net book value at 31 December 1998</b>	19,141	894	1,843	64,759	51,805	1,182	139,624

## 16. Other assets

	1999 BGN '000	1998 BGN '000
Spare parts for printing equipment	2,394	2,279
Prepayments	39	1,200
Inventories	2,681	4,262
Accounts receivable	1,738	833
Precious metal commemorative coins for sale	-	26
Deferred expenses	74	160
Refund from IMF	1,007	-
Total	7,933	8,760

## 17. Due to banks and other financial institutions

	1999 BGN '000	1998 BGN '000
Demand deposits from banks and other financial institutions		
- in BGN	459,515	388,869
- in foreign currencies	178,597	162,567
Total	638,112	551,436

The Bank does not pay interest on demand deposits from banks and other financial institutions. Included in demand deposits is BGN 562 million representing the obligatory reserves which all domestic banks are required to maintain at the Bank as part of their current accounts.

## 18. Government deposits and current accounts

	1999 BGN '000	1998 BGN '000
Government current accounts:		
- in BGN	874,733	31,248
- in foreign currencies	162,553	204,039
Government deposits accounts:		
- in BGN	434,764	158
- in foreign currencies	1,222,125	1,137,448
State Fund for Reconstruction and Development	-	574,211
Total	2,694,175	1,947,104

Government deposits and current accounts with the Bank comprise funds held on behalf of government budget organizations and other government organizations. No interest is payable on the current accounts. Government deposit accounts with the Bank earn interest at or close to market rates in accordance with the Law on the Bulgarian National Bank. The interest rate paid at 31 December 1999 was between 0.4% and 3%.

### 19. (a) Borrowings against Bulgaria's IMF participation

	1999 BGN '000	1998 BGN '000
Borrowings against Bulgaria's IMF participation	1,621,226	1,095,611
Reserve tranche position	(87,251)	(76,904)
Total	1,533,975	1,018,707

### (b) Borrowings from general resources of IMF

	1999 BGN '000	1998 BGN '000
Compensatory and contingency financing	170,820	150,815
Standby facilities	1,189,800	1,160,764
Extended Fund facility	837,551	246,488
Enlarged access	-	57,832
Systematic transformation facility	232,659	251,058
Total	2,430,830	1,866,957
Total (a) and (b)	3,964,805	2,885,664

Borrowings from the IMF are denominated in SDR and amount to SDR 1,518 million at 31 December 1999 (31 December 1998: SDR 1,225 million). Borrowings related to Bulgaria's IMF quota are noninterest-bearing with no stated maturity, while borrowings from the general resources of the IMF bear interest at rates set by the IMF, between 4% and 5%, and are repayable over a ten-year period.

Borrowings from the IMF are guaranteed by promissory notes which have been co-signed by the government and the Bank. The total promissory notes outstanding as at 31 December 1999 are BGN 3,606 million (BGN 2,962 million at 31 December 1998), see note 29.

### 20. Other borrowings

	1999 BGN '000	1998 BGN '000
Guarantee funds	31	17,792
Other borrowings	380	465
Total	411	18,257

### 21. Currency in circulation

	1999 BGN '000	1998 BGN '000
Coins and currency in circulation		
- banknotes	2,060,403	1,839,327
- coins	22,515	5,729
Total	2,082,918	1,845,056

The above balances represent the amount of BGN coins and banknotes issued by the Bank other than that held by the Bank itself. The movement of banknotes in circulation is as follows:

	<b>1999</b> <b>BGN '000</b>	<b>1998</b> <b>BGN '000</b>
Balance at 1 January	1,839,327	1,418,138
Banknotes issued into circulation	632,427	455,406
Banknotes withdrawn from circulation and destroyed	(411,351)	(34,217)
Balance at 31 December	2,060,403	1,839,327

## 22. Accruals and other liabilities

	<b>1999</b> <b>BGN '000</b>	<b>1998</b> <b>BGN '000</b>
Contribution payable to government	136,669	91,450
Accrued interest payable	1,809	2,103
Salaries and social security payable	-	28
Prepayments	5,915	-
Other payables	4,237	476
Total	148,630	94,057

## 23. Capital

	<b>1999</b> <b>BGN '000</b>	<b>1998</b> <b>BGN '000</b>
Balance at 1 January and 31 December	20,000	20,000

The total authorized capital of the Bank is BGN 20 million.

## 24. Reserves

	<b>Asset revaluation reserve</b>	<b>Foreign exchange reserve</b>	<b>Other reserves</b>	<b>Total</b>
	<b>1999</b> <b>BGN '000</b>	<b>1999</b> <b>BGN '000</b>	<b>1999</b> <b>BGN '000</b>	<b>1999</b> <b>BGN '000</b>
Balance at 1 January	40,726	678,373	97,012	816,111
Net asset revaluation	3,766	-	-	3,766
Transfer of unrealized gold revaluation gain	-	35,206	-	35,206
Transfer of net foreign exchange loss	-	(35,931)	-	(35,931)
Other transfers	-	-	(1,633)	(1,633)
Profit for the year	-	-	48,019	48,019
Balance at 31 December	44,492	677,648	143,398	865,538
	<b>1998</b> <b>BGN '000</b>	<b>1998</b> <b>BGN '000</b>	<b>1998</b> <b>BGN '000</b>	<b>1998</b> <b>BGN '000</b>
Balance at 1 January	38,058	720,375	64,927	823,360
Net asset revaluation	2,668	-	-	2,668
Transfer of unrealized gold revaluation loss	-	(27,661)	-	(27,661)
Transfer of net foreign exchange loss	-	(15,279)	-	(15,279)
Other transfers	-	938	(46)	892
Profit for the year	-	-	32,131	32,131
Balance at 31 December	40,726	678,373	97,012	816,111

## 25. Related party transactions

### (a) Bulgarian government

#### *International Monetary Fund*

All IMF borrowings are undertaken through the Bank. Both the Bank and the government of Bulgaria have borrowings with the IMF. The government's IMF borrowings, as shown on the balance sheet of the Bank, have been matched by a receivable from the government. In order to eliminate any exchange rate movements, the government receivable is denominated in SDR.

The interest on these borrowings is paid by the government. Accordingly no interest revenue is included in these accounts for either the receivable from the government nor is interest expense included on the government's portion of the IMF borrowings, see note 13.

The IMF quota is supported by promissory notes jointly signed by the Bank and the government, see note 19(b).

#### *Government bank accounts*

Government budget organizations and other government organizations have current accounts and term deposits with the Bank. No interest is payable on current accounts from government budget organizations, see note 18.

### *Equity investments*

The Bank has participations in various international financial institutions, including the Bank for International Settlements, see note 14.

### **(b) Domestic equity participations**

#### *Bank accounts*

The Bank holds deposits from its investments in local entities in accordance with the Law on the Bulgarian National Bank, see note 14.

## **26. Foreign currency positions**

The amounts of assets and liabilities held in BGN and in foreign currencies can be analyzed as follows:

	BGN	Foreign currencies	BGN	Foreign currencies
	1999	1999	1998	1998
	BGN '000	BGN '000	BGN '000	BGN '000
<b>Assets</b>				
Cash and amounts due from banks	-	1,251,736	-	2,971,965
Gold and other precious metals	-	732,601	-	697,024
Securities	-	4,371,489	-	1,572,435
Loans to banks and other financial institutions	-	13	-	1,350
Interest receivable	-	74,797	-	17,877
Receivable from government	-	2,203,159	-	1,665,949
Equity investments and quota in IMF	2,064	1,622,075	6,009	1,096,692
Property, plant and equipment	148,722	-	139,624	-
Other assets	7,933	-	8,760	-
<b>Total assets</b>	<b>158,719</b>	<b>10,255,870</b>	<b>154,393</b>	<b>8,023,292</b>
<b>Liabilities</b>				
Due to banks and other financial institutions	459,515	178,597	388,869	162,567
Government deposits and current accounts	1,309,497	1,384,678	609,271	1,337,833
Borrowings against Bulgaria's IMF participation	-	1,533,975	-	1,018,707
Borrowings from general resources of IMF	-	2,430,830	-	1,866,957
Other borrowings	411	-	18,257	-
Currency in circulation	2,082,918	-	1,845,056	-
Accruals and other liabilities	148,630	-	94,057	-
<b>Total liabilities</b>	<b>4,000,971</b>	<b>5,528,080</b>	<b>2,955,510</b>	<b>4,386,064</b>
<b>Net assets</b>	<b>(3,842,252)</b>	<b>4,727,790</b>	<b>(2,801,117)</b>	<b>3,637,228</b>

## **27. Maturity analysis**

The assets and liabilities of the Bank analyzed over the remaining period from the balance sheet data to contractual repricing or intended maturity is as follows:

(BGN '000)

	Up to 1 month	From 1 to 2 months	From 2 months to 1 year	From 1 to 5 years	Over 5 years	Total
<b>Assets</b>						
Cash and amounts due from banks	1,251,736	-	-	-	-	1,251,736
Gold and other precious metals	216,990	-	-	-	515,611	732,601
Securities	4,371,489	-	-	-	-	4,371,489
Loans to banks and other financial institutions	-	-	13	-	-	13
Interest receivable	16,490	15,153	43,154	-	-	74,797
Receivable from government	37,032	-	228,591	1,448,945	488,591	2,203,159
Equity investments and quota in IMF	-	-	-	-	1,624,139	1,624,139
Property, plant and equipment	-	-	-	-	148,722	148,722
Other assets	-	-	7,933	-	-	7,933
<b>Total assets</b>	<b>5,893,737</b>	<b>15,153</b>	<b>279,691</b>	<b>1,448,945</b>	<b>2,777,063</b>	<b>10,414,589</b>

(continued)

(continued)

(BGN '000)

	Up to 1 month	From 1 to 2 months	From 2 months to 1 year	From 1 to 5 years	Over 5 years	Total
<b>Liabilities</b>						
Due to banks and other financial institutions	638,112	-	-	-	-	638,112
Government deposits and current accounts	2,694,175	-	-	-	-	2,694,175
Borrowings against Bulgaria's IMF participation	25	-	-	-	1,533,950	1,533,975
Borrowings from general resources of IMF	37,032	-	244,071	1,661,136	488,591	2,430,830
Other borrowings	411	-	-	-	-	411
Currency in circulation	-	-	-	-	2,082,918	2,082,918
Accruals and other liabilities	-	-	148,630	-	-	148,630
Capital	-	-	-	-	20,000	20,000
Reserves	-	-	-	-	865,538	865,538
<b>Total liabilities</b>	<b>3,369,755</b>	<b>-</b>	<b>392,701</b>	<b>1,661,136</b>	<b>4,990,997</b>	<b>10,414,589</b>
<b>Maturity surplus/(shortfall)</b>	<b>2,523,982</b>	<b>15,153</b>	<b>(113,010)</b>	<b>(212,191)</b>	<b>(2,213,934)</b>	<b>-</b>

## 28. Financial instruments

A financial instrument is defined by IAS 32 as any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The balance sheet of the Bank is largely comprised of financial instruments. These instruments expose the Bank to many risks, including interest rate risk, foreign exchange risk and credit risk.

### *Interest rate risk*

Interest rate risk may be defined as the risk that the Bank is exposed to changes in the value of its financial assets and liabilities due to changes in interest rates. The size of this risk is a function of:

- the relevant financial asset or liability's underlying interest rate; and
- the maturity structure of the Bank's portfolio of financial instruments.

A majority of the financial assets of the Bank are interest bearing. The financial liabilities of the Bank include liabilities which are both noninterest-bearing and interest-bearing. These have been disclosed in notes 17 to 22. Those assets and liabilities of the Bank which are interest-bearing are based on rates which have been set at or close to market levels.

The maturity structure of the Bank's financial assets and liabilities is disclosed in Note 27.

### *Foreign exchange risk*

Foreign exchange risk may be defined as the risk that the Bank is exposed to changes in the value of its financial assets and liabilities due to changes in exchange rates. The size of this risk is a function of:

- the mismatch in the Bank's foreign currency assets and liabilities; and
- the underlying contract rate of outstanding foreign exchange transactions at year end.

The exchange rate of the Bulgarian lev to the Deutschemark is fixed in accordance with the Law on the Bulgarian National Bank. In accordance with the Law on the Bulgarian National Bank, the Bank is required to match foreign currency assets and liabilities other than Deutschemarks, to within 2%. Accordingly, foreign exchange exposure is limited.

### *Credit risk*

Credit risk is defined by IAS 32 as the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a loss. Disclosure of credit risk enables the user of financial statements to assess the extent to which failures by counterparts to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

The size and concentration of the Bank's exposure to credit risk can be obtained directly from the balance sheet and notes 7 to 14 of the financial statements which describe the size and composition of the Bank's financial assets. In accordance with the Bulgarian Law on the National Bank, the Bank deals only with financial institutions that have been assigned one of the two highest ratings by two internationally recognized rating agencies. The Bank has not entered into collateral agreements in relation to its credit exposure.

### ***Fair value***

Fair value information is widely used in determining an enterprise's overall financial position and in making decisions about individual financial instruments. It is also relevant to users of financial statements since, in many circumstances, it reflects the judgment of the financial markets as to the present value of expected future cash flows.

The principal determinants of fair value for the Bank's assets and liabilities are commodity prices, interest rates, exchange rates and credit risk. In the case of marketable assets such as precious metals and foreign debt securities full fair values as at the balance sheet date are directly reflected in the balance sheet. In other cases the exchange rate element is specifically allowed for in the determination of carrying value. The fair values of loans and deposits, insofar as this is determinable by interest rates, are not considered to be materially different from their carrying values. Where significant credit risk is considered to be present, it is allowed for in the provision for bad and doubtful debts.

As at the balance date the Bank did not have any significant exposure in off-balance-sheet derivative transactions.

### **29. Commitments and contingencies**

As at 31 December 1999 the Bank had BGN 0.2 million of commitments to purchase fixed assets.

The Bank has uncalled capital on its investment in the Bank for International Settlements amounting to 6,000 shares of 2,500 gold francs each.

The BNB is defending a law suit from a construction company for breach of contract. Whilst the Bank does not admit liability, if the law suit is successful, the contingent liability, fines and legal costs could amount to CHF 0.12 million.

There are two court decisions in favor of the construction company which require the Bank to pay compensation of BGN 0.3 million. However, the Bank has not paid this amount and has filed a law suit against the company for CHF 0.4 million.

The IMF quota and borrowings are supported by promissory notes jointly signed by the Bank and the government amounting to BGN 3,606 million (1998:BGN 2,962 million).

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

## 2. Report on the Execution of the BNB Budget

In 1999 the BNB continued to reduce operating expenses irrespective of the additional expenditure associated with the redenomination of the national currency, development of the payment system, creation of a credit register and expenditure on the Millennium Bug.

The BNB budget for 1999 was adopted by the 38th National Assembly on 17 December 1998 pursuant to Article 86 of the Constitution of the Republic of Bulgaria and Article 48 of the Law on the Bulgarian National Bank. BNB structure includes two sections and assumes an exchange rate of BGL 1,800 per USD 1 and expected average annual inflation rate of 9.5% and 7.4% by the year's end. Throughout the year the BNB Board exercised its right to vary particular indicators within the total budget but by not more than 20%.

Projected expenditure on BNB current activity totaled BGN 52,747,000 and reported expenditure accounted for BGN 45,617,000, or 86.5%.

Expenditure projected on banknote printing and coin mintage of circulating and commemorative coins associated with the national currency redenomination in 1999 totaled BGN 18,067,000; of this BGN 17,041,000 (or 94.3%) was used. Costs of banknote printing and circulating coin mintage were calculated to ensure normal service of the currency in circulation. In 1999 the following commemorative coins were minted: 120 Years BNB (gold); 120 Years Council of Ministers (gold and silver); A Plovdiv House (silver); High Jump (silver); and Monk Seal (silver).

Expenditure projected on materials, services and depreciation totaled BGN 20,695,000; of this BGN 15,645,000 (75.6%) was utilized. Economized funds reflected mostly unused resources on materials for the General Securities Department at the BNB Printing Works. This was attributable to postponed printing of new identity documents subject to finalization by the Ministry of Internal Affairs.

In accordance with the BNB policy of cutting operating expenses, projected funds for heating, electricity, postal, telephone and other services have not been entirely utilized.

Approximately 80% of projected funds on Bloomberg, Telerate, Reuters and other systems used by the Bank were utilized during 1999. Projections for 2000 include two job reductions in the Telerate system. From the funds projected on equipment maintenance only 62.8% were used. During 1999 expenses on overhauls of the BNB building's west wing above the operations hall (for the BNB museum) and the BNB Plovdiv and Vratza branches made up only a portion of projected funds on overhauls.

Projected depreciation expenses accounted for BGN 8,857,000 and reported costs amounted to BGN 8,574,000, or 96.8%.

Expenses on salaries and employee benefits made up 34.3% of Bank total operating expenditure.

Other administrative expenses reported for 1999 totaled BGN 855,000, or 71.5% of projected costs. The BNB spent money on travel associated with cash supply for commercial banks and their branches due to the lev redenomination. Expenses were incurred on BNB employees' training in Bulgaria and abroad. The BNB took the opportunity of any reasonable invitation from other central banks and institutions for staff training.

### **Investment Expenses**

Budgeted investment expenses totaled BGN 24,562,000. Of this, BGN 13,272,000 (54%) was spent in 1999. Expenses on construction, reconstruction and modernization were incurred on the final reconstruction of BNB's Bourgas branch. Refurbishment of the BNB main building started in 1998 and continued in 1999.

Expenses on machines servicing currency in circulation accounted for 96.9% of budgeted funds. No funds are budgeted for 2000 as the necessary equipment was supplied in 1999.

Compared with previous years expenditures on the BNB's Printing Works were

reduced and only funds for finishing the security fence and the premises' fire alarm and fire-extinguishing systems had been budgeted. Investment expenditures incurred on the BNB Printing Works accounted for 14% of BNB total investment expenditures (against 58.6% in 1998).

Budgeted funds for the purchase of special automobiles and other vehicles have not been spent and these funds have been carried over to 2000.

In 1999 replacement of individual obsolescent computers, software and other equipment continued, consistent with the Bank's equipment rollover program. Expenses incurred on computerization accounted for just 32.8% of projected funds.

Expenses on office furniture and equipment made up 65.4% of projected spending. The expenses reflected planning and furnishing of the BNB's Bourgas branch, the purchase of a computer typesetting system, a multifunction printing machine for the printing center, and furniture for the canteen in the BNB's main building.

#### EXECUTION OF BNB BUDGET IN 1999

Indicators	Budget forecast for 1999 (BGN '000)	Reporting, 31 December 1999 (BGN '000)	Execution (%)
<b>Section I. BNB operating expenses</b>			
Currency circulation expenses	18,067	17,041	94.3
Materials, services and depreciation expenses	20,695	15,645	75.6
Salaries and employee benefits	11,947	11,247	94.1
Social activity expenses	842	829	98.5
Other administrative expenses	1,196	855	71.5
<b>Total Section I</b>	<b>52,747</b>	<b>45,617</b>	<b>86.5</b>
<b>Section II. Investment program</b>			
Expenses on construction, reconstruction and modernization	6,620	5,574	84.2
Expenses on currency in circulation equipment	4,145	4,017	96.9
Expenses on BNB Printing Works	2,078	1,859	89.5
Expenses on BNB security equipment	6,654	410	6.2
Expenses on special automobiles and other vehicles	1,612	0	0.0
Expenses on BNB computerization	2,600	854	32.8
Office furniture and equipment	853	558	65.4
<b>Total Section II</b>	<b>24,562</b>	<b>13,272</b>	<b>54.0</b>



# Appendix

# Contents

Gross Domestic Product _____	115
Employment in 1998 and 1999 _____	116
Growth in Consumer Prices by Component _____	117
Exports by Commodity Group _____	118
Imports by Commodity Group _____	119
Exports by Use _____	120
Imports by Use _____	121
Exports by Major Trading Partner and Region _____	122
Imports by Major Trading Partner and Region _____	123
Balance of Payments* _____	124
Gross Foreign Debt by Creditor _____	126
Foreign Debt Service _____	126
Gross Foreign Debt Payments _____	127
Debt Indicators _____	127
Consolidated State Budget for 1999* _____	128
Domestic Debt of the Government Budget by Debt Instrument _____	131
Balance Sheet of the BNB _____	133
Monetary Survey _____	134
Analytical Reporting of the BNB _____	142
Analytical Reporting of CB _____	145
Nominal Interest Rates on Short-term Credits in 1999 _____	149
Real Interest Rates on Short-term Credits in 1999 _____	149
Nominal Interest Rates on One-month Deposits in 1999 _____	150
Real Interest Rates on One-month Deposits in 1999 _____	150
CB Interest Rates on New Credits and Deposits in BGN _____	151
Denomination Composition in Notes and Coins _____	152
Consolidated Balance Sheet of CB (annual closing of accounts, 1999) _____	153
Consolidated Balance Sheet of CB (annual closing of accounts, 1999) _____	154
Consolidated Income Statement of CB (annual closing of accounts, 1999) _____	155
Consolidated Income Statement of CB by Group (annual closing of accounts, 1999) _____	156
Capital Adequacy of CB as of 31 December 1999 (under Regulation No. 8 of the BNB) _____	157
Classification of Commercial Bank Risk Exposures as of 31 December 1999, Total (under Regulation No. 9 of the BNB) _____	158
Classification of Commercial Bank Risk Exposures to Banks and Other Financial Institutions _____	159
Classification of Commercial Bank Risk Exposures to Nonfinancial Institutions and Other Clients _____	160
Liquidity of CB as of 31 December 1999 (under Regulation No. 11 of the BNB) _____	161
Commercial Bank Foreign Currency Positions as of 31 December 1999 (under Regulation No. 4 of the BNB) _____	161
Major Resolutions of the Managing Board of the BNB in 1999 _____	162

*The methodology and scope of the respective indicators are comprehensively presented in BNB 1999 Monthly Bulletin issues.*

## GROSS DOMESTIC PRODUCT

Indicators	1997	1998	1999 <sup>1</sup>	1999	Physical volume index 1998 = 100	Implicit deflators, %
	at current prices, million BGN			at average 1998 prices, million BGN		
Gross value added						
by economic sector	15294.5	19203.2	19890.9	19546.4	101.8	1.8
Agriculture and forestry	4062.7	4045.4	3440.4	4069.1	100.6	-15.5
Industry	4316.3	5508.7	5325.8	5268.5	95.6	1.1
Services	6915.5	9649.1	11124.7	10208.9	105.8	9.0
By type of ownership						
Private	9641.5	12241.8	12998.4	13026.8	106.4	
Public	5653.0	6961.4	6892.4	6519.7	93.7	
Adjustments <sup>2</sup>	1760.7	2373.8	2885.6	2549.3	107.4	13.2
GDP by component of final demand	17055.2	21577.0	22776.4	22095.8	102.4	3.1
Final consumption	14169.8	18989.0	20648.7	19872.8	104.7	3.9
Individual	13115.4	17227.2	18734.2	18117.8	105.2	3.4
Collective	1054.4	1761.8	1914.4	1755.0	99.6	9.1
Gross capital formation	1941.7	3636.4	4338.7	4315.1		0.5
In fixed capital	1931561	2850.8	3632.2	3573.5	125.3	1.6
Reserve change	93443	785.6	706.5	741.7		-4.7
Balance (exports – imports) <sup>3</sup>	943.7	-630.4	-1764.5	-1731.4		
Exports of goods and services	10555.9	10360.9	10054.0	9822.1	94.8	2.4
Imports of goods and services	9612.2	10991.3	11818.5	11553.5	105.1	2.3
Statistical discrepancy		-418.1	-446.4	-360.7		

<sup>1</sup> NSI preliminary data.

<sup>2</sup> Including excises and VAT, import duties and indirectly measured services of financial agents.

<sup>3</sup> Net exports of goods and services, travel services excluded.

Source: NSI.

**EMPLOYMENT IN 1998 AND 1999**

Sectors	Year average, persons						Employment rate, %					
	1998			1999			1998			1999		
	Total	Public sector	Private sector	Total	Public sector	Private sector	Total	Public sector	Private sector	Total	Public sector	Private sector
Total	2086291	1223415	862876	1951491	1107764	843727	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry and fishery	122430	40527	81903	110649	32916	77733	5.9	3.3	9.5	5.7	3.0	9.2
Extracting industry	55238	52354	2884	47374	43942	3432	2.6	4.3	0.3	2.4	4.0	0.4
Manufacturing industry	689748	258771	430977	591555	191271	400284	33.1	21.2	49.9	30.3	17.3	47.4
Electrical energy, gas and water	57548	57407	141	57484	57321	163	2.8	4.7	0.02	2.9	5.2	0.02
Construction	104855	45637	59218	99910	39034	60876	5.0	3.7	6.9	5.1	3.5	7.2
Trade and repair	185249	28536	156713	186626	20249	166377	8.9	2.3	18.2	9.6	1.8	19.7
Hotels and public catering	45135	15926	29209	41530	12357	29173	2.2	1.3	3.4	2.1	1.1	3.5
Transport and communications	177289	146622	30667	170439	134718	35721	8.5	12.0	3.6	8.7	12.2	4.2
Finance, credit and insurance	32236	19586	12650	28970	17285	11685	1.5	1.6	1.5	1.5	1.6	1.4
Operations in real estate and business services	69635	35688	33947	62771	32708	30063	3.3	2.9	3.9	3.2	3.0	3.6
State management	80358	80358	-	86686	86686	-	3.9	6.6	-	4.4	7.8	-
Education	230737	227976	2761	229661	226811	2850	11.1	18.6	0.3	11.8	20.5	0.3
Health care	165829	164749	1080	163490	162338	1152	7.9	13.5	0.1	8.4	14.7	0.1
Other services	70004	49278	20726	74346	50128	24218	3.4	4.0	2.4	3.8	4.5	2.9
Budget organizations	537542	537542	-	536493	536493	-	-	-	-	-	-	-
Commercial companies, enterprises and organizations realizing revenue from economic activity	1435155	669828	765327	1385499	560650	824849	-	-	-	-	-	-

Source: NSI.

**GROWTH IN CONSUMER PRICES BY COMPONENT**

(%)

1999	On the previous month				On corresponding month of previous year (total)	On average annual prices of previous year			
	Total	Goods		Services		Total	Goods		Services
		Food	Nonfood				Food	Nonfood	
January	1.6	-0.3	0.6	7.4	0.5	1.5	-3.8	0.9	15.1
February	-0.6	-1.6	-0.5	0.9	-1.9	0.9	-5.3	0.4	16.2
March	-1.0	-2.3	-0.6	0.8	-2.8	-0.1	-7.5	-0.2	17.0
April	-0.6	-2.1	0.5	0.6	-3.6	-0.8	-9.5	0.4	17.5
May	-0.7	-1.8	0.1	0.2	-4.7	-1.5	-11.1	0.5	17.7
June	-0.5	-1.1	-0.2	0.3	-3.3	-1.9	-12.0	0.3	18.0
July	3.2	2.6	2.4	5.6	1.3	1.2	-9.8	2.8	24.7
August	1.0	0.8	1.2	0.9	3.2	2.2	-9.1	4.0	25.8
September	1.5	2.0	0.8	1.3	1.7	3.7	-7.2	4.9	27.5
October	1.0	1.3	0.0	1.8	3.1	4.8	-6.0	4.9	29.8
November	0.6	1.1	0.4	0.2	4.7	5.5	-5.0	5.3	30.0
December	0.7	0.9	0.3	0.6	6.2	6.2	-4.1	5.6	30.8

Source: NSI.

## EXPORTS BY COMMODITY GROUP

Commodity groups	January – December				Change on same period of previous year	
	1998		1999		million USD	%
	million USD	share, %	million USD	share, %		
Textile, leather materials, clothing, footwear and other consumer goods, including:	848.3	20.2	948.7	23.9	100.3	11.8
Chapter 62. Clothing and accessories to clothing other than knitwear	285.3	6.8	356.7	9.0	71.4	25.0
Chapter 61. Clothing and accessories to clothing from knitwear	162.1	3.9	216.2	5.5	54.2	33.4
Chapter 64. Shoes, gaiters and similar articles; their components	112.2	2.7	111.8	2.8	-0.4	-0.3
Chapter 94. Furniture; medical furniture; sleeping accessories and similar articles	48.9	1.2	59.3	1.5	10.4	21.3
Base metals and their products, including:	806.9	19.2	648.2	16.3	-158.7	-19.7
Chapter 72. Cast-iron, iron and steel	394.4	9.4	262.6	6.6	-131.8	-33.4
Chapter 74. Copper and its products	205.7	4.9	170.4	4.3	-35.3	-17.1
Chapter 79. Zink and its products	65.4	1.6	70.2	1.8	4.8	7.3
Chapter 73. Cast-iron, iron and steel products	62.8	1.5	60.4	1.5	-2.4	-3.8
Animal and vegetable products, food, drink and tobacco, including:	683.3	16.3	624.5	15.7	-58.8	-8.6
Chapter 24. Tobacco and processed substitutes	108.5	2.6	101.8	2.6	-6.7	-6.2
Chapter 10. Cereals	90.2	2.2	93.0	2.3	2.8	3.1
Chapter 22. Soft and alcoholic drinks and vinegars	144.0	3.4	91.6	2.3	-52.5	-36.4
Chapter 12. Oil-bearing seeds and fruits; miscellaneous seeds	54.2	1.3	80.6	2.0	26.4	48.6
Machines, transport facilities, appliances, tools and weapons, including:	664.1	15.8	584.3	14.7	-79.8	-12.0
Chapter 84. Nuclear reactors, boilers, machines, appliances and machinery; spare parts	259.2	6.2	263.7	6.6	4.4	1.7
Chapter 85. Electrical machines and appliances	134.5	3.2	126.7	3.2	-7.8	-5.8
Chapter 87. Automobile transport	18.6	0.4	43.5	1.1	24.9	133.4
Chemical products, plastics and rubber, including:	618.2	14.7	505.5	12.7	-112.7	-18.2
Chapter 39. Plastics and plastic products	94.3	2.2	87.5	2.2	-6.8	-7.2
Chapter 28. Inorganic chemical products	99.0	2.4	85.1	2.1	-13.9	-14.1
Chapter 33. Essential oils, perfumes and toiletries	82.1	2.0	79.5	2.0	-2.6	-3.2
Chapter 29. Organic chemical products	103.1	2.5	71.9	1.8	-31.3	-30.3
Chapter 30. Pharmaceuticals	77.8	1.9	58.8	1.5	-19.0	-24.4
Chapter 40. Rubber and rubber products	45.3	1.1	50.1	1.3	4.8	10.6
Mineral products and fuels, including:	357.1	8.5	440.8	11.1	83.7	23.4
Chapter 27. Mineral fuels, mineral oils and distilled products	271.9	6.5	339.7	8.6	67.8	24.9
Chapter 25. Salt; sulphur; soil and stones; plaster, lime and cement	48.3	1.2	50.0	1.3	1.7	3.6
Chapter 26. Ores, slags and ashes	25.7	0.6	45.8	1.2	20.0	77.8
Wood, paper, earthenware and glass products, including:	215.6	5.1	215.2	5.4	-0.4	-0.2
Chapter 44. Wood and wood products; wood coal	85.5	2.0	99.9	2.5	14.4	16.8
EXPORTS, TOTAL (FOB)	4193.5	100.0	3967.2	100.0	-226.3	-5.4

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

Note: NSI final data for 1998, for 1999 – preliminary data as of 23 March 2000, processed by the BNB.

Source: Data based on customs declarations provided by the Computing Center Directorate within Information Service AD and the NSI, and adjusted by the BNB for date of customs clearance.

## IMPORTS BY COMMODITY GROUP

Commodity groups	January – December				Change on same period of previous year	
	1998		1999		million USD	%
	million USD	share, %	million USD	share, %		
Machines, transport facilities, appliances, tools and weapons, including:	1145.8	23.1	1720.4	31.5	574.6	50.2
Chapter 84. Nuclear reactors, boilers, machines, appliances and machinery; spare parts	485.2	9.8	716.4	13.1	231.2	47.6
Chapter 87. Automobile transport	222.2	4.5	456.7	8.4	234.5	105.6
Chapter 85. Electrical machines and appliances	274.4	5.5	373.7	6.9	99.3	36.2
Chapter 90. Optical instruments and appliances	96.1	1.9	101.9	1.9	5.8	6.0
Mineral products and fuels, including:	1432.9	28.9	1410.8	25.9	-22.0	-1.5
Chapter 27. Mineral fuels, mineral oils and distilled products	1105.0	22.3	1164.6	21.4	59.6	5.4
Chapter 26. Ores, slags and ashes	197.8	4.0	153.4	2.8	-44.4	-22.5
Textile, leather materials, clothing, footwear and other consumer goods, including:	753.6	15.2	791.6	14.5	38.0	5.0
Chapter 55. Staple synthetic and artificial fibres	104.4	2.1	113.4	2.1	9.1	8.7
Chapter 61. Clothing and accessories to clothing from knitwear	83.9	1.7	109.9	2.0	25.9	30.9
Chapter 52. Cotton	109.0	2.2	100.2	1.8	-8.8	-8.1
Chapter 54. Synthetic or artificial fibres	63.0	1.3	66.3	1.2	3.3	5.3
Chemical products, plastics and rubber, including:	718.7	14.5	672.9	12.3	-45.8	-6.4
Chapter 39. Plastics and plastic products	125.7	2.5	158.7	2.9	33.0	26.3
Chapter 30. Pharmaceuticals	97.6	2.0	111.3	2.0	13.7	14.1
Chapter 38. Miscellaneous products of chemical industry	81.1	1.6	77.3	1.4	-3.8	-4.7
Chapter 40. Rubber and rubber products	65.6	1.3	67.9	1.2	2.4	3.6
Chapter 33. Essential oils, perfumes and toiletries	50.8	1.0	63.9	1.2	13.1	25.8
Chapter 29. Organic chemical products	77.4	1.6	63.3	1.2	-14.2	-18.3
Animal and vegetable products, food, drink and tobacco, including:	380.3	7.7	337.6	6.2	-42.7	-11.2
Chapter 17. Sugar and sugar products	68.0	1.4	55.3	1.0	-12.7	-18.6
Base metals and their products, including:	303.0	6.1	288.0	5.3	-15.0	-5.0
Chapter 72. Cast-iron, iron and steel	119.5	2.4	90.1	1.7	-29.4	-24.6
Chapter 73. Cast-iron, iron and steel products	66.4	1.3	77.6	1.4	11.2	16.8
Wood, paper, earthenware and glass products, including:	222.5	4.5	233.1	4.3	10.7	4.8
Chapter 48. Paper and cardboard; products of cellulose, paper and cardboard	126.1	2.5	128.7	2.4	2.6	2.1
IMPORTS, TOTAL (CIF)	4956.7	100.0	5454.4	100.0	497.7	10.0
(-) Freight expenditure	382.6		423.2			
IMPORTS, TOTAL (FOB)	4574.2		5031.2		457.0	10.0

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

Note: NSI final data for 1998, for 1999 – preliminary data as of 23 March 2000, processed by the BNB.

Source: Data based on customs declarations provided by the Computing Center Directorate within Information Service AD and the NSI, and adjusted by the BNB for date of customs clearance.

## EXPORTS BY USE

Commodity groups	January – December				Change on same period of previous year	
	1998		1999		million USD	%
	million USD	share, %	million USD	share, %		
Consumer goods	1303.1	31.1	1334.0	33.6	30.9	2.4
Food	235.1	5.6	191.9	4.8	-43.2	-18.4
Cigarettes	57.2	1.4	37.8	1.0	-19.4	-34.0
Drink	141.8	3.4	91.1	2.3	-50.8	-35.8
Clothing and footwear	535.1	12.8	661.3	16.7	126.2	23.6
Medical goods and cosmetics	152.7	3.6	147.2	3.7	-5.5	-3.6
Housing and home furniture	88.2	2.1	100.4	2.5	12.2	13.9
Other	93.0	2.2	104.3	2.6	11.4	12.2
Raw material feedstocks	1935.0	46.1	1684.3	42.5	-250.6	-13.0
Cast-iron, iron and steel	394.4	9.4	262.6	6.6	-131.8	-33.4
Nonferrous metals	302.3	7.2	282.0	7.1	-20.3	-6.7
Chemical products	194.2	4.6	149.8	3.8	-44.4	-22.9
Plastics, rubber	135.0	3.2	133.0	3.4	-2.0	-1.5
Fertilizers	78.9	1.9	36.7	0.9	-42.2	-53.5
Textile materials	188.9	4.5	137.2	3.5	-51.7	-27.3
Food feedstocks	149.2	3.6	192.9	4.9	43.7	29.3
Wood and paper, cardboard	126.2	3.0	130.9	3.3	4.7	3.8
Cement	24.7	0.6	26.5	0.7	1.8	7.3
Tobacco	51.3	1.2	64.0	1.6	12.7	24.8
Other	289.9	6.9	268.6	6.8	-21.3	-7.4
Investment goods	672.8	16.0	605.5	15.3	-67.3	-10.0
Machines, tools and appliances	197.4	4.7	213.4	5.4	16.0	8.1
Electrical machines	63.5	1.5	57.3	1.4	-6.1	-9.6
Transport facilities	92.2	2.2	47.0	1.2	-45.2	-49.0
Spare parts and equipment	103.9	2.5	91.9	2.3	-12.0	-11.6
Other	215.7	5.1	195.8	4.9	-19.9	-9.2
Nonenergy goods, total	3910.8	93.3	3623.8	91.3	-287.0	-7.3
Energy resources	282.7	6.7	343.3	8.7	60.7	21.5
Petroleum products	154.5	3.7	271.2	6.8	116.7	75.6
Other	128.2	3.1	72.1	1.8	-56.1	-43.7
EXPORTS, TOTAL (FOB)	4193.5	100.0	3967.2	100.0	-226.3	-5.4

**Note:** NSI final data for 1998, for 1999 – preliminary data as of 23 March 2000, processed by the BNB.

Source: Data based on customs declarations provided by the Computing Center Directorate within Information Service AD and the NSI, and adjusted by the BNB for date of customs clearance.



## IMPORTS BY USE

Commodity groups	January – December				Change on same period of previous year	
	1998		1999		million USD	%
	million USD	share, %	million USD	share, %		
Consumer goods	707.1	14.3	941.1	17.3	234	33.1
Food, drink and cigarettes	189.6	3.8	163.8	3	-25.9	-13.6
Housing and home furniture	88.2	1.8	141.2	2.6	53	60
Medical goods and cosmetics	131.4	2.7	169.9	3.1	38.6	29.4
Clothing and footwear	150.4	3	175.7	3.2	25.3	16.8
Automobiles	40.6	0.8	145.5	2.7	104.9	258.4
Other	106.8	2.2	145	2.7	38.2	35.7
Raw material feedstocks	2007.8	40.5	1815.1	33.3	-192.7	-9.6
Ores	197.8	4	153.4	2.8	-44.4	-22.5
Cast-iron, iron and steel	119.5	2.4	90.1	1.7	-29.4	-24.6
Nonferrous metals	40.3	0.8	37.9	0.7	-2.3	-5.8
Textile materials	492.2	9.9	493.1	9	0.9	0.2
Wood and paper, cardboard	137.8	2.8	135.1	2.5	-2.7	-2
Chemical products	284.2	5.7	159	2.9	-125.1	-44
Plastics, rubber	185.9	3.7	219.2	4	33.3	17.9
Food feedstocks	130.9	2.6	115.7	2.1	-15.2	-11.6
Leather and furs	47	0.9	42.5	0.8	-4.5	-9.6
Tobacco	35.8	0.7	33.2	0.6	-2.6	-7.3
Other	336.6	6.8	336	6.2	-0.7	-0.2
Investment goods	1061.2	21.4	1487.5	27.3	426.3	40.2
Machines, tools and appliances	378.7	7.6	593.9	10.9	215.2	56.8
Electrical machines	170.7	3.4	211.1	3.9	40.4	23.6
Transport facilities	163.2	3.3	304	5.6	140.7	86.2
Spare parts and equipment	181.5	3.7	207	3.8	25.5	14
Other	167	3.4	171.6	3.1	4.6	2.7
Nonenergy goods, total	3776.1	76.2	4243.7	77.8	467.7	12.4
Energy resources	1180.7	23.8	1210.7	22.2	30	2.5
Fuels	1105.2	22.3	1154.6	21.2	49.4	4.5
Crude oil and natural gas	839.6	16.9	1003.3	18.4	163.8	19.5
Crude oil	521.6	10.5	743.4	13.6	221.7	42.5
Coal	169	3.4	87.5	1.6	-81.4	-48.2
Natural gas	317.9	6.4	259.9	4.8	-58	-18.2
Other	96.7	2	63.7	1.2	-33	-34.1
Other	75.4	1.5	56.1	1	-19.4	-25.7
Oils	75.4	1.5	56.1	1	-19.4	-25.7
IMPORTS, TOTAL (CIF)	4956.7	100	5454.4	100	497.7	10

Note: NSI final data for 1998, for 1999 – preliminary data as of 23 March 2000, processed by the BNB.

Source: Data based on customs declarations provided by the Computing Center Directorate within Information Service AD and the NSI, and adjusted by the BNB for date of customs clearance.

**EXPORTS BY MAJOR TRADING PARTNER AND REGION**

Countries	January – December				Change on same period of previous year	
	1998		1999		million USD	%
	million USD	share, %	million USD	share, %		
European Union, incl.:	2114.1	50.4	2085.3	52.6	-28.8	-1.4
Italy	548	13.1	560.9	14.1	12.9	2.4
Germany	446.2	10.6	393.9	9.9	-52.4	-11.7
Greece	368.9	8.8	342.6	8.6	-26.2	-7.1
France	143.4	3.4	180.8	4.6	37.4	26.1
Belgium	151.4	3.6	176.9	4.5	25.5	16.8
Spain	121.6	2.9	107.9	2.7	-13.6	-11.2
United Kingdom	107.5	2.6	100.1	2.5	-7.4	-6.9
Netherlands	79.1	1.9	83.1	2.1	3.9	4.9
Austria	70.7	1.7	68.1	1.7	-2.6	-3.6
EFTA, incl.:	34.4	0.8	57.8	1.5	23.4	67.9
Switzerland	26.7	0.6	45.5	1.1	18.8	70.6
Other OECD countries, incl.: <sup>1</sup>	508.4	12.1	491.1	12.4	-17.3	-3.4
Turkey	334.9	8	287.8	7.3	-47.1	-14.1
USA	110.5	2.6	146.2	3.7	35.7	32.3
Japan	33	0.8	23.5	0.6	-9.5	-28.8
Balkan countries, incl.: <sup>2</sup>	193	4.6	315.4	8	122.4	63.5
Yugoslavia	77.7	1.9	163.1	4.1	85.4	109.8
Macedonia	76.4	1.8	105.3	2.7	28.9	37.8
CEFTA, incl.:	207.3	4.9	169.7	4.3	-37.6	-18.1
Romania	50.2	1.2	55.1	1.4	4.9	9.8
Slovenia	32.5	0.8	37.1	0.9	4.7	14.4
Poland	54.8	1.3	29.5	0.7	-25.3	-46.2
Hungary	32.5	0.8	24.6	0.6	-7.9	-24.2
Czech Republic	15.6	0.4	15.3	0.4	-0.3	-1.6
Slovakia	21.7	0.5	8	0.2	-13.8	-63.4
Former USSR countries, incl.:	520.2	12.4	357.4	9	-162.8	-31.3
Russia	223.3	5.3	188.9	4.8	-34.3	-15.4
Ukraine	108	2.6	67.2	1.7	-40.9	-37.8
Georgia	69.1	1.6	40.9	1	-28.2	-40.9
Other countries, incl.:	616.1	14.7	490.4	12.4	-125.7	-20.4
Southeast Asian countries <sup>3</sup>	30.7	0.7	16.9	0.4	-13.8	-45
<b>EXPORTS, TOTAL (FOB)</b>	<b>4193.5</b>	<b>100</b>	<b>3967.2</b>	<b>100</b>	<b>-226.3</b>	<b>-5.4</b>

<sup>1</sup> Australia, Canada, New Zealand, the USA, Turkey and Japan are included.

<sup>2</sup> Albania, Bosnia and Herzegovina, Macedonia, Croatia and Yugoslavia are included.

<sup>3</sup> Korea, Malaysia, Thailand, the Philippines and Indonesia are included.

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**IMPORTS BY MAJOR TRADING PARTNER AND REGION**

Countries	January – December				Change on same period of previous year	
	1998		1999		million USD	%
	million USD	share, %	million USD	share, %		
European Union, incl.:	2239.3	45.2	2658.8	48.7	419.5	18.7
Germany	689.2	13.9	817.8	15	128.6	18.7
Italy	380.3	7.7	462.3	8.5	82	21.6
Greece	289.5	5.8	310.7	5.7	21.2	7.3
France	223.4	4.5	286.3	5.2	63	28.2
Austria	141.7	2.9	163.7	3	22	15.5
United Kingdom	121.1	2.4	131.8	2.4	10.7	8.8
Netherlands	102	2.1	109.6	2	7.5	7.4
Belgium	86.1	1.7	91.3	1.7	5.2	6.1
Sweden	51.9	1	75.2	1.4	23.2	44.7
EFTA	82.9	1.7	82.1	1.5	-0.8	-1
Switzerland	74.4	1.5	73.9	1.4	-0.5	-0.6
Other OECD countries, incl.: <sup>1</sup>	401.6	8.1	419.4	7.7	17.8	4.4
USA	201.3	4.1	172.3	3.2	-29	-14.4
Turkey	122.1	2.5	166.7	3.1	44.6	36.5
Japan	41.1	0.8	65.1	1.2	24.1	58.6
Balkan countries, incl.: <sup>2</sup>	76.8	1.5	42.9	0.8	-33.9	-44.2
Macedonia	36.2	0.7	25.1	0.5	-11.1	-30.8
Yugoslavia	34.5	0.7	15.4	0.3	-19.1	-55.3
CEFTA, incl.:	274.6	5.5	348.5	6.4	73.9	26.9
Czech Republic	95.5	1.9	99.2	1.8	3.7	3.9
Poland	41.2	0.8	73.9	1.4	32.7	79.2
Romania	57.6	1.2	72.1	1.3	14.5	25.2
Hungary	36.5	0.7	49.9	0.9	13.4	36.7
Slovakia	26.5	0.5	30.6	0.6	4.1	15.5
Slovenia	17.2	0.3	22.7	0.4	5.5	32.3
Former USSR countries, incl.:	1235.7	24.9	1287.2	23.6	51.5	4.2
Russia	1016.4	20.5	1116.5	20.5	100.1	9.8
Ukraine	176.8	3.6	131.5	2.4	-45.3	-25.6
Other countries, incl.:	645.9	13	615.5	11.3	-30.3	-4.7
Southeast Asian countries <sup>3</sup>	83.5	1.7	122.6	2.2	39.1	46.9
<b>IMPORTS, TOTAL (CIF)</b>	<b>4956.7</b>	<b>100</b>	<b>5454.4</b>	<b>100</b>	<b>497.7</b>	<b>10</b>

<sup>1</sup> Australia, Canada, New Zealand, the USA, Turkey and Japan are included.

<sup>2</sup> Albania, Bosnia and Herzegovina, Macedonia, Croatia and Yugoslavia are included.

<sup>3</sup> Korea, Malaysia, Thailand, the Philippines and Indonesia are included.

**Note:** NSI final data for 1998, for 1999 – preliminary data as of 23 March 2000, processed by the BNB.

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## BALANCE OF PAYMENTS\*

	(million USD)																	
	1998 Total	I	II	III	I quarter	IV	V	VI	II quarter	VII	VIII	IX	III quarter	X	XI	XII	IV quarter	Total
<b>A. Current Account<sup>1</sup></b>	<b>-61.4</b>	<b>-161.2</b>	<b>-40.4</b>	<b>-52.8</b>	<b>-254.5</b>	<b>-85.7</b>	<b>-46.9</b>	<b>-24.8</b>	<b>-157.4</b>	<b>-53.4</b>	<b>66.9</b>	<b>-3.3</b>	<b>10.1</b>	<b>-11.5</b>	<b>-95.9</b>	<b>-150.0</b>	<b>-257.3</b>	<b>-659.1</b>
Goods: credit (FOB)	4193.5	254.3	281.6	336.1	872.0	297.4	294.4	321.2	913.0	347.2	352.2	366.0	1065.4	372.3	383.7	360.8	1116.8	3967.2
Goods: debit (FOB)	-4574.2	-330.0	-346.3	-416.2	-1092.5	-401.8	-392.9	-406.7	-1201.5	-443.2	-400.9	-451.9	-1296.0	-423.0	-481.5	-536.7	-1441.3	-5031.2
<i>Trade balance<sup>2</sup></i>	<i>-380.7</i>	<i>-75.8</i>	<i>-64.7</i>	<i>-80.1</i>	<i>-220.5</i>	<i>-104.4</i>	<i>-98.5</i>	<i>-85.5</i>	<i>-288.5</i>	<i>-96.1</i>	<i>-48.7</i>	<i>-85.8</i>	<i>-230.6</i>	<i>-50.7</i>	<i>-97.8</i>	<i>-175.9</i>	<i>-324.5</i>	<i>-1064.0</i>
Services: credit	1787.8	105.7	100.8	106.2	312.8	96.4	136.9	173.2	406.5	255.3	263.6	177.0	696.0	130.3	115.1	123.8	369.2	1784.5
Transportation <sup>3</sup>	452.1	32.2	31.7	36.7	100.5	29.3	37.3	45.9	112.4	62.9	67.0	51.7	181.6	43.1	40.1	41.6	124.9	519.4
Travel <sup>4</sup>	966.3	47.1	42.6	48.6	138.3	39.9	69.4	97.3	206.6	155.6	166.9	98.5	421.0	60.0	48.1	56.1	164.2	930.1
Other services	369.4	26.4	26.6	20.9	73.9	27.2	30.2	30.1	87.5	36.8	29.7	26.9	93.4	27.2	26.9	26.1	80.2	335.0
Services: debit	-1415.2	-101.6	-91.0	-110.3	-302.8	-111.2	-107.2	-133.7	-352.1	-141.4	-149.6	-140.9	-431.9	-120.8	-127.3	-131.6	-379.8	-1466.6
Transportation <sup>3</sup>	-529.6	-42.9	-40.9	-49.8	-133.6	-50.1	-49.7	-54.8	-154.7	-60.7	-60.2	-60.3	-181.2	-54.5	-57.1	-62.4	-174.0	-643.4
Travel <sup>4</sup>	-519.2	-36.3	-28.7	-35.4	-100.4	-38.6	-39.7	-49.0	-127.3	-55.3	-62.6	-52.8	-170.7	-45.2	-39.5	-41.2	-125.9	-524.3
Other services	-366.3	-22.4	-21.3	-25.0	-68.8	-22.4	-17.8	-29.9	-70.2	-25.4	-26.8	-27.8	-80.0	-21.1	-30.8	-28.1	-80.0	-298.9
<i>Services, net</i>	<i>372.6</i>	<i>4.1</i>	<i>9.9</i>	<i>-4.1</i>	<i>9.9</i>	<i>-14.8</i>	<i>29.7</i>	<i>39.5</i>	<i>54.4</i>	<i>113.9</i>	<i>114.0</i>	<i>36.2</i>	<i>264.1</i>	<i>9.5</i>	<i>-12.2</i>	<i>-7.8</i>	<i>-10.5</i>	<i>317.9</i>
<i>Goods and nonfactor services, net</i>	<i>-8.0</i>	<i>-71.6</i>	<i>-54.8</i>	<i>-84.1</i>	<i>-210.6</i>	<i>-119.2</i>	<i>-68.9</i>	<i>-46.0</i>	<i>-234.0</i>	<i>17.9</i>	<i>65.3</i>	<i>-49.7</i>	<i>33.5</i>	<i>-41.2</i>	<i>-110.0</i>	<i>-183.8</i>	<i>-335.0</i>	<i>-746.1</i>
Income: credit	306.7	39.4	20.3	14.1	73.8	20.2	18.4	18.7	57.4	36.3	17.1	17.4	70.8	18.3	13.9	32.7	64.9	266.8
Income: debit	-590.2	-144.2	-27.0	-25.9	-197.2	-4.7	-12.1	-24.7	-41.4	-128.5	-30.7	-31.7	-190.9	-7.9	-18.2	-23.9	-50.0	-479.5
<i>Income, net</i>	<i>-283.5</i>	<i>-104.9</i>	<i>-6.7</i>	<i>-11.8</i>	<i>-123.4</i>	<i>15.5</i>	<i>6.3</i>	<i>-5.9</i>	<i>15.9</i>	<i>-92.2</i>	<i>-13.6</i>	<i>-14.3</i>	<i>-120.1</i>	<i>10.3</i>	<i>-4.2</i>	<i>8.8</i>	<i>14.8</i>	<i>-212.7</i>
<i>Goods, nonfactor services and income, net</i>	<i>-291.5</i>	<i>-176.5</i>	<i>-61.5</i>	<i>-95.9</i>	<i>-334.0</i>	<i>-103.7</i>	<i>-62.6</i>	<i>-51.9</i>	<i>-218.1</i>	<i>-74.3</i>	<i>51.7</i>	<i>-64.0</i>	<i>-86.6</i>	<i>-30.9</i>	<i>-114.3</i>	<i>-175.0</i>	<i>-320.2</i>	<i>-958.8</i>
<i>Current transfers, net<sup>5</sup></i>	<i>230.1</i>	<i>15.3</i>	<i>21.1</i>	<i>43.1</i>	<i>79.5</i>	<i>18.0</i>	<i>15.7</i>	<i>27.1</i>	<i>60.7</i>	<i>20.9</i>	<i>15.2</i>	<i>60.6</i>	<i>96.7</i>	<i>19.4</i>	<i>18.4</i>	<i>25.1</i>	<i>62.9</i>	<i>299.7</i>
Current transfers, credit	261.6	17.2	22.3	45.1	84.5	19.6	18.9	29.0	67.5	22.8	18.7	65.3	106.7	20.8	20.5	28.6	70.0	328.7
Current transfers, debit	-31.5	-1.9	-1.2	-2.0	-5.1	-1.6	-3.3	-1.9	-6.7	-1.9	-3.5	-4.6	-10.1	-1.4	-2.1	-3.6	-7.1	-29.0
<b>B. Capital Account<sup>1, 6</sup></b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.7</b>	<b>-0.7</b>	<b>0.0</b>	<b>-1.7</b>	<b>0.0</b>	<b>-1.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.4</b>
Capital transfers, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.7	-0.7	0.0	-1.7	0.0	-1.7	0.0	0.0	0.0	0.0	-2.4
<i>Groups A and B, total</i>	<i>-61.4</i>	<i>-161.2</i>	<i>-40.4</i>	<i>-52.8</i>	<i>-254.5</i>	<i>-85.7</i>	<i>-46.9</i>	<i>-25.5</i>	<i>-158.1</i>	<i>-53.4</i>	<i>65.2</i>	<i>-3.3</i>	<i>8.4</i>	<i>-11.5</i>	<i>-95.9</i>	<i>-150.0</i>	<i>-257.3</i>	<i>-661.5</i>
<b>C. Financial Account<sup>1, 6</sup></b>	<b>266.8</b>	<b>47.9</b>	<b>-37.9</b>	<b>24.7</b>	<b>34.7</b>	<b>130.1</b>	<b>45.2</b>	<b>99.3</b>	<b>274.6</b>	<b>-113.9</b>	<b>133.3</b>	<b>-75.8</b>	<b>-56.4</b>	<b>134.2</b>	<b>113.5</b>	<b>148.9</b>	<b>396.6</b>	<b>649.5</b>
Direct investment abroad	-0.1	-2.0	-0.1	0.0	-2.1	0.0	-0.1	0.7	0.6	-0.1	-0.1	-0.9	-1.1	-0.9	-0.8	-0.5	-2.3	-4.9
Direct investment in Bulgaria <sup>7</sup>	537.3	29.8	38.8	62.9	131.5	60.9	21.1	67.0	149.1	17.0	94.1	67.5	178.6	82.5	171.6	57.2	311.3	770.4
Portfolio investment – assets	-129.4	-2.5	-20.3	-32.6	-55.5	-2.5	-30.8	-62.1	-95.4	-24.3	-11.9	-5.0	-41.3	-22.9	3.6	3.7	-15.6	-207.7
Shares	-10.6	0.3	0.3	-0.2	0.4	0.1	-0.3	0.0	-0.2	-0.3	0.1	-0.1	-0.3	0.1	0.3	-0.4	0.1	0.0
Bonds	-118.8	-2.8	-20.6	-32.5	-55.8	-2.6	-30.5	-62.2	-95.2	-24.0	-12.0	-4.9	-41.0	-23.1	3.4	4.1	-15.6	-207.7

(continued)

(continued)

(million USD)

	1999												Total					
	1998 Total	I	II	III	I quarter	IV	V	VI	II quarter	VII	VIII	IX		III quarter	X	XI	XII	IV quarter
Portfolio investment – liabilities	-112.0	-7.1	4.1	-18.6	-21.5	0.1	1.5	22.5	24.1	5.3	-5.9	-0.3	-0.9	5.6	-12.7	13.5	6.4	8.0
Shares	19.3	0.1	-2.8	1.7	-1.0	0.6	-1.7	0.1	-1.0	2.3	0.0	1.1	3.4	0.0	-0.4	1.0	0.5	1.9
Bonds	-131.3	-7.2	6.9	-20.2	-20.5	-0.5	3.2	22.4	25.1	3.0	-6.0	-1.4	-4.3	5.6	-12.2	12.5	5.9	6.2
Other investment – assets	222.3	41.1	-102.2	31.1	-30.0	77.9	9.4	41.5	128.8	-115.6	56.2	-80.1	-139.5	32.2	-69.4	81.3	44.1	3.3
Trade credits, net	0.0	0.0	0.0	0.0	0.0	-0.2	-0.2	-0.2	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6
Loans	17.0	0.0	1.5	0.4	1.9	0.3	3.3	0.3	3.9	1.2	1.7	2.3	5.2	0.0	0.0	0.2	0.2	11.2
CB	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	10.8	0.0	1.5	0.4	1.9	0.3	3.3	0.3	3.9	1.2	1.7	2.3	5.2	0.0	0.0	0.2	0.2	11.2
Currency and deposits	42.6	50.4	-100.1	31.6	-18.1	96.5	7.3	4.0	107.7	-129.2	24.2	-108.0	-213.1	35.5	-93.8	125.3	67.0	-56.4
CB	69.4	75.6	-86.4	38.6	27.8	96.6	7.8	11.7	116.1	-126.0	36.0	-106.6	-196.6	39.4	-94.7	127.6	72.3	19.6
Other sectors <sup>8</sup>	-26.9	-25.2	-13.7	-7.0	-45.9	-0.2	-0.4	-7.8	-8.4	-3.3	-11.8	-1.4	-16.5	-4.0	1.0	-2.3	-5.3	-76.0
Other currency and deposits <sup>9</sup>	155.2	8.1	-4.4	-8.1	-4.4	-19.4	-1.1	29.7	9.2	25.9	30.0	24.9	80.8	-5.1	22.1	-39.0	-22.0	63.6
Other assets	7.5	-17.3	0.7	7.2	-9.5	0.8	0.0	7.7	8.5	-13.5	0.3	0.7	-12.5	1.8	2.3	-5.2	-1.1	-14.5
Other investment – liabilities	-251.2	-11.4	41.8	-18.0	12.4	-6.4	44.1	29.7	67.5	3.7	1.0	-56.9	-52.2	37.7	21.2	-6.3	52.6	80.3
Trade credits, net	9.3	7.7	10.4	10.4	28.5	17.3	16.3	17.2	50.9	0.4	0.0	0.2	0.6	0.9	-1.4	0.1	-0.3	79.7
Loans	-178.4	15.8	17.7	-44.0	-10.4	-11.1	5.3	35.9	30.1	1.1	-3.7	-65.7	-68.3	6.7	8.2	7.4	22.3	-26.4
General government	-205.8	-3.8	-9.3	-52.0	-65.1	-4.0	5.5	5.8	7.3	-10.8	-9.1	-64.2	-84.1	0.4	23.8	3.6	27.7	-114.2
CB	13.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1
Other sectors	14.3	19.7	27.0	8.0	54.7	-7.1	-0.3	30.1	22.7	11.8	5.4	-1.5	15.7	6.3	-15.5	3.8	-5.3	87.8
Nonresidents' deposits	-79.5	-7.8	8.3	22.0	22.5	-14.3	23.8	-28.9	-19.4	3.9	3.1	4.2	11.2	30.5	8.6	-8.8	30.4	44.6
Other liabilities	-2.6	-27.1	5.3	-6.5	-28.3	1.8	-1.2	5.4	6.0	-1.7	1.6	4.4	4.4	-0.4	5.8	-5.1	0.3	-17.6
<i>Groups A, B and C, total</i>	205.4	-113.3	-78.4	-28.1	-219.8	44.4	-1.7	73.8	116.5	-167.4	198.5	-79.1	-48.0	122.7	17.6	-1.1	139.3	-12.0
<b>D. Errors and omissions</b>	<b>-300.0</b>	<b>-26.1</b>	<b>17.5</b>	<b>27.8</b>	<b>19.1</b>	<b>0.4</b>	<b>1.7</b>	<b>-115.0</b>	<b>-112.8</b>	<b>-13.3</b>	<b>-18.7</b>	<b>55.7</b>	<b>23.7</b>	<b>-23.7</b>	<b>90.3</b>	<b>101.6</b>	<b>168.3</b>	<b>98.4</b>
<b>OVERALL BALANCE</b>	<b>-94.7</b>	<b>-139.4</b>	<b>-60.9</b>	<b>-0.3</b>	<b>-200.6</b>	<b>44.8</b>	<b>0.0</b>	<b>-41.1</b>	<b>3.7</b>	<b>-180.6</b>	<b>179.8</b>	<b>-23.5</b>	<b>-24.3</b>	<b>99.0</b>	<b>108.0</b>	<b>100.5</b>	<b>307.6</b>	<b>86.4</b>
<b>E. Reserves and other financing</b>	<b>94.7</b>	<b>139.4</b>	<b>60.9</b>	<b>0.3</b>	<b>200.6</b>	<b>-44.8</b>	<b>0.0</b>	<b>41.1</b>	<b>-3.7</b>	<b>180.6</b>	<b>-179.8</b>	<b>23.5</b>	<b>24.3</b>	<b>-99.0</b>	<b>-108.0</b>	<b>-100.5</b>	<b>-307.6</b>	<b>-86.4</b>
BNB forex reserves <sup>10</sup>	-460.9	152.1	-13.3	-34.4	104.4	-24.3	0.0	-13.2	-37.6	189.4	-176.3	-109.2	-96.1	-71.9	-108.0	-308.4	-488.2	-517.4
Use of Fund credits, net	129.2	-13.0	67.9	-15.8	39.1	-20.5	0.0	54.3	33.8	-8.8	-3.5	56.4	44.1	-27.2	0.0	71.7	44.5	161.5
Exceptional financing, net <sup>11</sup>	426.4	0.4	6.2	50.6	57.1	0.0	0.0	0.0	0.0	0.0	0.0	76.2	76.2	0.0	0.0	136.1	136.1	269.5

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

<sup>1</sup> Preliminary data for 1999.<sup>2</sup> Data based on customs declarations provided by the Computing Center Directorate within Information Service AD and the NSI, and adjusted by the BNB for date of customs clearance.<sup>3</sup> BNB estimates.<sup>4</sup> Data of the Ministry of Internal Affairs and estimates of the Ministry of Economy and the BNB.<sup>5</sup> Including data provided by the Agency for Foreign Aid and the Bulgarian Red Cross.<sup>6</sup> A minus sign denotes flight of capital (increase in assets or decrease in liabilities).<sup>7</sup> Data provided by the companies with foreign interest, Privatization Agency, specialized ministries, NSI, Central Depository and CB.<sup>8</sup> BIS data is used for 1998 and the January – September period of 1999. For the 1999 October – December period BNB data is used.<sup>9</sup> Including changes in forex deposits of individuals and private companies, net of valuation adjustments. A minus sign denotes a decrease of deposits and a positive sign an increase.<sup>10</sup> Excluding changes in BNB forex reserves due to valuation adjustments. A minus sign denotes an increase of forex reserves and a positive sign a decrease.<sup>11</sup> Including loans extended for balance of payments support (incl. EU, the World Bank, etc.).

Changes in BNB forex reserves due to

valuation adjustments:

Source: BNB.

-582.0	201.0	53.3	21.7	276.0	6.6	29.7	17.8	54.1	126.1	-131.6	-150.0	-155.5	-22.3	-21.9	-295.9	-340.1	-165.5
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## GROSS FOREIGN DEBT BY CREDITOR

(million USD)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>1</sup>
<b>GROSS FOREIGN DEBT (A + B)<sup>2</sup></b>	<b>12247.1</b>	<b>13805.7</b>	<b>13836.4</b>	<b>11338.4</b>	<b>10148.0</b>	<b>9601.6</b>	<b>9760.2</b>	<b>10259.5</b>	<b>9989.3</b>
<b>A. Long-term debt</b>	2676.0	3167.0	3256.6	9267.9	8841.3	8570.1	8560.4	9277.7	9468.8
Government and government guaranteed	2274.0	2658.0	2740.0	8755.0	8499.7	8334.9	8494.2	9136.4	9173.0
Nonguaranteed	402.0	509.0	516.6	512.9	341.6	235.2	66.1	141.3	295.8
<b>I. Official creditors</b>	<b>1872.0</b>	<b>2256.0</b>	<b>2338.0</b>	<b>3216.0</b>	<b>3084.6</b>	<b>3188.4</b>	<b>3271.6</b>	<b>4043.9</b>	<b>4044.8</b>
<b>I. International financial institutions</b>	<b>744.0</b>	<b>1099.0</b>	<b>1157.0</b>	<b>1825.0</b>	<b>1657.1</b>	<b>1983.8</b>	<b>2241.5</b>	<b>2774.4</b>	<b>2891.3</b>
IMF	401.0	590.0	632.0	941.0	716.7	584.6	936.3	1114.5	1248.6
World Bank	142.0	152.0	155.0	396.0	410.6	455.8	540.4	711.6	896.6
European Union	201.0	357.0	357.0	444.0	460.6	495.5	286.4	421.8	401.8
Other international financial institutions	0.0	0.0	13.0	44.0	69.2	448.0	478.5	526.4	344.3
<b>2. Bilateral credits</b>	<b>1128.0</b>	<b>1157.0</b>	<b>1181.0</b>	<b>1391.0</b>	<b>1427.5</b>	<b>1204.5</b>	<b>1030.1</b>	<b>1269.6</b>	<b>1153.5</b>
Paris Club and nonrescheduled debt	1128.0	1095.0	1100.0	1240.0	1237.6	1034.5	877.9	1044.6	814.8
Other bilateral credits	0.0	62.0	81.0	151.0	189.9	170.0	152.2	225.0	338.7
<b>II. Private creditors</b>	<b>804.0</b>	<b>911.0</b>	<b>918.6</b>	<b>6051.9</b>	<b>5756.7</b>	<b>5381.7</b>	<b>5288.7</b>	<b>5233.8</b>	<b>5424.0</b>
1. Brady bonds	0.0	0.0	0.0	5137.0	5005.4	4984.0	4924.4	4946.2	4960.5
2. Bonds (Bulbank)	402.0	402.0	402.0	402.0	409.7	147.2	80.8	34.7	27.1
3. Government securities <sup>3</sup>	0.0	0.0	0.0	0.0	0.0	15.4	194.4	78.3	94.6
4. CB	402.0	509.0	511.0	479.0	273.3	155.9	4.4	16.8	38.5
5. Other private creditors	-	-	5.6	33.9	68.3	79.3	84.8	157.7	303.3
<b>B. Short-term debt<sup>4</sup></b>	<b>9571.1</b>	<b>10638.7</b>	<b>10579.8</b>	<b>2070.5</b>	<b>1306.7</b>	<b>1031.5</b>	<b>1199.8</b>	<b>981.8</b>	<b>520.5</b>
Government and government guaranteed	8147.0	9289.9	9550.8	1660.5	915.9	735.8	767.7	500.0	0.0
Nonguaranteed	1424.1	1348.7	1029.1	409.9	390.8	295.7	432.1	481.8	520.5
<b>I. Official creditors</b>	<b>1276.0</b>	<b>1260.9</b>	<b>1235.8</b>	<b>1660.5</b>	<b>915.9</b>	<b>735.8</b>	<b>767.7</b>	<b>500.0</b>	<b>0.0</b>
<b>II. Private creditors</b>	<b>8295.1</b>	<b>9377.7</b>	<b>9344.1</b>	<b>409.9</b>	<b>390.8</b>	<b>295.7</b>	<b>432.1</b>	<b>481.8</b>	<b>520.5</b>
1. CB	6871.0	8029.0	8315.0	26.0	201.1	184.6	265.5	281.4	169.6
2. Other private creditors <sup>5</sup>	1424.1	1348.7	1029.1	384.0	189.7	111.1	166.6	200.4	350.9

<sup>1</sup> Preliminary data.

<sup>2</sup> In convertible currencies.

<sup>3</sup> Government securities denominated in foreign currency and bought by nonresidents.

<sup>4</sup> Including overdue principals and interest.

<sup>5</sup> Including nonresidents' deposits at local CB and credits extended to residents and resident legal persons by nonresident private creditors.

Source: BNB, MF, CB and local companies reporting directly to the BNB.

## FOREIGN DEBT SERVICE

(million USD)

	1996	1997	1998	1999 <sup>1</sup>
<b>GROSS FOREIGN DEBT (A + B)<sup>2</sup></b>	<b>1078.9</b>	<b>897.1</b>	<b>1195.1</b>	<b>977.2</b>
<b>A. Long-term debt</b>	<b>1022.0</b>	<b>806.6</b>	<b>1029.2</b>	<b>897.9</b>
<b>I. Official creditors</b>	<b>501.8</b>	<b>462.6</b>	<b>678.0</b>	<b>545.3</b>
1. International financial institutions	326.7	358.1	495.2	291.7
IMF	254.0	118.7	227.6	168.1
World Bank	41.0	44.0	54.7	60.0
Other international financial institutions <sup>3</sup>	31.7	195.4	212.9	63.6
2. Bilateral credits	175.2	104.5	182.9	253.6
Paris Club and nonrescheduled debt	157.0	89.6	158.0	216.6
Other bilateral credits	18.2	14.9	24.8	37.0
<b>II. Private creditors</b>	<b>520.2</b>	<b>344.0</b>	<b>351.1</b>	<b>352.6</b>
Brady bonds	262.0	266.5	267.0	259.0
Other bonds	222.8	58.7	66.9	37.1
CB	27.5	2.5	0.1	0.7
Other private creditors	7.9	16.3	17.1	55.8
<b>B. Short-term debt<sup>4</sup></b>	<b>56.8</b>	<b>90.6</b>	<b>165.9</b>	<b>79.2</b>

<sup>1</sup> Preliminary data.

<sup>2</sup> Actual payments in convertible currencies.

<sup>3</sup> Payments on the debt to EU, EIB and EBRD.

<sup>4</sup> Including payments on CB' short-term debt, former Comecon creditors and other private creditors.

Source: MF, BNB, CB, local companies reporting directly to the BNB.

**GROSS FOREIGN DEBT PAYMENTS**

(million USD)

	I quarter	II quarter	III quarter	IV quarter	1999 total
Principal	159.0	61.5	184.8	91.4	496.7
Interest	222.7	36.1	181.8	39.9	480.4
Total	381.7	97.6	366.6	131.3	977.2

Source: BNB.

**DEBT INDICATORS**

(%)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Gross foreign debt/GDP <sup>1</sup>	161.1	160.5	130.5	118.1	78.1	102.9	96.0	83.7	81.3
Gross foreign debt/exports <sup>2</sup>	296.0	274.7	282.5	218.4	149.8	153.5	155.5	171.5	173.7
Gross foreign debt service/GDP <sup>1</sup>	3.2	5.1	4.0	15.1	7.5	11.6	8.8	9.7	8.0
Gross foreign debt service/exports <sup>2</sup>	5.8	8.8	8.7	27.9	14.5	17.2	14.3	20.0	17.0
Short-term debt/GDP <sup>1</sup>	125.9	123.7	99.8	21.6	10.1	11.1	11.8	8.0	4.2
(Deposits+government securities) <sup>3</sup> /BNB forex reserves	0.0	149.5	156.9	37.8	13.6	20.3	11.3	5.5	6.7
Short-term foreign debt/gross foreign debt	78.1	77.1	76.5	18.3	12.9	10.7	12.3	9.6	5.2

<sup>1</sup> GDP projections for 1999 used in the table: USD 12,287 million.<sup>2</sup> Exports of goods and nonfactor services.<sup>3</sup> Including nonresidents' foreign currency deposits and foreign currency-denominated government bonds held by nonresidents.

Source: BNB.

**CONSOLIDATED STATE BUDGET FOR 1999\***

(BGN '000)

	Consolidated fiscal program with fiscal reserves	Republican budget						Social Security	Legal institutions	Municipalities	Higher schools	Bulgarian Academy of Sciences	Extra-budgetary accounts	
		Total	Central republican budget	Ministries and agencies	Regional municipalities	National Audit Chamber								
<b>I. REVENUE AND GRANTS</b>	<b>9 678 373.2</b>	<b>5 199 291.1</b>	<b>4 543 542.1</b>	<b>655 034.3</b>	<b>714.1</b>	<b>0.6</b>	<b>2 422 529.6</b>	<b>28 890.8</b>	<b>1 087 820.5</b>	<b>108 735.1</b>	<b>8 180.4</b>	<b>822 925.7</b>		
Total revenue	9 475 474.2	5 191 707.2	4 537 313.8	653 678.7	714.1	0.6	2 422 529.6	28 890.8	1 087 535.7	107 983.1	8 165.0	628 662.7		
Current revenues	9 475 474.2	5 191 707.2	4 537 313.8	653 678.7	714.1	0.6	2 422 529.6	28 890.8	1 087 535.7	107 983.1	8 165.0	628 662.7		
Tax revenue	7 480 549.1	4 021 761.6	4 010 128.2	11 633.4	0.0	0.0	2 359 656.9	0.0	848 029.8	0.0	0.0	251 100.8		
Corporate tax	467 505.5	455 047.2	452 763.9	2 283.3	0.0	0.0	0.0	0.0	12 458.3	0.0	0.0	0.0		
Municipal tax	238 230.9	501.4	0.0	501.4	0.0	0.0	0.0	0.0	237 729.5	0.0	0.0	0.0		
Dividend and income tax	25 796.5	24 543.5	24 418.2	125.3	0.0	0.0	0.0	0.0	1 253.0	0.0	0.0	0.0		
Individual income tax	1 055 813.3	548 463.4	547 780.3	683.1	0.0	0.0	0.0	0.0	507 349.9	0.0	0.0	0.0		
Insurance and reinsurance tax	16 248.1	15 707.4	15 707.4	0.0	0.0	0.0	0.0	0.0	54.5	0.0	0.0	486.2		
Value added tax	1 926 867.8	1 926 867.8	1 920 111.5	6 756.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Excises	691 188.1	667 862.4	666 787.0	1 075.4	0.0	0.0	0.0	0.0	22.8	0.0	0.0	23 302.9		
Customs duties and fees	258 554.7	258 378.9	258 377.6	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	175.8		
Social security revenues	2 372 060.5	3 997.0	3 997.0	1.0	0.0	0.0	2 359 656.9	0.0	0.0	0.0	0.0	8 405.7		
Other taxes	428 283.7	120 391.7	120 185.3	206.4	0.0	0.0	0.0	0.0	89 161.9	0.0	0.0	218 730.2		
Non-tax revenues	1 994 925.1	1 169 945.6	527 185.6	642 045.3	714.1	0.6	62 872.7	28 890.8	239 505.9	107 983.1	8 165.0	377 561.9		
Current revenues and property income	771 354.9	459 639.6	141 906.4	317 583.4	149.8	0.1	419.4	505.8	58 942.2	104 410.7	7 917.7	139 519.6		
State, municipal and court charges	506 350.4	211 161.4	22 072.3	189 089.2	0.0	0.0	82.4	28 349.0	114 522.7	1.7	0.0	152 233.2		
Fines and administrative penalties	456 215.9	362 313.6	351 089.9	11 223.3	0.4	0.0	59 494.0	0.0	32 198.1	22.4	15.0	2 172.7		
Revenue from foreign pension institutes	1 709.0	0.0	0.0	0.0	0.0	0.0	1 709.0	0.0	0.0	0.0	0.0	0.0		
Other nontax revenues	99 706.9	13 808.0	6 327.1	7 458.2	22.2	0.5	1 166.2	29.1	12 638.4	2 116.0	10.2	69 939.1		
Other revenues (net)	13 409.5	12 228.1	0.0	12 256.0	-27.9	0.0	0.0	0.0	344.5	1 266.7	187.3	-617.0		
Revenues from sale of government and municipal property	139 198.5	105 842.6	925.1	104 347.9	569.6	0.0	1.8	6.9	20 015.6	165.6	35.0	13 131.1		
Concession revenues	6 979.9	4 952.2	4 864.9	87.3	0.0	0.0	0.0	0.0	844.3	0.0	0.0	1 183.3		
Grants	202 899.1	7 583.9	6 228.3	1 355.6	0.0	0.0	0.0	0.0	284.7	752.0	15.4	194 263.0		
<b>TOTAL EXPENDITURE (EXPENDITURES+TRANSFERS)</b>	<b>9 901 039.0</b>	<b>4 736 798.4</b>	<b>4 131 968.4</b>	<b>604 115.3</b>	<b>714.1</b>	<b>0.6</b>	<b>2 326 387.3</b>	<b>29 129.7</b>	<b>1 126 621.5</b>	<b>113 417.6</b>	<b>8 121.5</b>	<b>1 560 563.1</b>		
<b>II. EXPENDITURE</b>	<b>9 911 157.9</b>	<b>4 130 399.3</b>	<b>1 674 725.7</b>	<b>2 449 835.0</b>	<b>843.2</b>	<b>4 995.5</b>	<b>2 667 398.7</b>	<b>80 848.7</b>	<b>1 864 299.5</b>	<b>277 261.6</b>	<b>43 022.3</b>	<b>847 927.7</b>		
Current expenditures	8 489 654.3	3 465 351.9	1 404 005.1	2 056 357.6	817.2	4 171.9	2 569 451.7	75 665.8	1 690 971.5	254 388.2	41 369.9	392 455.3		
Salaries and benefits	1 182 300.1	383 048.3	7 280.8	373 282.2	172.2	2 313.0	21 855.8	39 128.0	572 753.5	96 594.8	19 410.0	49 509.7		
Other remuneration	96 836.1	33 475.0	572.1	32 726.4	145.5	31.0	1 531.0	4 794.0	30 204.5	16 296.2	1 860.4	8 675.0		
Social security payments	572 332.5	146 110.6	2 991.6	142 072.2	76.2	970.7	89 371.2	16 487.3	249 772.9	40 765.8	8 330.0	21 494.7		
Scholarships	26 134.5	7 363.6	0.0	7 363.6	0.0	0.0	0.0	0.0	7 526.3	10 719.2	448.9	76.5		
Administrative costs	1 672 621.6	604 153.5	58 368.3	544 517.5	410.5	857.2	32 337.7	15 236.8	665 200.8	88 788.8	11 142.7	255 761.3		
Defence and security	997 815.4	1 006 217.1	74 031.9	932 172.2	12.9	0.0	0.0	0.0	11 218.1	0.0	0.0	-19 619.8		
Subsidies to nonfinancial enterprises	364 292.5	326 228.2	326 228.2	0.0	0.0	0.0	0.0	0.0	9 595.9	0.0	0.0	28 468.4		
Subsidies to nonprofit organizations	26 949.1	11 876.7	1 760.1	10 116.7	0.0	0.0	0.0	0.0	14 741.2	0.0	0.0	331.1		
Membership fees	20 578.4	13 414.1	0.0	13 414.1	0.0	0.0	61.9	0.0	140.0	22.6	178.0	6 761.7		
Interest, total	898 086.8	889 804.1	889 802.3	1.8	0.0	0.0	471.3	0.0	571.3	0.0	0.0	7 240.1		

(continued)



(continued)

(BGN '000)

	Consolidated fiscal program with fiscal reserves	Republican budget					Social Security	Legal institutions	Municipalities	Higher schools	Bulgarian Academy of Sciences	Extra-budgetary accounts
		Total	Central republican budget	Ministries and agencies	Regional municipalities	National Audit Chamber						
Interest on external loans	690 165.1	682 453.7	682 451.9	1.8	0.0	0.0	471.3	0.0	0.0	0.0	7 240.1	
London Club	454 283.1	454 283.1	454 283.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
bond loans	9 410.1	9 410.1	9 410.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
World Bank	58 468.4	57 698.5	57 698.5	0.0	0.0	0.0	471.3	0.0	0.0	0.0	298.6	
G-24	6 887.6	6 887.6	6 887.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
European Community	22 509.1	22 509.1	22 509.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Paris Club	92 984.7	92 984.7	92 984.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
International financial institutions	4 962.4	1.8	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	4 960.5	
Other	40 659.7	38 678.8	38 678.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1 980.9	
Interest on internal loans	207 921.7	207 350.4	207 350.4	0.0	0.0	0.0	0.0	571.3	0.0	0.0	0.0	
including:												
bonds	23 189.4	23 189.4	23 189.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
treasury bills	30 569.5	30 569.5	30 569.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
debt to the BNB	72 169.3	72 169.3	72 169.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
securitized debt (BNB)	1.2	1.2	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
other banks	5 200.8	4 629.5	4 629.5	0.0	0.0	0.0	0.0	571.3	0.0	0.0	0.0	
corporate debt under CMD No. 244/1991	204.9	204.9	204.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
corporate debt under CMD No. 234/1992	80.2	80.2	80.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
corporate debt under CMD No. 3/1994	29.4	29.4	29.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
ZUNK bonds	54 306.9	54 306.9	54 306.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
bond loan (CMD No. 89/1995, amended CMD No. 106/1995)	440.8	440.8	440.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
on lev guaranty government securities	3 497.9	3 497.9	3 497.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
on forex guaranty government securities	18 231.4	18 231.4	18 231.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Social security	2 631 707.3	43 660.8	42 969.9	690.9	0.0	0.0	2 423 822.8	19.5	129 246.9	1 200.7	33 756.6	
Capital expenditures	1 075 552.2	394 243.9	63 979.8	329 414.5	25.9	823.6	98 381.0	5 182.9	172 910.0	22 350.1	380 831.9	
State reserve and farm produce												
procurement growth	58 413.3	53 980.1	0.0	53 980.1	0.0	0.0	0.0	0.0	0.0	0.0	4 433.2	
Financing (net)	263 645.9	193 144.6	183 061.8	10 082.7	0.0	0.0	-434.0	0.0	204.6	523.3	70 207.4	
Contingency reserves	23 892.3	23 678.9	23 678.9	0.0	0.0	0.0	0.0	0.0	213.4	0.0	0.0	
<b>III. TRANSFERS (SUBSIDIES, CONTRIBUTIONS) FROM/TO REPUBLICAN BUDGET, BUDGET ACCOUNTS AND EXTRABUDGETARY FUNDS/ACCOUNTS (NET)</b>	<b>3 692.7</b>	<b>500 098.3</b>	<b>518 984.2</b>	<b>-17 809.3</b>	<b>-1 076.6</b>	<b>0.0</b>	<b>10 875.1</b>	<b>-416.5</b>	<b>4 427.1</b>	<b>164 096.3</b>	<b>-710 290.2</b>	
<b>IV. TEMPORARY NONINTEREST-BEARING LOANS BETWEEN CENTRAL REPUBLICAN BUDGET, BUDGETARY AND EXTRABUDGETARY FUNDS AND ACCOUNTS (NET)</b>	<b>6 426.2</b>	<b>-15 923.7</b>	<b>-15 854.9</b>	<b>-68.9</b>	<b>0.0</b>	<b>0.0</b>	<b>200.0</b>	<b>10.5</b>	<b>24 484.5</b>	<b>0.0</b>	<b>-2 345.1</b>	

(continued)

	(BGN '000)											
	Consolidated fiscal program with fiscal reserves	Republican budget				Social Security	Legal institutions	Municipalities	Higher schools	Bulgarian Academy of Sciences	Extra-budgetary accounts	
		Total	Central republican budget	Ministries and agencies	Regional municipalities							National Audit Chamber
<b>V. SUBSIDIES (TRANSFERS) FROM CENTRAL REPUBLICAN BUDGET TO OTHER BUDGETS</b>	<b>0.0</b>	<b>-1 090 573.5</b>	<b>-2 960 372.0</b>	<b>1 863 598.0</b>	<b>1 205.6</b>	<b>4 994.8</b>	<b>329 936.4</b>	<b>52 125.0</b>	<b>708 766.4</b>	<b>-252.3</b>	<b>-1.9</b>	<b>0.0</b>
<b>VI. DEFICIT (-)/SURPLUS (+)</b>	<b>-222 665.8</b>	<b>462 492.7</b>	<b>411 573.7</b>	<b>50 919.0</b>	<b>0.0</b>	<b>0.0</b>	<b>96 142.4</b>	<b>-238.9</b>	<b>-38 801.0</b>	<b>-4 682.5</b>	<b>58.9</b>	<b>-737 637.3</b>
<b>VII. FINANCING</b>	<b>222 665.8</b>	<b>-462 492.7</b>	<b>-411 573.7</b>	<b>-50 919.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-96 142.4</b>	<b>238.9</b>	<b>38 801.0</b>	<b>4 682.5</b>	<b>-58.9</b>	<b>737 637.3</b>
Foreign financing, net	283 045.3	65 941.0	65 941.0	0.0	0.0	0.0	14 537.6	0.0	96 007.9	0.0	0.0	106 558.9
Loans and bonds issued in international capital markets	735 591.4	506 621.1	506 621.1	0.0	0.0	0.0	14 537.6	0.0	96 007.9	0.0	0.0	118 424.8
Repayments on credits extended to other countries	9 627.8	9 627.8	9 627.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments on external loans, including:	-462 170.8	-450 305.0	-450 305.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-11 865.9
Paris Club	-302 808.9	-302 808.9	-302 808.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	-77 735.0	-77 735.0	-77 735.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Refunded amounts by Bulbank – lev equivalent on bond loans	24.5	24.5	24.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt against environment	-6 531.8	-6 531.8	-6 531.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments on government guaranteed credits	-8 261.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-8 261.8
World Bank	-26 133.6	-26 133.6	-26 133.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
G-24	-32 682.6	-32 682.6	-32 682.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
other repayments	-8 041.6	-4 437.6	-4 437.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3 604.0
Repayments on deficits	-3.0	-3.0	-3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing, net	-60 379.5	-528 433.7	-477 514.7	-50 919.0	0.0	0.0	-110 679.9	238.9	-57 206.8	4 682.5	-58.9	631 078.4
Bank, net	-583 326.9	-1 018 775.3	-967 859.3	-50 916.0	0.0	0.0	-110 650.3	238.9	-57 206.8	4 682.5	-58.9	598 442.9
BNB, net	307 316.6	307 316.6	307 316.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
credits under Art. 45 of LBNB	307 316.6	307 316.6	307 316.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
new credits under agreement with the IMF	533 527.0	533 527.0	533 527.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
repayments on credits under Art. 45 of LBNB (-)	-226 210.4	-226 210.4	-226 210.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other banks and financial institutions, net	-14 730.1	-4 021.3	-3 885.9	-135.4	0.0	0.0	0.0	0.0	-10 708.8	0.0	0.0	0.0
Operations in government securities (net):	-312 311.6	-244 587.3	-244 655.3	68.0	0.0	0.0	0.0	0.0	-58 470.6	-120.0	0.0	-9 133.7
Deposits and cash on accounts (net)	-564 872.4	-1 077 693.2	-1 026 782.7	-50 910.5	0.0	0.0	-110 685.6	238.9	10 768.7	4 802.5	-58.9	607 755.2
External funds (temporary deposits, guarantees, etc.)	175.3	148.0	148.0	0.0	0.0	0.0	0.0	0.1	143.7	0.0	0.0	-116.5
Revenue from privatization	522 947.4	490 341.6	490 344.6	-3.0	0.0	0.0	-29.7	0.0	0.0	0.0	0.0	32 635.5

\* Preliminary data.

Source: MF.

**DOMESTIC DEBT OF THE GOVERNMENT BUDGET BY DEBT INSTRUMENT**

(BGN '000)

Structure	Amount as of 31 December 1998	Change in 1999		Amount as of 31 December 1999
		increase	decrease	
	1	2	3	4
<b>GOVERNMENT DEBT</b>				
<b>I. DEBT ON GOVERNMENT SECURITIES ISSUED FOR BUDGET DEFICIT FINANCING</b>				
1. Government securities issued in 1994	1 017.1		1 017.1	0.0
5-year	1 017.1		1 017.1	0.0
2. Government securities issued in 1995	6 311.6			6 311.6
5-year	6 286.6			6 286.6
9-year*	25.0			25.0
3. Government securities issued in 1996	6 491.5		5 645.8	845.8
3-year	5 645.8		5 645.8	0.0
5-year	845.8			845.8
4. Government securities issued in 1997	114 221.9		30 010.6	84 211.3
2-year	30 010.6		30 010.6	0.0
3-year	64 211.3			64 211.3
5-year	20 000.0			20 000.0
5. Government securities issued in 1998	621 851.9		542 651.6	79 200.3
5.1. Short-term	541 404.1		541 404.1	0.0
incl. 3-month	63 735.0		63 735.0	0.0
6-month	168 669.2		168 669.2	0.0
12-month	308 999.8		308 999.8	0.0
5.2. Medium-term	80 447.9		1 247.5	79 200.3
incl. 2-year	72 979.3		1 247.5	71 731.8
3-year	3 377.6			3 377.6
5-year	4 090.9			4 090.9
6. Government securities issued in 1999		841 788.5	207 592.1	634 196.4
6.1. Short-term		548 669.2	206 900.3	341 768.9
incl. 3-month		252 643.8	188 569.3	64 074.5
6-month		28 550.4	18 308.1	10 242.3
12-month		267 475.0	23.0	267 452.0
6.2. Medium-term		293 119.3	691.7	292 427.5
incl. 2-year		290 459.6	691.7	289 767.8
5-year		2 659.7		2 659.7
<b>TOTAL (I)</b>	<b>749 893.9</b>	<b>841 788.5</b>	<b>786 917.1</b>	<b>804 765.4</b>
<b>II. DIRECT DEBT TO THE BNB**</b>				
Debt denominated in SDR as per § 10 of the Transitional and Final Provisions of the Law on the BNB of 1997	315 764.8		90 721.1	225 043.7
SDR-denominated credits under Article 45 of LBNB/1997	391 200.0	209 200.0		600 400.0
Lev equivalent of SDR, total	1 665 948.7	532 626.0	226 210.4	0.0
<b>TOTAL (II)</b>	<b>1 665 948.7</b>	<b>532 626.0</b>	<b>226 210.4</b>	<b>0.0</b>
<b>III. DEBT ON OTHER GOVERNMENT SECURITIES ISSUED FOR STRUCTURAL REFORM</b>				
A1. Long-term government bonds issued pursuant to CM Decree No. 244 of 1991	3 577.3		275.2	3 302.1
A2. Long-term government bonds issued pursuant to CM Decree No. 234 of 1992	2 429.8		127.9	2 301.9
A3. Long-term government bonds issued pursuant to Articles 4 and 5 of ZUNK of 1993				
in BGN	8 786.0		439.3	8 346.7
denominated in USD	669 388.0		209 036.3	460 351.7
(lev equivalent)	1 121 291.8		225 047.0	896 244.9
A4. Long-term government bonds issued pursuant to CM Decree No. 3 of 1994	931.3		46.6	884.8
<b>TOTAL (A)</b>	<b>1 137 016.2</b>	<b>0.0</b>	<b>225 935.9</b>	<b>911 080.3</b>
B1. Government bonds issued pursuant to Article 2 of CM Decree No. 89 of 1995				
Issue No. 200 (7-year)	9 320.3		1 553.4	7 766.9
<b>TOTAL (B)</b>	<b>9 320.3</b>			<b>7 766.9</b>
C. Government bonds issued pursuant to Articles 8 and 9 of LSPDACB of 1996				
Government securities in BGN, total	73 901.5		12 468.7	61 432.9
Issue No. 402/96 (7-year)	4 285.7		857.1	3 428.6
Issue No. 403/96 (7-year)	4 527.6		905.5	3 622.1
Issue No. 405/96 (7-year)	566.5		113.3	453.2
Issue No. 443/97 (7-year)	25 355.8		4 226.0	21 129.8
Issue No. 473/97 (7-year)	2 796.6		466.1	2 330.5

(continued)

(continued)

(BGN '000)

Structure	Amount as of 31 December 1998	Change in 1999		Amount as of 31 December 1999
		increase	decrease	
	1	2	3	4
Issue No. 474/97 (7-year)	8 078.7		1 346.5	6 732.3
Issue No. 475/97 (7-year)	9 111.7		1 518.6	7 593.1
Issue No. 476/97 (7-year)	12 419.7		2 070.0	10 349.8
Issue No. 400/98 (7-year)	3 425.7		489.4	2 936.3
Issue No. 402/98 (7-year)	3 198.0		456.9	2 741.1
Issue No. 403/98 (7-year)	135.4		19.3	116.1
Government securities denominated in USD, total	174 347.0		91 455.1	82 891.9
(lev equivalent)	292 048.7		171 943.7	161 379.8
Issue No. 314/96 (3-year)	50 000.0		50 000.0	0.0
(lev equivalent)	83 755.0		94 102.7	0.0
Issue No. 315/96 (3-year)	28 151.3		28 151.3	0.0
(lev equivalent)	47 156.2		53 388.1	0.0
Issue No. 329/96 (3-year)	953.8		953.8	0.0
(lev equivalent)	1 597.7		1 808.9	0.0
Issue No. 400/97 (3-year)	8 856.6			8 856.6
(lev equivalent)	14 835.7			17 242.6
Issue No. 456/97 (3-year)	2 043.5			2 043.5
(lev equivalent)	3 423.1			3 978.4
Issue No. 472/97 (3-year)	48 863.7		12 350.0	36 513.7
(lev equivalent)	81 851.6		22 644.1	71 087.4
Issue No. 477/97 (3-year)	23 326.3			23 326.3
(lev equivalent)	39 073.9			45 413.3
Issue No. 478/97 (3-year)	5 342.5			5 342.5
(lev equivalent)	8 949.2			10 401.2
Issue No. 402/97 (3-year)	1 442.5			1 442.5
(lev equivalent)	2 416.3			2 808.4
Issue No. 403/97 (3-year)	659.5			659.5
(lev equivalent)	1 104.7			1 284.0
Issue No. 401/98 (3-year)	512.0			512.0
(lev equivalent)	857.7			996.8
Issue No. 404/98 (3-year)	3 128.6			3 128.6
(lev equivalent)	5 240.7			6 091.0
Issue No. 405/98 (3-year)	53.5			53.5
(lev equivalent)	89.6			104.2
Issue No. 406/98 (3-year)	1 013.2			1 013.2
(lev equivalent)	1 697.2			1 972.6
<b>TOTAL (C)</b>	<b>365 950.2</b>	<b>0.0</b>	<b>184 412.4</b>	<b>222 812.6</b>
<b>TOTAL (III)</b>	<b>1 512 286.7</b>	<b>0.0</b>	<b>410 348.3</b>	<b>1 141 659.9</b>
<b>IV. GOVERNMENT BONDS ISSUED UNDER § 10 OF TFP OF RBSBL/1999, DENOMINATED IN EUR**</b>				
EUR-denominated government securities, total		49 529.5	27.7	49 501.8
(lev equivalent)		96 871.2	54.2	96 817.0
Issue No. 137 (9-month)		6 000.0		6 000.0
(lev equivalent)		11 735.0		11 735.0
Issue No. 314 (15-month)		10 800.0		10 800.0
(lev equivalent)		21 123.0		21 123.0
Issue No. 315 (22-month)		7 000.0		7 000.0
(lev equivalent)		13 690.8		13 690.8
Issue No. 400 (20-year)		25 729.5	27.7	25 701.8
(lev equivalent)		50 322.4	54.2	50 268.3
<b>TOTAL (IV)</b>	<b>0.0</b>	<b>96 871.2</b>	<b>54.2</b>	<b>96 817.0</b>
<b>GOVERNMENT DEBT, TOTAL</b>	<b>3 928 129.3</b>	<b>1 471 285.6</b>	<b>1 423 529.9</b>	<b>2 043 242.2</b>
<b>GOVERNMENT GUARANTEED DEBT</b>				
<b>DOMESTIC GOVERNMENT GUARANTEES**</b>	<b>839 564.8</b>			<b>920 099.4</b>
<b>DOMESTIC DEBT OF GOVERNMENT BUDGET, TOTAL</b>	<b>4 767 694.1</b>	<b>1 471 285.6</b>	<b>1 423 529.9</b>	<b>2 963 341.6</b>

\* MF securitized direct debt to the BNB.

\*\* MF data on Sections II and IV and domestic government guarantees assumed.

Actual amount of the debt on government securities.

Debt on government securities does not include government securities on the MF account (restructured debt and target programs).

The lev equivalent of the debt denominated in foreign currency in columns 1 and 4 is calculated on the basis of the exchange rate of the relevant currency against the lev at the end of month:

• 31 December 1998: USD/BGN 1.6751, SDR 1/BGN 2.35648.

• 31 December 1999: USD/BGN 1.94687, SDR 1/BGN 2.66906, EUR 1/BGN 1.95583.

The lev equivalent of USD-denominated government securities under ZUNK in column 3 is the difference between the lev equivalent in column 1 and column 4.

The lev equivalent (columns 2 and 3) of direct debt in SDR, guaranty government securities denominated in USD and government securities denominated in EUR is based on the exchange rate of the relevant currency against the lev on the day of payment.

Source: MF.

**BALANCE SHEET OF THE BNB\***

ISSUE DEPARTMENT	31.XII'98	29.I'99	26.II'99	31.III'99	30.IV'99	31.V'99	30.VI'99	30.VII'99	31.VIII'99	30.IX'99	29.X'99	30.XI'99	30.XII'99
(BGN '000)													
<b>ASSETS</b>													
1. Cash and nostro accounts in foreign currency	5 110 823	4 905 422	4 973 602	5 061 773	5 118 848	5 132 359	5 162 228	4 754 921	5 052 694	5 284 370	5 433 334	5 667 252	6 272 081
2. Monetary gold	2 849 395	2 223 525	1 748 609	1 260 107	1 097 328	869 349	1 340 628	917 966	974 949	1 278 044	1 118 554	1 451 663	1 641 530
3. Foreign securities	622 579	633 651	646 787	641 286	641 307	641 334	635 295	601 619	606 323	641 738	641 659	641 731	641 788
4. Accrued interest receivable	1 622 264	2 029 944	2 562 463	3 105 812	3 320 749	3 558 329	3 116 698	3 170 616	3 406 044	3 298 750	3 599 466	3 507 424	3 913 582
	16 585	18 302	15 743	54 568	59 464	63 347	69 607	64 720	65 378	65 838	73 655	66 434	75 181
<b>LIABILITIES</b>													
1. Currency in circulation	5 110 823	4 905 422	4 973 602	5 061 773	5 118 848	5 132 359	5 162 228	4 754 921	5 052 694	5 284 370	5 433 334	5 667 252	6 272 081
2. Bank deposits and current accounts	1 845 030	1 688 344	1 720 705	1 659 033	1 665 228	1 664 123	1 586 593	1 627 499	1 725 455	1 795 987	1 785 832	1 830 455	2 082 918
3. Government deposits and accounts	578 115	537 103	482 282	541 230	564 305	481 674	576 403	458 581	536 683	493 016	566 404	564 028	639 450
4. Other depositors' accounts	1 900 379	1 866 356	1 948 386	1 977 374	2 097 474	2 192 449	2 211 895	1 903 346	2 005 118	2 171 438	2 257 845	2 431 971	2 693 288
5. Accrued interest payable	28 111	28 607	20 581	22 794	3 769	413	452	585	418	1 869	372	363	369
6. Banking Department deposit	739	799	804	818	602	621	441	343	366	367	243	148	148
	758 449	784 213	800 844	860 524	787 470	793 079	786 444	764 567	784 654	821 693	822 638	840 287	855 908

BANKING DEPARTMENT	31.XII'98	29.I'99	26.II'99	31.III'99	30.IV'99	31.V'99	30.VI'99	30.VII'99	31.VIII'99	30.IX'99	29.X'99	30.XI'99	30.XII'99
(BGN '000)													
<b>ASSETS</b>													
1. Nonmonetary gold and other precious metals	3805273	3866011	4454954	4558122	4477962	4511188	4627142	4535194	4 604 370	4 772 658	4 780 137	4900788	5083020
2. Investments in securities	74444	76016	80110	79394	81937	79387	78052	74129	74 545	87 934	88 767	89990	90813
3. Loans and advances to banks, net of provisions	134086	131171	136022	140468	142936	145436	147800	143283	145 507	144 796	148 305	154107	155485
4. Receivables from government	1350	1357	660	64	58	54	62	62	63	63	63	64	13
5. Bulgaria's IMF quota and holdings in other international financial institutions	1665949	1688018	1811524	1818827	1796894	1812513	1925638	1883067	1 905 963	2 017 639	1 997 355	2051174	2203159
6. Accrued interest receivable	1022895	1036387	1477030	1506309	1515949	1529094	1537699	1516602	1 540 257	1 546 816	1 570 176	1612385	1622073
7. Equity investments in domestic entities	9	27	21	29	24	28	20	16	16	1	1	1	1
8. Fixed assets	2819	2819	2819	2819	1350	1350	2066	2066	2 066	2 066	2 066	2066	2066
9. Other assets	135284	136213	136798	139628	142023	141611	141399	141815	141 391	141 725	141 428	141700	145530
10. Banking Department deposit	9988	9790	9146	10060	9321	8636	7962	9587	9 908	9 925	9 338	9014	7972
	758449	784213	800844	860524	787470	793079	786444	764567	784 654	821 693	822 638	840287	855908
<b>LIABILITIES</b>													
Obligations	3805273	3866011	4454954	4558122	4477962	4511188	4627142	4535194	4 604 370	4 772 658	4 780 137	4900788	5083020
1. Borrowings from IMF	2888870	2938553	3505068	3546144	3539024	3569879	3694762	3630639	3 683 201	3 801 944	3 801 813	3906329	4063522
2. Liabilities to other financial institutions	1866957	1891689	2018294	2029711	2009623	2027091	2141427	2095891	2 122 114	2 234 716	2 217 721	2277477	2430830
3. Accrued interest payable	1018859	1032262	1472787	1501990	1515096	1528302	1537550	1516466	1 540 103	1 546 655	1 569 612	1611790	1621278
4. Other liabilities	1365	1978	600	1277	1902	685	1362	2009	704	1 394	2 180	793	1639
	1689	12624	13387	13166	12403	13801	14423	16273	20 280	19 179	12 300	16269	9775
<b>Equity</b>													
5. Capital	916403	927458	949886	1011978	938938	941309	932380	904555	921 169	970 714	978 324	994459	1019498
6. Reserves	20000	20000	20000	20000	20000	20000	20000	20000	20 000	20 000	20 000	20000	20000
7. Retained profit	786602	797916	814272	824464	861278	853335	834316	778005	779 253	818 647	810 437	816635	814380
	109801	109542	115614	167514	57660	67974	78964	106550	121 916	132 067	147 887	157824	185118

Source: BNB.

MONETARY SURVEY

(BGN '000)

	XII'98		I'99		II'99		III'99		IV'99		V'99		VI'99	
	all banks	incl. non-reporting banks	all banks	incl. non-reporting banks	all banks	incl. non-reporting banks	all banks	incl. non-reporting banks	all banks	incl. non-reporting banks	all banks	incl. non-reporting banks	all banks	incl. non-reporting banks
Exchange rate: BGN/1 USD	1.6751	1.6751	1.7181	1.7181	1.7751	1.7751	1.8207	1.8207	1.8456	1.8456	1.8705	1.8705	1.8937	1.8937
BGN/1 EUR	-	-	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558
<b>FOREIGN ASSETS (net)</b>	5424536	-381231	4992843	-343341	5269999	-287902	5052475	-265936	4987782	-285718	5013388	-284430	5034547	-312889
BGN	-16206	-674	-17114	-736	-16274	-687	-15688	-674	-16488	-674	-16125	-674	-17071	-685
Foreign currencies	5440742	-380557	5009957	-342605	5286273	-287215	5068163	-265262	5004270	-285044	5029513	-283756	5051618	-312204
Foreign assets	8269795	102188	7788046	161955	8172619	170116	7960819	174014	7846795	155502	7910898	160241	8046702	132698
BGN	219	0	30	0	18	0	4	0	8	0	14	0	9	0
Foreign currencies	8269576	102188	7788016	161955	8172601	170116	7960815	174014	7846787	155502	7910884	160241	8046693	132698
BNB international reserves	5119371	0	4905422	0	4973603	0	5061771	0	5118848	0	5132357	0	5162228	0
Foreign currencies	5119371	0	4905422	0	4973603	0	5061771	0	5118848	0	5132357	0	5162228	0
Other foreign assets	3150424	102188	2882624	161955	3199016	170116	2899048	174014	2727947	155502	2778541	160241	2884474	132698
BGN	219	0	30	0	18	0	4	0	8	0	14	0	9	0
CB	219	0	30	0	18	0	4	0	8	0	14	0	9	0
Foreign currencies	3150205	102188	2882594	161955	3198998	170116	2899044	174014	2727939	155502	2778527	160241	2884465	132698
BNB	322189	0	321684	0	436629	0	149555	0	147835	0	150338	0	152602	0
CB	2828016	102188	2560910	161955	2762369	170116	2749489	174014	2580104	155502	2628189	160241	2731863	132698
<b>Less: foreign liabilities</b>	2845259	483419	2795203	505296	2902620	458018	2908344	439950	2859013	441220	2897510	444671	3012155	445587
BGN	16425	674	17144	736	16292	687	15692	674	16496	674	16139	674	17080	685
BNB	2814	0	2814	0	3875	0	3875	0	3875	0	3991	0	3991	0
CB	13611	674	14330	736	12417	687	11817	674	12621	674	12148	674	13089	685
Foreign currencies	2828834	482745	2778059	504560	2886328	457331	2892652	439276	2842517	440546	2881371	443997	2995075	444902
BNB	1868322	0	1893667	0	2018894	0	2030988	0	2011525	0	2027776	0	2142790	0
CB	960512	482745	884392	504560	867434	457331	861664	439276	830992	440546	853595	443997	852285	444902
<b>NET DOMESTIC CREDITS</b>	1172637	532940	1279732	521852	1099439	457079	1208583	431441	1291973	452008	1222051	454138	1149024	474886
<b>DOMESTIC ASSETS</b>	4227011	997188	4530234	1064922	4501816	997977	4364942	864272	4225915	864473	4244963	866786	4174995	887075
BGN	1359358	-84861	1341138	36440	1315294	39370	1384971	61555	1217685	66148	1153771	66983	1104845	137804
Foreign currencies	2867653	1082049	3189096	1028482	3186522	958607	2979971	802717	3008230	798325	3091192	799803	3070150	749271
<b>CLAIMS ON GOVERNMENT SECTOR (net)</b>	509786	-342404	740400	-323715	676635	-391979	701818	-397126	496414	-399589	457174	-401440	403761	-374949
BGN	-221829	-214143	-328051	-196606	-374466	-194190	-352254	-207056	-543449	-210138	-624967	-210125	-723547	-181769
Foreign currencies	731615	-128261	1068451	-127109	1051101	-197789	1054072	-190070	1039863	-189451	1082141	-191315	1127308	-193180
<b>CLAIMS ON CENTRAL GOVERNMENT (net)</b>	567249	-341628	815162	-322931	755442	-391184	795026	-396358	593941	-398784	549693	-400631	453823	-374127
BGN	-165774	-213682	-254343	-196145	-296781	-193729	-260205	-206627	-447133	-209677	-533664	-209664	-644124	-181294
Foreign currencies	733023	-127946	1069505	-126786	1052223	-197455	1055231	-189731	1041074	-189107	1083357	-190967	1097947	-192833
<b>CLAIMS ON STATE BUDGET (net)</b>	1150955	-337793	1238536	-319026	1168236	-387185	1111012	-392784	914630	-395223	871309	-397030	780906	-370487
BGN	228179	-212866	4965	-195329	-47251	-192912	-103583	-206306	-291117	-209410	-379285	-209397	-518443	-181026
Foreign currencies	922776	-124927	1233571	-123697	1215487	-194273	1214595	-186478	1205747	-185813	1250594	-187633	1299349	-189461
Claims	3322729	67564	3369815	69594	3453174	52390	3488448	53461	3436193	53830	3481026	54422	3382343	49851
BGN	838064	10287	814381	9927	813082	10043	963897	10026	934379	9802	951697	9799	894061	4676
Foreign currencies	2484665	57277	2555434	59667	2640092	42347	2524551	43435	2501814	44028	2529329	44623	2488282	45175
Government securities	1580395	62446	1632730	64419	1588122	47131	1454841	48127	1422148	48455	1446538	49007	1281811	44398
Short-term	527620	6494	511476	6168	489073	6293	458017	6276	424661	6052	407636	6050	371145	927
BGN	527620	6494	511476	6168	489073	6293	458017	6276	424661	6052	407636	6050	371145	927
CB	527620	6494	511476	6168	489073	6293	458017	6276	424661	6052	407636	6050	371145	927
Medium-term	465302	0	494081	0	482410	1095	529162	1095	522719	1095	598730	0	466981	0
BGN	178519	0	197954	0	217486	1095	234773	1095	235482	1095	264948	0	287712	0
CB	178519	0	197954	0	217486	1095	234773	1095	235482	1095	264948	0	287712	0
Foreign currencies	286783	0	296127	0	264924	0	294389	0	287237	0	333782	0	179269	0
CB	286783	0	296127	0	264924	0	294389	0	287237	0	333782	0	179269	0
Long-term	587473	55952	627173	58251	616639	39743	467662	40756	474768	41308	440172	42957	443685	43471
BGN	94635	1422	90464	1402	89036	307	90048	307	91348	307	93910	1402	93704	1402
CB	94635	1422	90464	1402	89036	307	90048	307	91348	307	93910	1402	93704	1402
Foreign currencies	492838	54530	536709	56849	527603	39436	377614	40449	383420	41001	346262	41555	349981	42069
CB	492838	54530	536709	56849	527603	39436	377614	40449	383420	41001	346262	41555	349981	42069
Credits	1665949	0	1688018	0	1811524	0	1818827	0	1796894	0	1812513	0	1925638	0
BGN	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CB	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Foreign currencies	1665949	0	1688018	0	1811524	0	1818827	0	1796894	0	1812513	0	1925638	0
BNB	1665949	0	1688018	0	1811524	0	1818827	0	1796894	0	1812513	0	1925638	0

(continued)

(continued)

(BGN '000)

	XII'98		I'99		II'99		III'99		IV'99		V'99		VI'99	
	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks
Other claims	76385	5118	49067	5175	53528	5259	214780	5334	217151	5375	221975	5415	174894	5453
BGN	37290	2371	14487	2357	17487	2348	181059	2348	182888	2348	185203	2347	141500	2347
CB	37290	2371	14487	2357	17487	2348	181059	2348	182888	2348	185203	2347	141500	2347
Foreign currencies	39095	2747	34580	2818	36041	2911	33721	2986	34263	3027	36772	3068	33394	3106
CB	39095	2747	34580	2818	36041	2911	33721	2986	34263	3027	36772	3068	33394	3106
Less: deposits	-2171774	-405357	-2131279	-388620	-2284938	-439575	-2377436	-446245	-2521563	-449053	-2609717	-451452	-2601437	-420338
BGN	-609885	-223153	-809416	-205256	-860333	-202955	-1067480	-216332	-1225496	-219212	-1330982	-219196	-1412504	-185702
BNB	-303081	0	-453145	0	-491322	0	-697445	0	-846587	0	-959878	0	-1075974	0
CB	-306804	-223153	-356271	-205256	-369011	-202955	-370035	-216332	-378909	-219212	-371104	-219196	-336530	-185702
Foreign currencies	-1561889	-182204	-1321863	-183364	-1424605	-236620	-1309956	-229913	-1296067	-229841	-1278735	-232256	-1188933	-234636
BNB	-1224060	0	-1092365	0	-1130261	0	-1032531	0	-1011547	0	-992094	0	-898582	0
CB	-337829	-182204	-229498	-183364	-294344	-236620	-277425	-229913	-284520	-229841	-286641	-232256	-290351	-234636
CLAIMS ON STATE FUNDS AND EXTRABUDGETARY														
ACCOUNTS (net)	-583706	-3835	-423374	-3905	-412794	-3999	-315986	-3574	-320689	-3561	-321616	-3601	-327083	-3640
BGN	-393953	-816	-259308	-816	-249530	-817	-156622	-321	-156016	-267	-154379	-267	-125681	-268
Foreign currencies	-189753	-3019	-164066	-3089	-163264	-3182	-159364	-3253	-164673	-3294	-167237	-3334	-201402	-3372
Claims	81	0	94	0	83	0	100	0	119	0	143	0	968	0
BGN	81	0	94	0	83	0	100	0	119	0	143	0	968	0
CB	81	0	94	0	83	0	100	0	119	0	143	0	968	0
Less: deposits	-583787	-3835	-423468	-3905	-412877	-3999	-316086	-3574	-320808	-3561	-321759	-3601	-328051	-3640
BGN	-394034	-816	-259402	-816	-249613	-817	-156722	-321	-156135	-267	-154522	-267	-126649	-268
BNB	-302535	0	-231921	0	-231807	0	-140039	0	-132748	0	-130311	0	-100022	0
CB	-91499	-816	-27481	-816	-17806	-817	-16683	-321	-23387	-267	-24211	-267	-26627	-268
Foreign currencies	-189753	-3019	-164066	-3089	-163264	-3182	-159364	-3253	-164673	-3294	-167237	-3334	-201402	-3372
BNB	-118162	0	-89725	0	-95800	0	-108176	0	-107193	0	-110786	0	-137759	0
CB	-71591	-3019	-74341	-3089	-67464	-3182	-51188	-3253	-57480	-3294	-56451	-3334	-63643	-3372
CLAIMS ON LOCAL BUDGETS (net)														
	-57463	-776	-74762	-784	-78807	-795	-93208	-768	-97527	-805	-92519	-809	-50062	-822
BGN	-56055	-461	-73708	-461	-77685	-461	-92049	-429	-96316	-461	-91303	-461	-79423	-475
Foreign currencies	-1408	-315	-1054	-323	-1122	-334	-1159	-339	-1211	-344	-1216	-348	-29361	-347
Claims	17052	1	2749	1	3174	1	3229	1	2960	1	3222	1	33550	0
BGN of CB	17052	1	2749	1	3174	1	3229	1	2960	1	3222	1	2475	0
Foreign currencies of CB	0	0	0	0	0	0	0	0	0	0	0	0	31075	0
Securities of CB	0	0	0	0	0	0	0	0	0	0	0	0	30725	0
Foreign currencies of CB	0	0	0	0	0	0	0	0	0	0	0	0	30725	0
Credits	17042	0	2742	0	3153	0	3204	0	2952	0	3213	0	2463	0
BGN of CB	17042	0	2742	0	3153	0	3204	0	2952	0	3213	0	2463	0
Other claims	10	1	7	1	21	1	25	1	8	1	9	1	362	0
BGN of CB	10	1	7	1	21	1	25	1	8	1	9	1	12	0
Foreign currencies of CB	0	0	0	0	0	0	0	0	0	0	0	0	350	0
Less: deposits	-74515	-777	-77511	-785	-81981	-796	-96437	-769	-100487	-806	-95741	-810	-83612	-822
BGN of CB	-73107	-462	-76457	-462	-80859	-462	-95278	-430	-99276	-462	-94525	-462	-81898	-475
Foreign currencies of CB	-1408	-315	-1054	-323	-1122	-334	-1159	-339	-1211	-344	-1216	-348	-1714	-347
CLAIMS ON NONGOVERNMENT SECTOR														
	3717225	1339592	3789834	1388637	3825181	1389956	3663124	1261398	3729501	1264062	3787789	1268226	3771234	1262024
BGN	1581187	129282	1669189	233046	1689760	233560	1737225	268611	1761134	276286	1778738	277108	1828392	319573
Foreign currencies	2136038	1210310	2120645	1155591	2135421	1156396	1925899	992787	1968367	987776	2009051	991118	1942842	942451
CLAIMS ON NONFINANCIAL STATE-OWNED ENTERPRISES														
	945596	380160	935435	373574	908727	349255	830019	305773	805983	297979	790561	300428	792436	324080
BGN	299935	34042	290113	35297	292672	35740	265988	37733	242873	33672	240419	33624	260165	73894
BNB	1350	0	1350	0	1350	0	1350	0	1350	0	1350	0	2066	0
CB	298585	34042	288763	35297	291322	35740	264638	37733	241523	33672	239069	33624	258099	73894
Foreign currencies	645661	346118	645322	338277	616055	313515	564031	268040	563110	264307	550142	266804	532271	250186
CB	645661	346118	645322	338277	616055	313515	564031	268040	563110	264307	550142	266804	532271	250186
CLAIMS ON PRIVATE ENTERPRISES														
	2253167	932790	2330878	987227	2385831	1012135	2294400	926354	2375470	935443	2442902	936724	2419914	906529
BGN	801681	93613	895399	195542	907570	195745	974566	228824	1013925	240563	1028060	241438	1053946	243637
CB	801681	93613	895399	195542	907570	195745	974566	228824	1013925	240563	1028060	241438	1053946	243637
Foreign currencies	1451486	839177	1435479	791685	1478261	816390	1319834	697530	1361545	694880	1414842	695286	1365968	662892
CB	1451486	839177	1435479	791685	1478261	816390	1319834	697530	1361545	694880	1414842	695286	1365968	662892
CLAIMS ON THE PUBLIC														
	480491	600	484861	895	490892	777	498023	764	507481	1812	513491	1903	516054	1921
BGN of CB	476006	109	480264	393	486286	261	493541	240	501828	236	507773	231	510302	227
Foreign currencies of CB	4485	491	4597	502	4606	516	4482	524	5653	1576	5718	1672	5752	1694

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(BGN '000)

	XII'98		I'99		II'99		III'99		IV'99		V'99		VI'99	
	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks
CLAIMS ON NONBANK														
FINANCIAL INSTITUTIONS	37971	26042	38660	26941	39731	27789	40682	28507	40567	28828	40835	29171	42830	29494
BGN	3565	1518	3413	1814	3232	1814	3130	1814	2508	1815	2486	1815	3979	1815
BNB	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CB	3565	1518	3413	1814	3232	1814	3130	1814	2508	1815	2486	1815	3979	1815
Foreign currencies	34406	24524	35247	25127	36499	25975	37552	26693	38059	27013	38349	27356	38851	27679
CB	34406	24524	35247	25127	36499	25975	37552	26693	38059	27013	38349	27356	38851	27679
OTHER ITEMS (net)	-3054374	-464248	-3250502	-543070	-3402377	-540898	-3156359	-432831	-2933942	-412465	-3022912	-412648	-3025971	-412189
BGN	-2980225	-530628	-3170703	-563035	-3219291	-578621	-3304420	-514955	-3100307	-479307	-3180104	-480504	-3219844	-501459
Foreign currencies	-74110	66393	-79766	19965	-183061	37737	148029	82113	166319	66834	157217	67863	193935	89285
Own funds	-1076050	975025	-1077683	984364	-1086433	995546	-1199957	980239	-1152722	971047	-1204206	935620	-1164067	915127
Capital and reserves	-2015532	-200023	-1973842	-187515	-1991315	-187827	-2002519	-188315	-2061715	-188523	-2062065	-189681	-2054971	-190716
BNB	-801841	0	-817917	0	-834272	0	-844464	0	-881279	0	-873334	0	-853416	0
CB	-1213691	-200023	-1155925	-187515	-1157043	-187827	-1158055	-188315	-1180436	-188523	-1188731	-189681	-1201555	-190716
Financial result	939482	1175048	896159	1171879	904882	1183373	802562	1168554	908993	1159570	857859	1125301	890904	1105843
BNB	-114414	0	-109582	0	-115615	0	-167513	0	-57660	0	-67975	0	-78964	0
CB	1053896	1175048	1005741	1171879	1020497	1183373	970075	1168554	966653	1159570	925834	1125301	969868	1105843
Other assets and liabilities (net)	-1963341	-1174912	-2094032	-1260588	-2234280	-1266315	-1804947	-1139849	-1684106	-1108366	-1703015	-1071542	-1768192	-1049031
BGN	-1876574	-1335935	-1999982	-1377386	-2050561	-1403987	-1952043	-1324457	-1849942	-1279083	-1862176	-1244733	-1965780	-1244972
BNB	-108998	0	-121894	0	-113375	0	-110060	0	-106201	0	-108387	0	-110488	0
CB	-1767576	-1335935	-1878088	-1377386	-1937186	-1403987	-1841983	-1324457	-1743741	-1279083	-1753789	-1244733	-1855292	-1244972
Foreign currencies	-86767	161023	-94050	116798	-183719	137672	147096	184608	165836	170717	159161	173191	197588	195941
BNB	-105623	0	-106585	0	-212571	0	78283	0	80769	0	78216	0	76874	0
CB	18856	161023	12535	116798	-28852	137672	68813	184608	85067	170717	80945	173191	120714	195941
Relations between BNB and CB	-14944	-264348	-78754	-266846	-81639	-270115	-151487	-273232	-97160	-275154	-115666	-276719	-93650	-278270
BGN	-27601	-169718	-93038	-170013	-82297	-170180	-152420	-170737	-97643	-171271	-113722	-171391	-89997	-171614
Foreign currencies	12657	-94630	14284	-96833	658	-99935	933	-102495	483	-103883	-1944	-105328	-3653	-106656
CB cash (BGN)	-103004	0	-88272	0	-87776	0	-92326	0	-85151	0	-104182	0	-107541	0
Deposits of CB with BNB	-542333	0	-537104	0	-482282	0	-541230	0	-564304	0	-481664	0	-576404	0
BGN	-380080	0	-415041	0	-340721	0	-346651	0	-405492	0	-296189	0	-319382	0
Foreign currencies	-162253	0	-122063	0	-141561	0	-194579	0	-158812	0	-185475	0	-257022	0
BNB claims on CB	256463	0	257196	0	248255	0	248362	0	246224	0	245966	0	246026	0
BGN	147597	0	145855	0	144203	0	144205	0	142732	0	142717	0	142727	0
Foreign currencies	108866	0	111341	0	104052	0	104157	0	103492	0	103249	0	103299	0
CB reserves in BNB	651188	5336	564824	5731	517823	5687	531033	5337	587258	4990	507609	5002	628457	4804
BGN	487566	5138	441477	5530	378409	5687	335777	5337	426529	4990	321005	5002	370719	4804
Foreign currencies	163622	198	123347	201	139414	0	195256	0	160729	0	186604	0	257738	0
BNB credits	-277258	-269684	-275398	-272577	-277659	-275802	-297326	-278569	-281187	-280144	-283395	-281721	-284188	-283074
BGN	-179680	-174856	-177057	-175543	-176412	-175867	-193425	-176074	-176261	-176261	-177073	-176393	-176520	-176418
Foreign currencies	-97578	-94828	-98341	-97034	-101247	-99935	-103901	-102495	-104926	-103883	-106322	-105328	-107668	-106656
BROAD MONEY M3	6597173	151709	6272575	178511	6369438	169177	6261058	165505	6279755	166290	6235439	169708	6183571	161997
BGN	4013047	81233	3697012	96310	3764482	91041	3669947	89223	3712661	89404	3631501	89569	3504197	94256
Foreign currencies	2584126	70476	2575563	82201	2604956	78136	2591111	76282	2567094	76886	2603938	80139	2679374	67741
MONEY M1	2755599	0	2410966	0	2462467	0	2399203	0	2424856	0	2393963	0	2277922	0
Money outside banks	1742026	0	1600072	0	1632929	0	1566708	0	1580078	0	1559940	0	1479052	0
Demand deposits (in BGN)	1013573	0	810894	0	829538	0	832495	0	844778	0	834023	0	798870	0
State-owned enterprises	381058	0	298336	0	330627	0	344859	0	354170	0	332777	0	285937	0
CB	381058	0	298336	0	330627	0	344859	0	354170	0	332777	0	285937	0
Private enterprises	534781	0	420287	0	405404	0	395889	0	399547	0	410456	0	422280	0
CB	534781	0	420287	0	405404	0	395889	0	399547	0	410456	0	422280	0
Public	67774	0	66624	0	68678	0	66511	0	69378	0	70872	0	74542	0
CB	67774	0	66624	0	68678	0	66511	0	69378	0	70872	0	74542	0
Nonbank financial institutions	29960	0	25647	0	24829	0	25236	0	21683	0	19918	0	16111	0
BNB	6	0	3	0	8	0	51	0	3	0	7	0	16	0
CB	29954	0	25644	0	24821	0	25185	0	21680	0	19911	0	16095	0
MONEY M2 (M1 + quasi-money)	6180590	0	5851016	0	5975032	0	5871479	0	5891098	0	5843455	0	5770385	0
Quasi-money	3424991	0	3440050	0	3512565	0	3472276	0	3466242	0	3449492	0	3492463	0
Time deposits (in BGN)	776383	0	801629	0	822860	0	796293	0	797547	0	780196	0	762740	0
State-owned enterprises	40562	0	42390	0	45456	0	42087	0	48484	0	62996	0	59918	0
CB	40562	0	42390	0	45456	0	42087	0	48484	0	62996	0	59918	0
Private enterprises	36534	0	45032	0	55760	0	53700	0	44526	0	37194	0	36586	0
BNB	0	0	0	0	7001	0	9288	0	3002	0	0	0	0	0
CB	36534	0	45032	0	48759	0	44412	0	41524	0	37194	0	36586	0

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(BGN '000)

	XII'98		I'99		II'99		III'99		IV'99		V'99		VI'99	
	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks
Public	650135	0	657681	0	665418	0	651281	0	641853	0	631574	0	624658	0
CB	650135	0	657681	0	665418	0	651281	0	641853	0	631574	0	624658	0
Nonbank financial institutions	49152	0	56526	0	56226	0	49225	0	62684	0	48432	0	41578	0
BNB	10001	0	10001	0	10001	0	0	0	0	0	0	0	0	0
CB	39151	0	46525	0	46225	0	49225	0	62684	0	48432	0	41578	0
Savings deposits (in BGN)	292293	0	300425	0	306201	0	307372	0	307184	0	308637	0	312278	0
Foreign currency deposits	2356315	0	2337996	0	2383504	0	2368611	0	2361511	0	2360659	0	2417445	0
State-owned enterprises	389132	0	327233	0	323188	0	293879	0	297114	0	277875	0	253658	0
BNB	313	0	315	0	318	0	320	0	321	0	323	0	324	0
CB	388819	0	326918	0	322870	0	293559	0	296793	0	277552	0	253334	0
Private enterprises	474602	0	477176	0	490262	0	491507	0	487709	0	501807	0	526974	0
CB	474602	0	477176	0	490262	0	491507	0	487709	0	501807	0	526974	0
Public	1404551	0	1445788	0	1481095	0	1503690	0	1498202	0	1503064	0	1555518	0
CB	1404551	0	1445788	0	1481095	0	1503690	0	1498202	0	1503064	0	1555518	0
Nonbank financial institutions	88030	0	87799	0	88959	0	79535	0	78486	0	77913	0	81295	0
CB	88030	0	87799	0	88959	0	79535	0	78486	0	77913	0	81295	0
<b>MONEY M3 (M2 + money market instruments, restricted deposits and deposits in nonoperating banks)</b>	<b>6597173</b>	<b>151709</b>	<b>6272575</b>	<b>178511</b>	<b>6369438</b>	<b>169177</b>	<b>6261058</b>	<b>165505</b>	<b>6279755</b>	<b>166290</b>	<b>6235439</b>	<b>169708</b>	<b>6183571</b>	<b>161997</b>
Money market instruments	7627	0	7817	0	8481	0	9507	0	3077	0	3662	0	4197	0
BGN	7579	0	7783	0	8460	0	8901	0	3051	0	3418	0	3954	0
Foreign currencies	48	0	34	0	21	0	606	0	26	0	244	0	243	0
Import and restricted deposits	257247	0	235231	0	216748	0	214567	0	219290	0	218614	0	246992	0
BGN	99960	0	79899	0	73453	0	68955	0	90619	0	55718	0	53047	0
Foreign currencies	157287	0	155332	0	143295	0	145612	0	128671	0	162896	0	193945	0
State-owned enterprises	127584	0	102614	0	100921	0	99974	0	124062	0	124974	0	134943	0
BGN	34678	0	20602	0	19525	0	21756	0	53694	0	19440	0	24718	0
CB	34678	0	20602	0	19525	0	21756	0	53694	0	19440	0	24718	0
Foreign currencies	92906	0	82012	0	81396	0	78218	0	70368	0	105534	0	110225	0
CB	92906	0	82012	0	81396	0	78218	0	70368	0	105534	0	110225	0
Private enterprises	89296	0	94400	0	92685	0	80495	0	74906	0	75120	0	93015	0
BGN	38257	0	34113	0	43904	0	26430	0	29965	0	30501	0	22510	0
CB	38257	0	34113	0	43904	0	26430	0	29965	0	30501	0	22510	0
Foreign currencies	51039	0	60287	0	48781	0	54065	0	44941	0	44619	0	70505	0
CB	51039	0	60287	0	48781	0	54065	0	44941	0	44619	0	70505	0
Public	29528	0	28895	0	14151	0	24858	0	10979	0	10355	0	10685	0
BGN	24044	0	23813	0	8930	0	19845	0	5927	0	5296	0	5354	0
BNB	17792	0	18289	0	3254	0	13136	0	445	0	83	0	112	0
CB	6252	0	5524	0	5676	0	6709	0	5482	0	5213	0	5242	0
Foreign currencies	5484	0	5082	0	5221	0	5013	0	5052	0	5059	0	5331	0
Nonbank financial institutions	10839	0	9322	0	8991	0	9240	0	9343	0	8165	0	8349	0
BGN	2981	0	1371	0	1094	0	924	0	1033	0	481	0	465	0
CB	2981	0	1371	0	1094	0	924	0	1033	0	481	0	465	0
Foreign currencies	7858	0	7951	0	7897	0	8316	0	8310	0	7684	0	7884	0
CB	7858	0	7951	0	7897	0	8316	0	8310	0	7684	0	7884	0
Deposits in nonoperating banks	151709	151709	178511	178511	169177	169177	165505	165505	166290	166290	169708	169708	161997	161997
BGN	81233	81233	96310	96310	91041	91041	89223	89223	89404	89404	89569	89569	94256	94256
Foreign currencies	70476	70476	82201	82201	78136	78136	76282	76282	76886	76886	80139	80139	67741	67741
State-owned enterprises	87960	87960	98027	98027	97827	97827	98230	98230	97158	97158	100273	100273	92294	92294
BGN	48795	48795	57683	57683	56585	56585	56321	56321	54895	54895	55075	55075	59498	59498
Foreign currencies	39165	39165	40344	40344	41242	41242	41909	41909	42263	42263	45198	45198	32796	32796
Private enterprises	44599	44599	50731	50731	48659	48659	46996	46996	48737	48737	48880	48880	49007	49007
BGN	25607	25607	29612	29612	27391	27391	26031	26031	27632	27632	27607	27607	27867	27867
Foreign currencies	18992	18992	21119	21119	21268	21268	20965	20965	21105	21105	21273	21273	21140	21140
Public	4567	4567	14870	14870	7410	7410	4659	4659	4647	4647	4657	4657	4658	4658
BGN	4090	4090	6255	6255	4317	4317	4122	4122	4127	4127	4136	4136	4136	4136
Foreign currencies	477	477	8615	8615	3093	3093	537	537	520	520	521	521	522	522
Nonbank financial institutions	14583	14583	14883	14883	15281	15281	15620	15620	15748	15748	15898	15898	16038	16038
BGN	2741	2741	2760	2760	2748	2748	2749	2749	2750	2750	2751	2751	2755	2755
Foreign currencies	11842	11842	12123	12123	12533	12533	12871	12871	12998	12998	13147	13147	13283	13283

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(BGN '000)

	VII'99		VIII'99		IX'99		X'99		XI'99		XII'99	
	all banks	incl. nonope-rating banks	all banks	incl. nonope-rating banks	all banks	incl. nonope-rating banks	all banks	incl. nonope-rating banks	all banks	incl. nonope-rating banks	all banks	incl. nonope-rating banks
Exchange rate: BGN/1 USD	1.8289	1.8289	1.8498	1.8498	1.8339	1.8339	1.8711	1.8711	1.9370	1.9370	1.9469	1.9469
BGN/1 EUR	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558
FOREIGN ASSETS (net)	4894570	-323392	5106920	-325175	5382254	-328073	5425642	-332036	5880248	-335298	6150639	-337315
BGN	-20318	-707	-19609	-684	-37783	-647	-36540	-647	-21277	-579	-30961	-579
Foreign currencies	4914888	-322685	5126529	-324491	5420037	-327426	5462182	-331389	5901525	-334719	6181600	-336736
Foreign assets	7853114	118344	8109863	119938	8531838	117914	8661383	118938	9134015	122856	9480119	122026
BGN	9	0	28	0	97	0	10	0	15	0	16	0
Foreign currencies	7853105	118344	8109835	119938	8531741	117914	8661373	118938	9134000	122856	9480103	122026
BNB international reserves	4754920	0	5052693	0	5284372	0	5433334	0	5667253	0	6272081	0
Foreign currencies	4754920	0	5052693	0	5284372	0	5433334	0	5667253	0	6272081	0
Other foreign assets	3098194	118344	3057170	119938	3247466	117914	3228049	118938	3466762	122856	3208038	122026
BGN	9	0	28	0	97	0	10	0	15	0	16	0
CB	9	0	28	0	97	0	10	0	15	0	16	0
Foreign currencies	3098185	118344	3057142	119938	3247369	117914	3228039	118938	3466747	122856	3208022	122026
BNB	148070	0	150311	0	149605	0	153131	0	158963	0	160353	0
CB	2950115	118344	2906831	119938	3097764	117914	3074908	118938	3307784	122856	3047669	122026
Less: foreign liabilities	2958544	441736	3002943	445113	3149584	445987	3235741	450974	3253767	458154	3329480	459341
BGN	20327	707	19637	684	37880	647	36550	647	21292	579	30977	579
BNB	3991	0	3991	0	3971	0	3991	0	3991	0	3991	0
CB	16336	707	15646	684	33909	647	32559	647	17301	579	26986	579
Foreign currencies	2938217	441029	2983306	444429	3111704	445340	3199191	450327	3232475	457575	3298503	458762
BNB	2097899	0	2122818	0	2236110	0	2219901	0	2278271	0	2432469	0
CB	840318	441029	860488	444429	875594	445340	979290	450327	954204	457575	866034	458762
NET DOMESTIC CREDITS	1402740	480971	1378210	480302	1287032	482025	1248183	486706	1089627	484995	1200475	486666
DOMESTIC ASSETS	4256979	872709	4242554	870983	4262050	881002	4215142	862616	4159090	884010	4237393	890745
BGN	973945	155266	990598	167225	1008002	175986	846036	53134	859575	55051	1075888	58231
Foreign currencies	3283034	717443	3251956	703758	3254048	705016	3369106	809482	3299515	828959	3161505	832514
CLAIMS ON GOVERNMENT SECTOR (net)	490866	-360316	396249	-360156	377059	-342009	276680	-308630	165934	-312105	156043	-300968
BGN	-875915	-171884	-905746	-170209	-961043	-164616	-1015035	-127460	-1024184	-124700	-843632	-113747
Foreign currencies	1366781	-188432	1301995	-189947	1338102	-177393	1291715	-181170	1190118	-187405	999675	-187221
CLAIMS ON CENTRAL GOVERNMENT (net)	540179	-359522	441897	-359392	417875	-341289	317843	-307904	200436	-311369	186796	-300241
BGN	-797555	-171424	-831464	-169784	-889424	-164231	-942945	-127077	-958599	-124319	-785040	-113377
Foreign currencies	1337734	-188098	1273361	-189608	1307299	-177058	1260788	-180827	1159035	-187050	971836	-186864
CLAIMS ON STATE BUDGET (net)	853079	-355999	800805	-355833	712305	-337761	611819	-304422	525952	-307772	561961	-296629
BGN	-663891	-171158	-679883	-169519	-742175	-163969	-800966	-126927	-820465	-124171	-550583	-113232
Foreign currencies	1516970	-184841	1480688	-186314	1454480	-173792	1412785	-177495	1346417	-183601	1112544	-183397
Claims	3174611	47426	3177720	47914	3298941	47524	3306913	48379	3375402	49909	3503928	50225
BGN	755539	3755	754329	3755	755182	3735	780499	3728	794236	3728	752753	3817
Foreign currencies	2419072	43671	2423391	44159	2543759	43789	2526414	44651	2581166	46181	2751175	46408
Government securities	1241385	42060	1222061	42513	1230162	42169	1256532	42963	1262932	44385	1247157	44596
Short-term	332574	0	324800	0	303031	0	310026	0	323655	0	291145	0
BGN	332574	0	324800	0	303031	0	310026	0	323655	0	291145	0
CB	332574	0	324800	0	303031	0	310026	0	323655	0	291145	0
Medium-term	482094	0	470352	0	487052	0	507707	0	503102	0	506725	0
BGN	310747	0	320462	0	336515	0	357473	0	348946	0	350371	0
CB	310747	0	320462	0	336515	0	357473	0	348946	0	350371	0
Foreign currencies	171347	0	149890	0	150537	0	150234	0	154156	0	156354	0
CB	171347	0	149890	0	150537	0	150234	0	154156	0	156354	0
Long-term	426717	42060	426909	42513	440079	42169	438799	42963	436175	44385	449287	44596
BGN	92742	1388	88344	1388	94543	1388	89912	1381	90162	1381	89471	1381
CB	92742	1388	88344	1388	94543	1388	89912	1381	90162	1381	89471	1381
Foreign currencies	333975	40672	338565	41125	345536	40781	348887	41582	346013	43004	359816	43215
CB	333975	40672	338565	41125	345536	40781	348887	41582	346013	43004	359816	43215
Credits	1883067	0	1905963	0	2017639	0	1997355	0	2051174	0	2203159	0
BGN	0	0	0	0	0	0	0	0	0	0	0	0
CB	0	0	0	0	0	0	0	0	0	0	0	0
Foreign currencies	1883067	0	1905963	0	2017639	0	1997355	0	2051174	0	2203159	0
BNB	1883067	0	1905963	0	2017639	0	1997355	0	2051174	0	2203159	0

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(BGN '000)

	VII'99		VIII'99		IX'99		X'99		XI'99		XII'99	
	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks
Other claims	50159	5366	49696	5401	51140	5355	53026	5416	61296	5524	53612	5629
BGN	19476	2367	20723	2367	21093	2347	23088	2347	31473	2347	21766	2436
CB	19476	2367	20723	2367	21093	2347	23088	2347	31473	2347	21766	2436
Foreign currencies	30683	2999	28973	3034	30047	3008	29938	3069	29823	3177	31846	3193
CB	30683	2999	28973	3034	30047	3008	29938	3069	29823	3177	31846	3193
Less: deposits	-2321532	-403425	-2376915	-403747	-2586636	-385285	-2695094	-352801	-2849450	-357681	-2941967	-346854
BGN	-1419430	-174913	-1434212	-173274	-1497357	-167704	-1581465	-130655	-1614701	-127899	-1303336	-117049
BNB	-1077483	0	-1086241	0	-1157168	0	-1284005	0	-1321444	0	-1087391	0
CB	-341947	-174913	-347971	-173274	-340189	-167704	-297460	-130655	-293257	-127899	-215945	-117049
Foreign currencies	-902102	-228512	-942703	-230473	-1089279	-217581	-1113629	-222146	-1234749	-229782	-1638631	-229805
BNB	-603356	0	-635334	0	-805860	0	-768519	0	-889476	0	-1301167	0
CB	-298746	-228512	-307369	-230473	-283419	-217581	-345110	-222146	-345273	-229782	-337464	-229805
CLAIMS ON STATE FUNDS AND EXTRABUDGETARY												
ACCOUNTS (net)	-312900	-3523	-358908	-3559	-294430	-3528	-293976	-3482	-325516	-3597	-375165	-3612
BGN	-133664	-266	-151581	-265	-147249	-262	-141979	-150	-138134	-148	-234457	-145
Foreign currencies	-179236	-3257	-207327	-3294	-147181	-3266	-151997	-3332	-187382	-3449	-140708	-3467
Claims	1087	0	1066	0	1038	0	1005	0	295	0	6	0
BGN	1087	0	1066	0	1038	0	1005	0	295	0	6	0
CB	1087	0	1066	0	1038	0	1005	0	295	0	6	0
Less: deposits	-313987	-3523	-359974	-3559	-295468	-3528	-294981	-3482	-325811	-3597	-375171	-3612
BGN	-134751	-266	-152647	-265	-148287	-262	-142984	-150	-138429	-148	-234463	-145
BNB	-108459	0	-126478	0	-122526	0	-117294	0	-100837	0	-222119	0
CB	-26292	-266	-26169	-265	-25761	-262	-25690	-150	-37592	-148	-12344	-145
Foreign currencies	-179236	-3257	-207327	-3294	-147181	-3266	-151997	-3332	-187382	-3449	-140708	-3467
BNB	-114390	0	-157433	0	-86249	0	-88268	0	-120363	0	-82759	0
CB	-64846	-3257	-49894	-3294	-60932	-3266	-63729	-3332	-67019	-3449	-57949	-3467
CLAIMS ON LOCAL BUDGETS (net)	-49313	-794	-45648	-764	-40816	-720	-41163	-726	-34502	-736	-30753	-727
BGN	-78360	-460	-74282	-425	-71619	-385	-72090	-383	-65585	-381	-58592	-370
Foreign currencies	29047	-334	28634	-339	30803	-335	30927	-343	31083	-355	27839	-357
Claims	32998	0	32589	0	34686	0	34771	0	35152	0	31750	0
BGN of CB	2419	0	2337	0	2264	0	2189	0	2373	0	2319	0
Foreign currencies of CB	30579	0	30252	0	32422	0	32582	0	32779	0	29431	0
Securities of CB	29975	0	29522	0	31436	0	31371	0	30719	0	28013	0
Foreign currencies of CB	29975	0	29522	0	31436	0	31371	0	30719	0	28013	0
Credits	2406	0	2322	0	2256	0	2188	0	2372	0	2318	0
BGN of CB	2406	0	2322	0	2256	0	2188	0	2372	0	2318	0
Other claims	617	0	745	0	994	0	1212	0	2061	0	1419	0
BGN of CB	13	0	15	0	8	0	1	0	1	0	1	0
Foreign currencies of CB	604	0	730	0	986	0	1211	0	2060	0	1418	0
Less: deposits	-82311	-794	-78237	-764	-75502	-720	-75934	-726	-69654	-736	-62503	-727
BGN of CB	-80779	-460	-76619	-425	-73883	-385	-74279	-383	-67958	-381	-60911	-370
Foreign currencies of CB	-1532	-334	-1618	-339	-1619	-335	-1655	-343	-1696	-355	-1592	-357
CLAIMS ON NONGOVERNMENT SECTOR	3766113	1233025	3846305	1231139	3884991	1223011	3938462	1171246	3993156	1196115	4081350	1191713
BGN	1849860	327150	1896344	337434	1969045	340602	1861071	180594	1883759	179751	1919520	171978
Foreign currencies	1916253	905875	1949961	893705	1915946	882409	2077391	990652	2109397	1016364	2161830	1019735
CLAIMS ON NONFINANCIAL STATE-OWNED ENTERPRISES	774040	317278	776480	319374	750221	313081	738391	305779	718421	311221	713078	312445
BGN	242774	73803	236512	73602	231700	70617	214507	70634	206130	70625	216071	70658
BNB	2066	0	2066	0	2066	0	2066	0	2066	0	2066	0
CB	240708	73803	234446	73602	229634	70617	212441	70634	204064	70625	214005	70658
Foreign currencies	531266	243475	539968	245772	518521	242464	523884	235145	512291	240596	497007	241787
CB	531266	243475	539968	245772	518521	242464	523884	235145	512291	240596	497007	241787
CLAIMS ON PRIVATE ENTERPRISES	2432406	885281	2504342	880862	2564019	879209	2626832	833261	2697944	851532	2788777	845801
BGN	1090762	251309	1138770	261807	1210963	267966	1117721	107910	1148538	107075	1177078	99291
CB	1090762	251309	1138770	261807	1210963	267966	1117721	107910	1148538	107075	1177078	99291
Foreign currencies	1341644	633972	1365572	619055	1353056	611243	1509111	725351	1549406	744457	1611699	746510
CB	1341644	633972	1365572	619055	1353056	611243	1509111	725351	1549406	744457	1611699	746510
CLAIMS ON THE PUBLIC	517724	1860	522443	1865	527753	1845	531528	3094	531532	3158	532436	3146
BGN of CB	512100	223	516652	210	521934	204	524335	235	524333	232	521593	210
Foreign currencies of CB	5624	1637	5791	1655	5819	1641	7193	2859	7199	2926	10843	2936

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(BGN '000)

	VII'99		VIII'99		IX'99		X'99		XI'99		XII'99	
	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks
CLAIMS ON NONBANK												
FINANCIAL INSTITUTIONS	41943	28606	43040	29038	42998	28876	41711	29112	45259	30204	47059	30321
BGN	4224	1815	4410	1815	4448	1815	4508	1815	4758	1819	4778	1819
BNB	0	0	0	0	0	0	0	0	0	0	0	0
CB	4224	1815	4410	1815	4448	1815	4508	1815	4758	1819	4778	1819
Foreign currencies	37719	26791	38630	27223	38550	27061	37203	27297	40501	28385	42281	28502
CB	37719	26791	38630	27223	38550	27061	37203	27297	40501	28385	42281	28502
OTHER ITEMS (net)	-2854239	-391738	-2864344	-390681	-2975018	-398977	-2966959	-375910	-3069463	-399015	-3036918	-404079
BGN	-3005734	-450378	-3015170	-450891	-3140492	-451357	-3146336	-448410	-3260120	-469388	-3195099	-475928
Foreign currencies	151539	58653	150805	60219	165489	52393	179383	72508	190670	70389	158198	71857
Own funds	-1142940	936039	-1173498	926989	-1245110	936867	-1321688	897863	-1380881	878631	-1436949	864334
Capital and reserves	-2026086	-190015	-2028006	-190309	-2080758	-190120	-2072982	-190564	-2094269	-191278	-2126069	-191793
BNB	-798005	0	-799253	0	-838646	0	-830437	0	-836636	0	-834381	0
CB	-1228081	-190015	-1228753	-190309	-1242112	-190120	-1242545	-190564	-1257633	-191278	-1291688	-191793
Financial result	883146	1126054	854508	1117298	835648	1126987	751294	1088427	713388	1069909	689120	1056127
BNB	-106550	0	-121918	0	-132064	0	-147889	0	-157825	0	-185121	0
CB	989696	1126054	976426	1117298	967712	1126987	899183	1088427	871213	1069909	874241	1056127
Other assets and liabilities (net)	-1637718	-1058237	-1621170	-1047231	-1631395	-1065619	-1565698	-1010129	-1595605	-1010455	-1543916	-1001126
BGN	-1794180	-1218024	-1778114	-1209859	-1806255	-1219781	-1751177	-1183221	-1795978	-1184826	-1712520	-1177628
BNB	-99887	0	-103113	0	-99646	0	-89996	0	-92946	0	-84344	0
CB	-1694293	-1218024	-1675001	-1209859	-1706609	-1219781	-1661181	-1183221	-1703032	-1184826	-1628176	-1177628
Foreign currencies	156462	159787	156944	162628	174860	154162	185479	173092	200373	174371	168604	176502
BNB	72943	0	73324	0	86726	0	87520	0	88710	0	89497	0
CB	83519	159787	83620	162628	88134	154162	97959	173092	111663	174371	79107	176502
Relations between BNB and CB	-73537	-269527	-69697	-270430	-98498	-270212	-79567	-263636	-92964	-267175	-56036	-267279
BGN	-68614	-168393	-63558	-168021	-89127	-168443	-73471	-163052	-83261	-163193	-45630	-162634
Foreign currencies	-4923	-101134	-6139	-102409	-9371	-101769	-6096	-100584	-9703	-103982	-10406	-104645
CB cash (BGN)	-101199	0	-109668	0	-109401	0	-100754	0	-104397	0	-122379	0
Deposits of CB with BNB	-458580	0	-536684	0	-493016	0	-566404	0	-564027	0	-641938	0
BGN	-247065	0	-304929	0	-302207	0	-314558	0	-348157	0	-463341	0
Foreign currencies	-211515	0	-231755	0	-190809	0	-251846	0	-215870	0	-178597	0
BNB claims on CB	235620	0	234772	0	232711	0	229501	0	228469	0	228621	0
BGN	139403	0	138602	0	138593	0	135379	0	134343	0	134813	0
Foreign currencies	96217	0	96170	0	94118	0	94122	0	94126	0	93808	0
CB reserves in BNB	526270	5268	619286	5665	548091	5258	627772	5249	621175	5133	753468	5717
BGN	313908	5268	386568	5665	358130	5258	374772	5249	404153	5133	573628	5717
Foreign currencies	212362	0	232718	0	189961	0	253000	0	217022	0	179840	0
BNB credits	-275648	-274795	-277403	-276095	-276883	-275470	-269682	-268885	-274184	-272308	-273808	-272996
BGN	-173661	-173661	-174131	-173686	-174242	-173701	-168310	-168301	-169203	-168326	-168351	-168351
Foreign currencies	-101987	-101134	-103272	-102409	-102641	-101769	-101372	-100584	-104981	-103982	-105457	-104645
BROAD MONEY M3	6297310	157579	6485130	155127	6669286	153952	6673825	154670	6969875	149697	7351114	149351
BGN	3663780	93620	3799125	90657	3912767	89981	3914422	89811	4065938	82949	4475466	82770
Foreign currencies	2633530	63959	2686005	64470	2756519	63971	2759403	64859	2903937	66748	2875648	66581
MONEY M1	2415691	0	2476093	0	2573592	0	2545788	0	2665900	0	2996636	0
Money outside banks	1526300	0	1615787	0	1686586	0	1685078	0	1726057	0	1957350	0
Demand deposits (in BGN)	889391	0	860306	0	887006	0	860710	0	939843	0	1039286	0
State-owned enterprises	352789	0	279631	0	266500	0	233569	0	270212	0	318194	0
CB	352789	0	279631	0	266500	0	233569	0	270212	0	318194	0
Private enterprises	440725	0	480422	0	514293	0	520560	0	551284	0	592415	0
CB	440725	0	480422	0	514293	0	520560	0	551284	0	592415	0
Public	77103	0	81495	0	84498	0	88444	0	94904	0	103972	0
CB	77103	0	81495	0	84498	0	88444	0	94904	0	103972	0
Nonbank financial institutions	18774	0	18758	0	21715	0	18137	0	23443	0	24705	0
BNB	47	0	8	0	1469	0	22	0	14	0	9	0
CB	18727	0	18750	0	20246	0	18115	0	23429	0	24696	0
MONEY M2 (M1 + quasi-money)	5877269	0	6088321	0	6262833	0	6270105	0	6569916	0	6914023	0
Quasi-money	3461578	0	3612228	0	3689241	0	3724317	0	3904016	0	3917387	0
Time deposits (in BGN)	770119	0	835202	0	847550	0	865096	0	881152	0	924799	0
State-owned enterprises	56031	0	111017	0	111777	0	114911	0	119088	0	118793	0
CB	56031	0	111017	0	111777	0	114911	0	119088	0	118793	0
Private enterprises	43424	0	48814	0	57477	0	69400	0	71527	0	69803	0
BNB	0	0	0	0	0	0	0	0	0	0	0	0
CB	43424	0	48814	0	57477	0	69400	0	71527	0	69803	0

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(BGN '000)

	VII'99		VIII'99		IX'99		X'99		XI'99		XII'99	
	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks
Public	631809	0	639767	0	645388	0	650205	0	662919	0	684626	0
CB	631809	0	639767	0	645388	0	650205	0	662919	0	684626	0
Nonbank financial institutions	38855	0	35604	0	32908	0	30580	0	27618	0	51577	0
BNB	0	0	0	0	0	0	0	0	0	0	0	0
CB	38855	0	35604	0	32908	0	30580	0	27618	0	51577	0
Savings deposits (in BGN)	322499	0	334400	0	340567	0	346851	0	360633	0	387856	0
Foreign currency deposits	2368960	0	2442626	0	2501124	0	2512370	0	2662231	0	2604732	0
State-owned enterprises	235058	0	239764	0	286042	0	243378	0	289094	0	273760	0
BNB	322	0	323	0	323	0	325	0	328	0	328	0
CB	234736	0	239441	0	285719	0	243053	0	288766	0	273432	0
Private enterprises	511234	0	559458	0	565989	0	563759	0	598002	0	526279	0
CB	511234	0	559458	0	565989	0	563759	0	598002	0	526279	0
Public	1547896	0	1573286	0	1582947	0	1637581	0	1694904	0	1722474	0
CB	1547896	0	1573286	0	1582947	0	1637581	0	1694904	0	1722474	0
Nonbank financial institutions	74772	0	70118	0	66146	0	67652	0	80231	0	82219	0
CB	74772	0	70118	0	66146	0	67652	0	80231	0	82219	0
<b>MONEY M3 (M2 + money market instruments, restricted deposits and deposits in nonoperating banks)</b>	<b>6297310</b>	<b>157579</b>	<b>6485130</b>	<b>155127</b>	<b>6669286</b>	<b>153952</b>	<b>6673825</b>	<b>154670</b>	<b>6969875</b>	<b>149697</b>	<b>7351114</b>	<b>149351</b>
Money market instruments	3965	0	3737	0	4339	0	4541	0	4530	0	56429	0
BGN	3738	0	3508	0	4019	0	4139	0	4062	0	13921	0
Foreign currencies	227	0	229	0	320	0	402	0	468	0	42508	0
Import and restricted deposits	258497	0	237945	0	248162	0	244509	0	245732	0	231311	0
BGN	58113	0	59265	0	57058	0	62737	0	71242	0	69484	0
Foreign currencies	200384	0	178680	0	191104	0	181772	0	174490	0	161827	0
State-owned enterprises	133731	0	124539	0	124656	0	111967	0	131289	0	118605	0
BGN	23905	0	22088	0	20129	0	20999	0	35793	0	33724	0
CB	23905	0	22088	0	20129	0	20999	0	35793	0	33724	0
Foreign currencies	109826	0	102451	0	104527	0	90968	0	95496	0	84881	0
CB	109826	0	102451	0	104527	0	90968	0	95496	0	84881	0
Private enterprises	106180	0	89461	0	95772	0	108206	0	95544	0	97780	0
BGN	28059	0	25918	0	22968	0	30774	0	26587	0	29882	0
CB	28059	0	25918	0	22968	0	30774	0	26587	0	29882	0
Foreign currencies	78121	0	63543	0	72804	0	77432	0	68957	0	67898	0
CB	78121	0	63543	0	72804	0	77432	0	68957	0	67898	0
Public	10379	0	10699	0	11102	0	11219	0	11542	0	12182	0
BGN	5188	0	5048	0	5186	0	5142	0	4844	0	5495	0
BNB	215	0	87	0	77	0	25	0	22	0	31	0
CB	4973	0	4961	0	5109	0	5117	0	4822	0	5464	0
Foreign currencies	5191	0	5651	0	5916	0	6077	0	6698	0	6687	0
Nonbank financial institutions	8207	0	13246	0	16632	0	13117	0	7357	0	2744	0
BGN	961	0	6211	0	8775	0	5822	0	4018	0	383	0
CB	961	0	6211	0	8775	0	5822	0	4018	0	383	0
Foreign currencies	7246	0	7035	0	7857	0	7295	0	3339	0	2361	0
CB	7246	0	7035	0	7857	0	7295	0	3339	0	2361	0
Deposits in nonoperating banks	157579	157579	155127	155127	153952	153952	154670	154670	149697	149697	149351	149351
BGN	93620	93620	90657	90657	89981	89981	89811	89811	82949	82949	82770	82770
Foreign currencies	63959	63959	64470	64470	63971	63971	64859	64859	66748	66748	66581	66581
State-owned enterprises	89455	89455	86869	86869	86135	86135	86463	86463	87108	87108	86769	86769
BGN	59073	59073	56265	56265	55970	55970	55833	55833	55564	55564	55510	55510
Foreign currencies	30382	30382	30604	30604	30165	30165	30630	30630	31544	31544	31259	31259
Private enterprises	47831	47831	47713	47713	47677	47677	47846	47846	41754	41754	41724	41724
BGN	27659	27659	27524	27524	27414	27414	27382	27382	20787	20787	20707	20707
Foreign currencies	20172	20172	20189	20189	20263	20263	20464	20464	20967	20967	21017	21017
Public	4646	4646	4631	4631	4366	4366	4373	4373	4395	4395	4395	4395
BGN	4136	4136	4117	4117	3854	3854	3853	3853	3863	3863	3863	3863
Foreign currencies	510	510	514	514	512	512	520	520	532	532	532	532
Nonbank financial institutions	15647	15647	15914	15914	15774	15774	15988	15988	16440	16440	16463	16463
BGN	2752	2752	2751	2751	2743	2743	2743	2743	2735	2735	2690	2690
Foreign currencies	12895	12895	13163	13163	13031	13031	13245	13245	13705	13705	13773	13773

Source: BNB.

**ANALYTICAL REPORTING OF THE BNB**

(BGN '000)

	XII'98	I'99	II'99	III'99	IV'99	V'99	VI'99	VII'99	VIII'99	IX'99	X'99	XI'99	XII'99
<b>FOREIGN ASSETS</b>													
BNB international reserves	5441560	5227106	5410232	5211326	5266683	5282695	5314830	4902990	5203004	5433977	5586465	5826216	6432434
Foreign currencies	5119371	4905422	4973603	5061771	5118848	5132357	5162228	4754920	5052693	5284372	5433334	5667253	6272081
Monetary gold	5119371	4905422	4973603	5061771	5118848	5132357	5162228	4754920	5052693	5284372	5433334	5667253	6272081
Reserve position with the IMF	496368	505152	515611	515611	515611	515611	510724	483643	487425	515611	515611	515611	515611
Special drawing rights	76904	77922	79108	80682	81434	82142	82606	81491	82765	83140	84420	86695	87251
Foreign banknotes and coins	50133	28685	130495	104354	67423	50039	152936	134721	110562	79791	30144	8688	158887
Foreign assets with foreign banks	17764	16280	21996	20194	21671	36869	41200	52835	57289	48095	31822	34740	33921
	4478202	4277383	4226393	4340930	4432709	4447696	4374762	4002230	4314652	4557735	4771337	5021519	5476411
Other foreign assets	322189	321684	436629	149555	147835	150338	152602	148070	150311	149605	153131	158963	160353
Foreign currencies	322189	321684	436629	149555	147835	150338	152602	148070	150311	149605	153131	158963	160353
L/C	874	865	878	873	105	106	0	0	0	0	0	0	5
Partnerships and investment	321311	320819	435751	148682	147730	150232	152602	148070	150311	149605	153131	158963	160348
Other	4	0	0	0	0	0	0	0	0	0	0	0	0
<b>CLAIMS ON STATE BUDGET</b>	1665949	1688018	1811524	1818827	1796894	1812513	1925638	1883067	1905963	2017639	1997355	2051174	2203159
Foreign currencies	1665949	1688018	1811524	1818827	1796894	1812513	1925638	1883067	1905963	2017639	1997355	2051174	2203159
Credits	1665949	1688018	1811524	1818827	1796894	1812513	1925638	1883067	1905963	2017639	1997355	2051174	2203159
<b>CLAIMS ON NONFINANCIAL STATE-OWNED ENTERPRISES</b>													
BGN	1350	1350	1350	1350	1350	1350	2066	2066	2066	2066	2066	2066	2066
	1350	1350	1350	1350	1350	1350	2066	2066	2066	2066	2066	2066	2066
<b>CLAIMS ON NONBANK FINANCIAL INSTITUTIONS</b>													
BGN	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>CLAIMS ON CB</b>	256463	257196	248255	248362	246224	245966	246026	235620	234772	232711	229501	228469	228621
BGN	147597	145855	144203	144205	142732	142717	142727	139403	138602	138593	135379	134343	134813
Deposits	28	33	33	38	38	38	48	48	49	49	49	49	0
Credits	52277	52277	51577	51574	51569	51555	51555	49212	48661	48652	47252	47252	46948
Overdue credits	52277	52277	51577	51574	51569	51555	51555	49212	48661	48652	47252	47252	46948
Other claims	95292	93545	92593	92593	91125	91124	91124	90143	89892	89892	88078	87042	87865
Foreign currencies	108866	111341	104052	104157	103492	103249	103299	96217	96170	94118	94122	94126	93808
Deposits	2416	2467	2533	2500	2495	2491	2490	1696	1696	1696	1696	1697	1696
Credits	88818	90779	83886	83949	83934	83645	83645	77884	77791	77591	77591	77591	77283
Overdue credits	88818	90779	83886	83949	83934	83645	83645	77884	77791	77591	77591	77591	77283
Other claims	17632	18095	17633	17708	17063	17113	17164	16637	16683	14831	14835	14838	14829
<b>OTHER ASSETS</b>	1063402	1076820	1411385	1737193	1755784	1765786	1772613	1750041	1775314	1796295	1820413	1864601	1878896
BGN	153140	154063	153994	159703	162692	162101	161664	164097	165316	166354	166295	167082	170873

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(BGN '000)

	XII'98	I'99	II'99	III'99	IV'99	V'99	VI'99	VII'99	VIII'99	IX'99	X'99	XI'99	XII'99
Long-term assets	144246	145138	145706	150501	153456	153556	153687	154495	155276	156419	156939	158047	162905
Intrabank accounts	29	0	0	0	0	0	0	0	0	0	0	0	0
Other unclassified assets	8865	8925	8288	9202	9236	8545	7977	9602	10040	9935	9356	9035	7968
Foreign currencies	910262	922757	1257391	1577490	1593092	1603685	1610949	1585944	1609998	1629941	1654118	1697519	1708023
Other unclassified assets	910262	922757	1257391	1577490	1593092	1603685	1610949	1585944	1609998	1629941	1654118	1697519	1708023
<b>RESERVE MONEY</b>	2387369	2225451	2202995	2200315	2229536	2145793	2163013	2086126	2262147	2290472	2352258	2394495	2721676
Currency outside banks	1742026	1600072	1632929	1566708	1580078	1559940	1479052	1526300	1615787	1686586	1685078	1726057	1957350
Issue	2523489	2520802	2612700	2684686	2669043	3142331	3111175	4142065	4641239	4798744	4926556	5000630	5386298
Less	781463	920730	979771	1117978	1088965	1582391	1632123	2615765	3025452	3112158	3241478	3274573	3428948
BNB cash	4194	4505	4769	4326	4301	4380	3551	11573	10986	10383	9608	8975	8747
BNB reserve cash	674265	827953	887226	1021326	999513	1473829	1521031	2502993	2904798	2992374	3131116	3161201	3297822
CB cash	103004	88272	87776	92326	85151	104182	107541	101199	109668	109401	100754	104397	122379
Bank reserves	645337	625376	570058	633556	649455	585846	683945	559779	646352	602417	667158	668424	764317
BGN	483084	503313	428497	438977	490643	400371	426923	348264	414597	411608	415312	452554	585720
Minimum required reserves	309961	351607	348326	303241	320533	303627	243633	279141	286116	338422	287830	354334	387815
Excess reserves	70119	63434	-7605	43410	84959	-7438	75749	-32076	18813	-36215	26728	-6177	75526
Settlement accounts	62422	39262	-31575	25149	66809	-28427	43033	-50385	7160	-52081	3801	-29722	65828
Time deposits	0	0	0	0	0	0	0	0	0	0	0	0	0
Other deposits	4739	6103	6102	6104	6079	6248	5720	5693	4094	4530	4549	3928	3942
Other liabilities	2958	18069	17868	12157	12071	14741	26996	12616	7559	11336	18378	19617	5756
CB cash	103004	88272	87776	92326	85151	104182	107541	101199	109668	109401	100754	104397	122379
Foreign currencies	162253	122063	141561	194579	158812	185475	257022	211515	231755	190809	251846	215870	178597
Minimum required reserves	162248	122058	141555	194573	158806	185475	257022	211515	231755	190809	251846	215870	178597
Excess reserves	5	5	6	6	6	0	0	0	0	0	0	0	0
Settlement accounts	5	5	6	6	6	0	0	0	0	0	0	0	0
Other deposits of nonbank institutions and public in BGN	6	3	8	51	3	7	16	47	8	1469	22	14	9
<b>TIME, SAVINGS AND FOREIGN CURRENCY DEPOSITS</b>	10314	10316	17320	9608	3323	323	324	322	323	323	325	328	328
Time deposits (in BGN)	10001	10001	17002	9288	3002	0	0	0	0	0	0	0	0
Private enterprises	0	0	7001	9288	3002	0	0	0	0	0	0	0	0
Nonbank financial institutions	10001	10001	10001	0	0	0	0	0	0	0	0	0	0
Foreign currency deposits	313	315	318	320	321	323	324	322	323	323	325	328	328
State-owned enterprises	313	315	318	320	321	323	324	322	323	323	325	328	328
<b>MONEY MARKET INSTRUMENTS AND RESTRICTED DEPOSITS</b>	17792	18289	3254	13136	445	83	112	215	87	77	25	22	31

(continued)

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(BGN '000)

	XII'98	I'99	II'99	III'99	IV'99	V'99	VI'99	VII'99	VIII'99	IX'99	X'99	XI'99	XII'99
Import and restricted deposits													
BGN	17792	18289	3254	13136	445	83	112	215	87	77	25	22	31
Public	17792	18289	3254	13136	445	83	112	215	87	77	25	22	31
	17792	18289	3254	13136	445	83	112	215	87	77	25	22	31
FOREIGN LIABILITIES	1871136	1896481	2022769	2034863	2015400	2031767	2146781	2101890	2126809	2240081	2223892	2282262	2436460
BGN	2814	2814	3875	3875	3875	3991	3991	3991	3991	3971	3991	3991	3991
Liabilities to IMF	2814	2814	3875	3875	3875	3991	3991	3991	3991	3971	3991	3991	3991
Foreign currencies	1868322	1893667	2018894	2030988	2011525	2027776	2142790	2097899	2122818	2236110	2219901	2278271	2432469
Liabilities to IMF	1868322	1893667	2018894	2030988	2011525	2027776	2142790	2097899	2122818	2236110	2219901	2278270	2432469
Other foreign liabilities	0	0	0	0	0	0	0	0	0	0	0	1	0
DEPOSITS OF THE STATE BUDGET	1527141	1545510	1621583	1729976	1858134	1951972	1974556	1680839	1721575	1963028	2052524	2210920	2388558
BGN	303081	453145	491322	697445	846587	959878	1075974	1077483	1086241	1157168	1284005	1321444	1087391
Foreign currencies	1224060	1092365	1130261	1032531	1011547	992094	898582	603356	635334	805860	768519	889476	1301167
DEPOSITS OF STATE FUNDS AND EXTRABUDGETARY ACCOUNTS	420697	321646	327607	248215	239941	241097	237781	222849	283911	208775	205562	221200	304878
BGN	302535	231921	231807	140039	132748	130311	100022	108459	126478	122526	117294	100837	222119
Extrabudgetary accounts	302535	231921	231807	140039	132748	130311	100022	108459	126478	122526	117294	100837	222119
Foreign currencies	118162	89725	95800	108176	107193	110786	137759	114390	157433	86249	88268	120363	82759
State funds	6281	6390	6399	6438	6617	6631	6403	6586	6353	6390	6114	5859	5873
Extrabudgetary accounts	111881	83335	89401	101738	100576	104155	131356	107804	151080	79859	82154	114504	76886
OWN FUNDS	916255	927499	949887	1011977	938939	941309	932380	904555	921171	970710	978326	994461	1019502
Authorized capital	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000
Reserves	781841	797917	814272	824464	861279	853334	833416	778005	779253	818646	810437	816636	814381
Financial result	114414	109582	115615	167513	57660	67975	78964	106550	121918	132064	147889	157825	185121
Profit (loss)	0	0	0	0	0	0	0	0	0	0	0	0	0
Financial revenue	282349	131273	164767	183334	79030	95324	113076	147338	166238	185842	206440	222845	256730
less financial expenses	-139203	-19295	-44136	-6059	-8433	-10727	-12564	-15599	-17031	-20582	-23455	-25437	-26258
less operating expenses	-28732	-2396	-5016	-9762	-12937	-16622	-21548	-25189	-27289	-33196	-35096	-39583	-45351
OTHER LIABILITIES	1278023	1305299	1737331	1768970	1781216	1795957	1806227	1776985	1805103	1809215	1822889	1868837	1873743
BGN	262138	275957	267369	269763	268893	270488	272152	263984	268429	266000	256291	260028	255217
Settlements with international institutions	159	105	31	11	11	12	662	659	659	677	270	270	77
Intrabank accounts	0	10305	9729	10623	9827	11620	12240	14145	18216	16955	9811	14014	0
Other unclassified assets	971	2278	2595	1455	1482	1027	1021	958	976	1026	1261	993	11647
Depreciations and provisions	261008	263269	255014	257674	257573	257829	258229	248222	248578	247342	244949	244751	243493
Foreign currencies	1015885	1029342	1469962	1499207	1512323	1525468	1534075	1513001	1536674	1543215	1566598	1608809	1618526
Settlements with international institutions	1015885	1029342	1469962	1499186	1512302	1525448	1534053	1512975	1536630	1543210	1566593	1608804	1618526
Long-term foreign currency loans	0	0	0	0	0	0	0	0	0	0	0	0	0
Other unclassified liabilities	0	0	20	21	21	21	22	26	44	5	5	5	0

Source: BNB.



## ANALYTICAL REPORTING OF CB

(BGN '000)

	XII'98		I'99		II'99		III'99		IV'99		V'99		VI'99	
	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks
RESERVES	651188	5336	564824	5731	517823	5687	531033	5337	587258	4990	507609	5002	628457	4804
FOREIGN ASSETS	2828235	102188	2560940	161955	2762387	170116	2749493	174014	2580112	155502	2628203	160241	2731872	132698
CLAIMS ON STATE BUDGET	1656780	67564	1681797	69594	1641650	52390	1669621	53461	1639299	53830	1668513	54422	1456705	49851
BGN	838064	10287	814381	9927	813082	10043	963897	10026	934379	9802	951697	9799	894061	4676
Foreign currencies	818716	57277	867416	59667	828568	42347	705724	43435	704920	44028	716816	44623	562644	45175
CLAIMS ON STATE FUNDS AND EXTRABUDGETARY ACCOUNTS	81	0	94	0	83	0	100	0	119	0	143	0	968	0
BGN	81	0	94	0	83	0	100	0	119	0	143	0	968	0
CLAIMS ON LOCAL BUDGETS	17052	1	2749	1	3174	1	3229	1	2960	1	3222	1	33550	0
BGN	17052	1	2749	1	3174	1	3229	1	2960	1	3222	1	2475	0
Foreign currencies	0	0	0	0	0	0	0	0	0	0	0	0	31075	0
CLAIMS ON NONFINANCIAL STATE-OWNED ENTERPRISES	944246	380160	934085	373574	907377	349255	828669	305773	804633	297979	789211	300428	790370	324080
BGN	298585	34042	288763	35297	291322	35740	264638	37733	241523	33672	239069	33624	258099	73894
Foreign currencies	645661	346118	645322	338277	616055	313515	564031	268040	563110	264307	550142	266804	532271	250186
CLAIMS ON PRIVATE ENTERPRISES	2253167	932790	2330878	987227	2385831	1012135	2294400	926354	2375470	935443	2442902	936724	2419914	906529
BGN	801681	93613	895399	195542	907570	195745	974566	228824	1013925	240563	1028060	241438	1053946	243637
Foreign currencies	1451486	839177	1435479	791685	1478261	816390	1319834	697530	1361545	694880	1414842	695286	1365968	662892
CLAIMS ON THE PUBLIC	480491	600	484861	895	490892	777	498023	764	507481	1812	513491	1903	516054	1921
BGN	476006	109	480264	393	486286	261	493541	240	501828	236	507773	231	510302	227
Foreign currencies	4485	491	4597	502	4606	516	4482	524	5653	1576	5718	1672	5752	1694
CLAIMS ON NONBANK FINANCIAL INSTITUTIONS	37971	26042	38660	26941	39731	27789	40682	28507	40567	28828	40835	29171	42830	29494
BGN	3565	1518	3413	1814	3232	1814	3130	1814	2508	1815	2486	1815	3979	1815
Foreign currencies	34406	24524	35247	25127	36499	25975	37552	26693	38059	27013	38349	27356	38851	27679
OTHER ASSETS (net)	28414344	1863099	29680890	2615147	31545919	2614062	33867721	2394633	36349660	2686923	37232354	2447315	40305489	2487820
BGN	25058496	1060698	26649472	1785189	28359048	1760739	30695796	1749256	32897986	1848890	33883758	1808948	36680591	1823509
Foreign currencies	3355848	802401	3031418	829958	3186871	853323	3171925	645377	3451674	838033	3348596	638367	3624898	664311
DEMAND DEPOSITS (in BGN)	1013567	0	810891	0	829530	0	832444	0	844775	0	834016	0	798854	0
State-owned enterprises	381058	0	298336	0	330627	0	344859	0	354170	0	332777	0	285937	0
Private enterprises	534781	0	420287	0	405404	0	395889	0	399547	0	410456	0	422280	0
Public	67774	0	66624	0	68678	0	66511	0	69378	0	70872	0	74542	0
Nonbank financial institutions	29954	0	25644	0	24821	0	25185	0	21680	0	19911	0	16095	0
TIME, SAVINGS AND FOREIGN CURRENCY DEPOSITS	3414677	0	3429734	0	3495245	0	3462668	0	3462919	0	3449169	0	3492139	0
TIME DEPOSITS (in BGN)	766382	0	791628	0	805858	0	787005	0	794545	0	780196	0	762740	0
State-owned enterprises	40562	0	42390	0	45456	0	42087	0	48484	0	62996	0	59918	0
Private enterprises	36534	0	45032	0	48759	0	44412	0	41524	0	37194	0	36586	0
Public	650135	0	657681	0	665418	0	651281	0	641853	0	631574	0	624658	0
Nonbank financial institutions	39151	0	46525	0	46225	0	49225	0	62684	0	48432	0	41578	0
SAVINGS DEPOSITS (in BGN)	292293	0	300425	0	306201	0	307372	0	307184	0	308637	0	312278	0
FOREIGN CURRENCY DEPOSITS	2356002	0	2337681	0	2383186	0	2368291	0	2361190	0	2360336	0	2417121	0
State-owned enterprises	388819	0	326918	0	322870	0	293559	0	296793	0	277552	0	253334	0
Private enterprises	474602	0	477176	0	490262	0	491507	0	487709	0	501807	0	526974	0
Public	1404551	0	1445788	0	1481095	0	1503690	0	1498202	0	1503064	0	1555518	0
Nonbank financial institutions	88030	0	87799	0	88959	0	79535	0	78486	0	77913	0	81295	0
MONEY MARKET INSTRUMENTS, RESTRICTED DEPOSITS AND DEPOSITS IN NONOPERATING BANKS	398791	151709	403270	178511	391152	169177	376443	165505	388212	166290	391901	169708	413074	161997
DISBURSED LOANS AND PARTNERSHIPS	7627	0	7817	0	8481	0	9507	0	3077	0	3662	0	4197	0
BGN	7579	0	7783	0	8460	0	8901	0	3051	0	3418	0	3954	0
State-owned enterprises	7470	0	7677	0	8356	0	8800	0	2954	0	3192	0	3730	0
Private enterprises	33	0	30	0	28	0	25	0	21	0	19	0	17	0
Nonbank financial institutions	76	0	76	0	76	0	76	0	76	0	207	0	207	0

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(BGN '000)

	XII'98		I'99		II'99		III'99		IV'99		V'99		VI'99	
	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks
Foreign currencies	48	0	34	0	21	0	606	0	26	0	244	0	243	0
Private enterprises	27	0	25	0	21	0	19	0	17	0	203	0	203	0
Public	0	0	0	0	0	0	32	0	0	0	32	0	32	0
Nonbank financial institutions	21	0	9	0	0	0	555	0	9	0	9	0	8	0
<b>IMPORT AND RESTRICTED DEPOSITS</b>	<b>239455</b>	<b>0</b>	<b>216942</b>	<b>0</b>	<b>213494</b>	<b>0</b>	<b>201431</b>	<b>0</b>	<b>218845</b>	<b>0</b>	<b>218531</b>	<b>0</b>	<b>246880</b>	<b>0</b>
BGN	82168	0	61610	0	70199	0	55819	0	90174	0	55635	0	52935	0
State-owned enterprises	34678	0	20602	0	19525	0	21756	0	53694	0	19440	0	24718	0
Private enterprises	38257	0	34113	0	43904	0	26430	0	29965	0	30501	0	22510	0
Public	6252	0	5524	0	5676	0	6709	0	5482	0	5213	0	5242	0
Nonbank financial institutions	2981	0	1371	0	1094	0	924	0	1033	0	481	0	465	0
Foreign currencies	157287	0	155332	0	143295	0	145612	0	128671	0	162896	0	193945	0
State-owned enterprises	92906	0	82012	0	81396	0	78218	0	70368	0	105534	0	110225	0
Private enterprises	51039	0	60287	0	48781	0	54065	0	44941	0	44619	0	70505	0
Public	5484	0	5082	0	5221	0	5013	0	5052	0	5059	0	5331	0
Nonbank financial institutions	7858	0	7951	0	7897	0	8316	0	8310	0	7684	0	7884	0
<b>DEPOSITS IN NONOPERATING BANKS</b>	<b>151709</b>	<b>151709</b>	<b>178511</b>	<b>178511</b>	<b>169177</b>	<b>169177</b>	<b>165505</b>	<b>165505</b>	<b>166290</b>	<b>166290</b>	<b>169708</b>	<b>169708</b>	<b>161997</b>	<b>161997</b>
BGN	81233	81233	96310	96310	91041	91041	89223	89223	89404	89404	89569	89569	94256	94256
State-owned enterprises	48795	48795	57683	57683	56585	56585	56321	56321	54895	54895	55075	55075	59498	59498
Private enterprises	25607	25607	29612	29612	27391	27391	26031	26031	27632	27632	27607	27607	27867	27867
Public	4090	4090	6255	6255	4317	4317	4122	4122	4127	4127	4136	4136	4136	4136
Nonbank financial institutions	2741	2741	2760	2760	2748	2748	2749	2749	2750	2750	2751	2751	2755	2755
Foreign currencies	70476	70476	82201	82201	78136	78136	76282	76282	76886	76886	80139	80139	67741	67741
State-owned enterprises	39165	39165	40344	40344	41242	41242	41909	41909	42263	42263	45198	45198	32796	32796
Private enterprises	18992	18992	21119	21119	21268	21268	20965	20965	21105	21105	21273	21273	21140	21140
Public	477	477	8615	8615	3093	3093	537	537	520	520	521	521	522	522
Nonbank financial institutions	11842	11842	12123	12123	12533	12533	12871	12871	12998	12998	13147	13147	13283	13283
<b>FOREIGN LIABILITIES</b>	<b>974123</b>	<b>483419</b>	<b>898722</b>	<b>505296</b>	<b>879851</b>	<b>458018</b>	<b>873481</b>	<b>439950</b>	<b>843613</b>	<b>441220</b>	<b>865743</b>	<b>444671</b>	<b>865374</b>	<b>445587</b>
BGN	13611	674	14330	736	12417	687	11817	674	12621	674	12148	674	13089	685
Foreign currencies	960512	482745	884392	504560	867434	457331	861664	439276	830992	440546	853595	443997	852285	444902
<b>DEPOSITS OF THE STATE BUDGET</b>	<b>644633</b>	<b>405357</b>	<b>585769</b>	<b>388620</b>	<b>663355</b>	<b>439575</b>	<b>647460</b>	<b>446245</b>	<b>663429</b>	<b>449053</b>	<b>657745</b>	<b>451452</b>	<b>626881</b>	<b>420338</b>
BGN	306804	223153	356271	205256	369011	202955	370035	216332	378909	219212	371104	219196	336530	185702
Foreign currencies	337829	182204	229498	183364	294344	236620	277425	229913	284520	229841	286641	232256	290351	234636
<b>DEPOSITS OF STATE FUNDS AND EXTRABUDGETARY ACCOUNTS</b>	<b>163090</b>	<b>3835</b>	<b>101822</b>	<b>3905</b>	<b>85270</b>	<b>3999</b>	<b>67871</b>	<b>3574</b>	<b>80867</b>	<b>3561</b>	<b>80662</b>	<b>3601</b>	<b>90270</b>	<b>3640</b>
BGN	91499	816	27481	816	17806	817	16683	321	23387	267	24211	267	26627	268
Foreign currencies	71591	3019	74341	3089	67464	3182	51188	3253	57480	3294	56451	3334	63643	3372
<b>DEPOSITS OF LOCAL BUDGETS</b>	<b>74515</b>	<b>777</b>	<b>77511</b>	<b>785</b>	<b>81981</b>	<b>796</b>	<b>96437</b>	<b>769</b>	<b>100487</b>	<b>806</b>	<b>95741</b>	<b>810</b>	<b>83612</b>	<b>822</b>
BGN	73107	462	76457	462	80859	462	95278	430	99276	462	94525	462	81898	475
Foreign currencies	1408	315	1054	323	1122	334	1159	339	1211	344	1216	348	1714	347
<b>LIABILITIES TO THE BNB</b>	<b>277258</b>	<b>269684</b>	<b>275398</b>	<b>272577</b>	<b>277659</b>	<b>275802</b>	<b>297326</b>	<b>278569</b>	<b>281187</b>	<b>280144</b>	<b>283395</b>	<b>281721</b>	<b>284188</b>	<b>283074</b>
BGN	179680	174856	177057	175543	176412	175867	193425	176074	176261	176261	177073	176393	176520	176418
Foreign currencies	97578	94828	98341	97034	101247	99935	103901	102495	104926	103883	106322	105328	107668	106656
<b>OWN FUNDS</b>	<b>159795</b>	<b>-975025</b>	<b>150184</b>	<b>-984364</b>	<b>136546</b>	<b>-995546</b>	<b>187980</b>	<b>-980239</b>	<b>213783</b>	<b>-971047</b>	<b>262897</b>	<b>-935620</b>	<b>231687</b>	<b>-915127</b>
Capital and reserves	1213691	200023	1155925	187515	1157043	187827	1158055	188315	1180436	188523	1188731	189681	1201555	190716
Financial result	-1053896	-1175048	-1005741	-1171879	-1020497	-1183373	-970075	-1168554	-966653	-1159570	-925834	-1125301	-969868	-1105843
<b>OTHER LIABILITIES</b>	<b>30163064</b>	<b>3038011</b>	<b>31546443</b>	<b>3875735</b>	<b>33454253</b>	<b>3880377</b>	<b>35640891</b>	<b>3534482</b>	<b>38008334</b>	<b>3795289</b>	<b>38905198</b>	<b>3518857</b>	<b>42040067</b>	<b>3536851</b>
BGN	26826072	2396633	28527560	3162575	30296234	3164726	32537779	3073713	34641727	3127973	35637547	3053681	38535883	3068481
incl. provisions	2131133	1388284	2172977	1421986	2198798	1427842	1983171	1293382	1971965	1267852	1934914	1236289	1913527	1219268
Foreign currencies	3336992	641378	3018883	713160	3158019	715651	3103112	460769	3366607	667316	3267651	465176	3504184	468370

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(BGN '000)

	VII'99		VIII'99		IX'99		X'99		XI'99		XII'99	
	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks
RESERVES	526270	5268	619286	5665	548091	5258	627772	5249	621175	5133	753468	5717
FOREIGN ASSETS	2950124	118344	2906859	119938	3097861	117914	3074918	118938	3307799	122856	3047685	122026
CLAIMS ON STATE BUDGET	1291544	47426	1271757	47914	1281302	47524	1309558	48379	1324228	49909	1300769	50225
BGN	755539	3755	754329	3755	755182	3735	780499	3728	794236	3728	752753	3817
Foreign currencies	536005	43671	517428	44159	526120	43789	529059	44651	529992	46181	548016	46408
CLAIMS ON STATE FUNDS AND EXTRABUDGETARY ACCOUNTS	1087	0	1066	0	1038	0	1005	0	295	0	6	0
BGN	1087	0	1066	0	1038	0	1005	0	295	0	6	0
CLAIMS ON LOCAL BUDGETS	32998	0	32589	0	34686	0	34771	0	35152	0	31750	0
BGN	2419	0	2337	0	2264	0	2189	0	2373	0	2319	0
Foreign currencies	30579	0	30252	0	32422	0	32582	0	32779	0	29431	0
CLAIMS ON NONFINANCIAL STATE-OWNED ENTERPRISES	771974	317278	774414	319374	748155	313081	736325	305779	716355	311221	711012	312445
BGN	240708	73803	234446	73602	229634	70617	212441	70634	204064	70625	214005	70658
Foreign currencies	531266	243475	539968	245772	518521	242464	523884	235145	512291	240596	497007	241787
CLAIMS ON PRIVATE ENTERPRISES	2432406	885281	2504342	880862	2564019	879209	2626832	833261	2697944	851532	2788777	845801
BGN	1090762	251309	1138770	261807	1210963	267966	1117721	107910	1148538	107075	1177078	99291
Foreign currencies	1341644	633972	1365572	619055	1353056	611243	1509111	725351	1549406	744457	1611699	746510
CLAIMS ON THE PUBLIC	517724	1860	522443	1865	527753	1845	531528	3094	531532	3158	532436	3146
BGN	512100	223	516652	210	521934	204	524335	235	524333	232	521593	210
Foreign currencies	5624	1637	5791	1655	5819	1641	7193	2859	7199	2926	10843	2936
CLAIMS ON NONBANK FINANCIAL INSTITUTIONS	41943	28606	43040	29038	42998	28876	41711	29112	45259	30204	47059	30321
BGN	4224	1815	4410	1815	4448	1815	4508	1815	4758	1819	4778	1819
Foreign currencies	37719	26791	38630	27223	38550	27061	37203	27297	40501	28385	42281	28502
OTHER ASSETS (net)	43178554	2426449	46413583	2424341	49445139	2405040	52330614	2433205	55224673	2456524	41271914	2436182
BGN	39451831	1807092	42336240	1797153	45124574	1789889	47677294	1797387	50285355	1804471	37535958	1779538
Foreign currencies	3726723	619357	4077343	627188	4320565	615151	4653320	635818	4939318	652053	3735956	656644
DEMAND DEPOSITS (in BGN)	889344	0	860298	0	885537	0	860688	0	939829	0	1039277	0
State-owned enterprises	352789	0	279631	0	266500	0	233569	0	270212	0	318194	0
Private enterprises	440725	0	480422	0	514293	0	520560	0	551284	0	592415	0
Public	77103	0	81495	0	84498	0	88444	0	94904	0	103972	0
Nonbank financial institutions	18727	0	18750	0	20246	0	18115	0	23429	0	24696	0
TIME, SAVINGS AND FOREIGN CURRENCY DEPOSITS	3461256	0	3611905	0	3688918	0	3723992	0	3903688	0	3917059	0
TIME DEPOSITS (in BGN)	770119	0	835202	0	847550	0	865096	0	881152	0	924799	0
State-owned enterprises	56031	0	111017	0	111777	0	114911	0	119088	0	118793	0
Private enterprises	43424	0	48814	0	57477	0	69400	0	71527	0	69803	0
Public	631809	0	639767	0	645388	0	650205	0	662919	0	684626	0
Nonbank financial institutions	38855	0	35604	0	32908	0	30580	0	27618	0	51577	0
SAVINGS DEPOSITS (in BGN)	322499	0	334400	0	340567	0	346851	0	360633	0	387856	0
FOREIGN CURRENCY DEPOSITS	2368638	0	2442303	0	2500801	0	2512045	0	2661903	0	2604404	0
State-owned enterprises	234736	0	239441	0	285719	0	243053	0	288766	0	273432	0
Private enterprises	511234	0	559458	0	565989	0	563759	0	598002	0	526279	0
Public	1547896	0	1573286	0	1582947	0	1637581	0	1694904	0	1722474	0
Nonbank financial institutions	74772	0	70118	0	66146	0	67652	0	80231	0	82219	0
MONEY MARKET INSTRUMENTS, RESTRICTED DEPOSITS AND DEPOSITS IN NONOPERATING BANKS	419826	157579	396722	155127	406376	153952	403695	154670	399937	149697	437060	149351
DISBURSED LOANS AND PARTNERSHIPS	3965	0	3737	0	4339	0	4541	0	4530	0	56429	0
BGN	3738	0	3508	0	4019	0	4139	0	4062	0	13921	0
State-owned enterprises	3507	0	3283	0	3801	0	3927	0	3856	0	0	0
Private enterprises	14	0	12	0	10	0	8	0	6	0	13654	0
Nonbank financial institutions	217	0	213	0	208	0	204	0	200	0	267	0

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(BGN '000)

	VII'99		VIII'99		IX'99		X'99		XI'99		XII'99	
	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks	all banks	incl. nonoperating banks
Foreign currencies	227	0	229	0	320	0	402	0	468	0	42508	0
Private enterprises	195	0	197	0	8	0	7	0	25	0	42118	0
Public	32	0	32	0	32	0	32	0	32	0	32	0
Nonbank financial institutions	0	0	0	0	280	0	363	0	411	0	358	0
IMPORT AND RESTRICTED DEPOSITS	258282	0	237858	0	248085	0	244484	0	245710	0	231280	0
BGN	57898	0	59178	0	56981	0	62712	0	71220	0	69453	0
State-owned enterprises	23905	0	22088	0	20129	0	20999	0	35793	0	33724	0
Private enterprises	28059	0	25918	0	22968	0	30774	0	26587	0	29882	0
Public	4973	0	4961	0	5109	0	5117	0	4822	0	5464	0
Nonbank financial institutions	961	0	6211	0	8775	0	5822	0	4018	0	383	0
Foreign currencies	200384	0	178680	0	191104	0	181772	0	174490	0	161827	0
State-owned enterprises	109826	0	102451	0	104527	0	90968	0	95496	0	84881	0
Private enterprises	78121	0	63543	0	72804	0	77432	0	68957	0	67898	0
Public	5191	0	5651	0	5916	0	6077	0	6698	0	6687	0
Nonbank financial institutions	7246	0	7035	0	7857	0	7295	0	3339	0	2361	0
DEPOSITS IN NONOPERATING BANKS	157579	157579	155127	155127	153952	153952	154670	154670	149697	149697	149351	149351
BGN	93620	93620	90657	90657	89981	89981	89811	89811	82949	82949	82770	82770
State-owned enterprises	59073	59073	56265	56265	55970	55970	55833	55833	55564	55564	55510	55510
Private enterprises	27659	27659	27524	27524	27414	27414	27382	27382	20787	20787	20707	20707
Public	4136	4136	4117	4117	3854	3854	3853	3853	3863	3863	3863	3863
Nonbank financial institutions	2752	2752	2751	2751	2743	2743	2743	2743	2735	2735	2690	2690
Foreign currencies	63959	63959	64470	64470	63971	63971	64859	64859	66748	66748	66581	66581
State-owned enterprises	30382	30382	30604	30604	30165	30165	30630	30630	31544	31544	31259	31259
Private enterprises	20172	20172	20189	20189	20263	20263	20464	20464	20967	20967	21017	21017
Public	510	510	514	514	512	512	520	520	532	532	532	532
Nonbank financial institutions	12895	12895	13163	13163	13031	13031	13245	13245	13705	13705	13773	13773
FOREIGN LIABILITIES	856654	441736	876134	445113	909503	445987	1011849	450974	971505	458154	893020	459341
BGN	16336	707	15646	684	33909	647	32559	647	17301	579	26986	579
Foreign currencies	840318	441029	860488	444429	875594	445340	979290	450327	954204	457575	866034	458762
DEPOSITS OF THE STATE BUDGET	640693	403425	655340	403747	623608	385285	642570	352801	638530	357681	553409	346854
BGN	341947	174913	347971	173274	340189	167704	297460	130655	293257	127899	215945	117049
Foreign currencies	298746	228512	307369	230473	283419	217581	345110	222146	345273	229782	337464	229805
DEPOSITS OF STATE FUNDS AND EXTRABUDGETARY ACCOUNTS	91138	3523	76063	3559	86693	3528	89419	3482	104611	3597	70293	3612
BGN	26292	266	26169	265	25761	262	25690	150	37592	148	12344	145
Foreign currencies	64846	3257	49894	3294	60932	3266	63729	3332	67019	3449	57949	3467
DEPOSITS OF LOCAL BUDGETS	82311	794	78237	764	75502	720	75934	726	69654	736	62503	727
BGN	80779	460	76619	425	73883	385	74279	383	67958	381	60911	370
Foreign currencies	1532	334	1618	339	1619	335	1655	343	1696	355	1592	357
LIABILITIES TO THE BNB	275648	274795	277403	276095	276883	275470	269682	268885	274184	272308	273808	272996
BGN	173661	173661	174131	173686	174242	173701	168310	168301	169203	168326	168351	168351
Foreign currencies	101987	101134	103272	102409	102641	101769	101372	100584	104981	103982	105457	104645
OWN FUNDS	238385	-936039	252327	-926989	274400	-936867	343362	-897863	386420	-878631	417447	-864334
Capital and reserves	1228081	190015	1228753	190309	1242112	190120	1242545	190564	1257633	191278	1291688	191793
Financial result	-989696	-1126054	-976426	-1117298	-967712	-1126987	-899183	-1088427	-871213	-1069909	-874241	-1056127
OTHER LIABILITIES	44789328	3484686	48004964	3471572	51063614	3470659	53893836	3443334	56816042	3466979	42820983	3437308
BGN	41146124	3025116	44011241	3007012	46831183	3009670	49338475	2980608	51988387	2989297	39164134	2957166
incl. provisions	1884767	1210837	1881439	1197267	1875282	1201181	1835547	1158860	1820087	1157774	1807067	1150221
Foreign currencies	3643204	459570	3993723	464560	4232431	460989	4555361	462726	4827655	477682	3656849	480142

Source: BNB.

**NOMINAL INTEREST RATES ON SHORT-TERM CREDITS IN 1999**

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
January	1.13											
February	2.22	1.08										
March	3.39	2.23	1.15									
April	4.51	3.34	2.24	1.09								
May	5.61	4.43	3.32	2.15	1.05							
June	6.75	5.56	4.43	3.25	2.14	1.08						
July	7.79	6.59	5.45	4.26	3.14	2.07	0.98					
August	8.96	7.74	6.60	5.39	4.26	3.17	2.07	1.08				
September	10.13	8.90	7.74	6.52	5.37	4.28	3.16	2.16	1.07			
October	11.28	10.04	8.87	7.63	6.48	5.37	4.25	3.24	2.13	1.05		
November	12.46	11.21	10.02	8.78	7.61	6.49	5.35	4.33	3.22	2.12	1.06	
December	13.56	12.30	11.10	9.84	8.66	7.54	6.38	5.36	1.07	3.12	2.05	0.98

Source: BNB.

**REAL INTEREST RATES ON SHORT-TERM CREDITS IN 1999\***

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
January	-0.36											
February	1.35	1.71										
March	3.57	3.94	2.20									
April	5.37	5.75	3.97	1.74								
May	7.22	7.60	5.79	3.52	1.75							
June	8.89	9.28	7.44	5.13	3.34	1.56						
July	6.55	6.93	5.14	2.88	1.12	-0.62	-2.15					
August	6.63	7.01	5.21	2.95	1.19	-0.55	-2.07	0.07				
September	6.20	6.58	4.79	2.54	0.78	-0.95	-2.47	-0.33	-0.40			
October	6.20	6.58	4.79	2.54	0.79	-0.95	-2.47	-0.33	-0.40	0.00		
November	6.64	7.02	5.23	2.97	1.21	-0.53	-2.06	0.09	0.01	0.42	0.42	
December	6.98	7.36	5.56	3.29	1.53	-0.22	-1.75	0.40	-2.71	0.74	0.74	0.32

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

Source: BNB and NSI.

NOMINAL INTEREST RATES ON ONE-MONTH DEPOSITS IN 1999

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
January	0.27											
February	0.54	0.27										
March	0.81	0.54	0.27									
April	1.08	0.81	0.54	0.27								
May	1.35	1.08	0.81	0.54	0.27							
June	1.62	1.35	1.08	0.81	0.54	0.27						
July	1.90	1.62	1.35	1.08	0.81	0.54	0.27					
August	2.17	1.89	1.62	1.35	1.08	0.80	0.54	0.27				
September	2.44	2.17	1.89	1.62	1.34	1.07	0.80	0.53	0.27			
October	2.71	2.44	2.16	1.89	1.61	1.34	1.07	0.80	0.53	0.27		
November	2.99	2.71	2.44	2.16	1.89	1.61	1.34	1.07	0.80	0.53	0.27	
December	3.26	2.98	2.71	2.43	2.16	1.88	1.61	1.34	1.07	0.80	0.53	0.27

Source: BNB.

REAL INTEREST RATES ON ONE-MONTH DEPOSITS IN 1999\*

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
January	-1.20											
February	-0.32	0.89										
March	0.99	2.22	1.31									
April	1.91	3.15	2.24	0.92								
May	2.90	4.15	3.23	1.89	0.96							
June	3.66	4.92	3.99	2.64	1.71	0.74						
July	0.72	1.95	1.05	-0.26	-1.17	-2.11	-2.83					
August	-0.02	1.20	0.30	-1.00	-1.89	-2.83	-3.55	-0.74				
September	-1.21	-0.01	-0.90	-2.18	-3.07	-3.99	-4.70	-1.92	-1.20			
October	-1.98	-0.79	-1.66	-2.94	-3.82	-4.74	-5.44	-2.68	-1.96	-0.78		
November	-2.34	-1.15	-2.03	-3.30	-4.18	-5.09	-5.79	-3.04	-2.33	-1.14	-0.37	
December	-2.72	-1.54	-2.41	-3.68	-4.55	-5.46	-6.16	-3.42	-2.71	-1.53	-0.76	-0.39

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

Source: BNB and NSI.

**CB INTEREST RATES ON NEW CREDITS AND DEPOSITS IN BGN**

	XII'98	1999									
		I quarter	II quarter	VII	VIII	IX	X	XI	XII		
Base interest rate	5.16 5.04 0.42	4.98 4.87 0.41	4.52 4.43 0.37	4.85 4.75 0.40	4.87 4.77 0.40	4.84 4.74 0.39	4.55 4.46 0.37	4.55 4.45 0.37	4.55 4.46 0.37		
Average spread over the interest rate on short-term credits	8.36 7.71 0.64	9.66 8.87 0.74	9.27 8.56 0.71	7.51 6.96 0.58	8.93 8.23 0.69	8.78 8.10 0.68	8.81 8.14 0.68	8.97 8.29 0.69	8.86 7.29 0.61		
Average weighted interest rate on short-term credits	13.52 12.75 1.06	14.64 13.74 1.15	13.79 12.99 1.08	12.36 11.71 0.98	13.80 13.00 1.08	13.62 12.84 1.07	13.36 12.60 1.05	13.51 12.74 1.06	12.41 11.75 0.98		
Average weighted interest rate on long-term credits	15.99 14.93 1.24	16.81 15.64 1.30	15.40 14.41 1.20	15.92 14.86 1.24	16.49 15.36 1.28	16.77 15.61 1.30	15.59 14.57 1.21	15.49 14.49 1.21	14.85 13.93 1.16		
Average weighted interest rate on time deposits	3.30 3.25 0.27	3.28 3.23 0.27	3.26 3.21 0.27	3.27 3.22 0.27	3.25 3.20 0.27	3.25 3.20 0.27	3.24 3.19 0.27	3.25 3.20 0.27	3.25 3.20 0.27		
Average weighted interest rate on demand deposits	0.24 0.24 0.02	0.25 0.25 0.02	0.25 0.25 0.02	0.25 0.25 0.02	0.24 0.24 0.02	0.25 0.25 0.02	0.25 0.25 0.02	0.26 0.26 0.02	0.26 0.26 0.02		

Source: BNB.

**DENOMINATION COMPOSITION IN NOTES AND COINS**

(levs)

Denominations	31 December 1998*	30 June 1999*	31 December 1999
Notes, total	2 515 404 878 102	3 102 280 454 222	5 354 417 990
Notes – new denominations, total			2 555 974 003
50 levs			1 228 950 000
20 levs			619 380 000
10 levs			385 001 000
5 levs			207 945 005
2 levs			65 797 998
1 lev			48 900 000
Notes – old denominations, total	2 515 404 878 102	3 102 280 454 222	2 798 443 987
50000 levs= 50 new levs	1 499 734 900 000	2 174 583 125 000	2 081 583 775
10000 levs= 10 new levs	498 584 545 000	480 924 030 000	431 924 030
5000 levs= 5 new levs	203 878 757 500	191 932 675 000	144 282 690
2000 levs= 2 new levs	109 141 918 000	100 620 075 000	61 590 395
1000 levs= 1 new lev	102 795 445 000	80 848 587 500	28 769 024
500 levs= 0.50 new levs	63 703 033 500	46 699 263 250	31 268 763
200 levs= 0.20 new levs	26 952 849 800	18 879 239 400	12 630 580
100 levs= 0.10 new levs	7 335 141 550	4 902 266 650	3 627 794
50 levs= 0.05 new levs	2 045 605 225	1 771 444 225	1 697 718
20 levs= 0.02 new levs	1 232 682 527	1 119 748 197	1 069 218
Coins, total	8 084 399 417	8 894 819 417	35 068 251
Coins – new denominations, total			25 306 150
50 stotinkas			10 067 000
20 stotinkas			9 146 700
10 stotinkas			3 334 400
5 stotinkas			1 762 650
2 stotinkas			660 000
1 stotinka			335 400
Coins – old denominations, total	6 573 814 761	6 573 814 761	6 573 815
50 levs= 0.05 new levs	3 114 387 500	3 114 387 500	3 114 387
20 levs= 0.02 new levs	1 464 167 780	1 464 167 780	1 464 168
10 levs= 0.01 new levs	1 254 789 000	1 254 789 000	1 254 789
5 levs= 0.005 new levs	332 646 450	332 646 450	332 646
2 levs= 0.002 new levs	158 968 000	158 968 000	158 968
1 levs= 0.001 new levs	136 273 051	136 273 051	136 273
0.50 levs= 0.0005 new levs	41 132 682	41 132 682	41 133
0.20 levs= 0.0002 new levs	39 957 608	39 957 608	39 958
0.10 levs= 0.0001 new levs	31 492 690	31 492 690	31 493
Commemorative	1 510 584 656	2 321 004 656	3 188 286
Notes and coins, total	2 523 489 277 519	3 111 175 273 639	5 389 486 241

\* Denominations stated for 1998 and the first half of 1999 are not redenominated.

Source: BNB.



**CONSOLIDATED BALANCE SHEET OF CB**  
(annual closing of accounts, 1999)

(BGN '000)

	Current year	Previous year
<b>ASSETS</b>		
Vault cash and current accounts with the BNB	917 513	782 809
Claims on banks and other financial institutions	2 667 254	2 443 472
Securities in trading portfolio	1 041 749	1 240 373
Credits to nonfinancial institutions and other clients	2 399 429	1 835 155
Assets for resale	15 108	17 777
Claims on interest and other assets	205 561	308 676
Securities in investment portfolio	623 958	472 181
Fixed assets	352 856	325 984
<b>ASSETS, TOTAL</b>	<b>8 223 428</b>	<b>7 426 427</b>
<b>LIABILITIES</b>		
Deposits of banks and other financial institutions	636 603	555 099
Deposits of nonfinancial institutions and other clients	5 471 182	4 907 162
Other attracted resources	279 573	253 848
Interest payments and other liabilities	557 355	638 126
Subordinated debt	0	0
<b>LIABILITIES, TOTAL</b>	<b>6 944 713</b>	<b>6 354 235</b>
Minority participation	0	0
<b>OWN FUNDS</b>		
Authorized capital	720 664	627 481
Premium related to own funds	1 987	1 987
Reserves	389 286	220 263
Historic results	-27 381	95 610
Current result	194 159	126 850
<b>OWN FUNDS, TOTAL</b>	<b>1 278 715</b>	<b>1 072 191</b>
<b>LIABILITIES AND OWN FUNDS, TOTAL</b>	<b>8 223 428</b>	<b>7 426 426</b>
<b>OFF-BALANCE-SHEET LIABILITIES</b>	<b>1 073 159</b>	<b>667 937</b>

Source: BNB.

**CONSOLIDATED BALANCE SHEET OF CB**  
(annual closing of accounts, 1999)

	Group I	Group II	Group III	Group IV	Group V	Total
(BGN '000)						
<b>ASSETS</b>						
Vault cash and current accounts with the BNB	451717	162725	143359	98172	61540	917513
Claims on banks and other financial institutions	1572540	394880	259314	280726	159794	2667254
Securities in trading portfolio	583680	237105	117202	90547	13215	1041749
Credits to nonfinancial institutions and other clients	905803	467242	433164	311323	281897	2399429
Assets for resale	0	2000	1116	11992	0	15108
Claims on interest and other assets	116885	48186	19625	16236	4629	205561
Securities in investment portfolio	459763	138389	11751	13987	68	623958
Fixed assets	158511	91622	46547	46160	10016	352856
<b>ASSETS, TOTAL</b>	<b>4248899</b>	<b>1542149</b>	<b>1032078</b>	<b>869143</b>	<b>531159</b>	<b>8223428</b>
<b>LIABILITIES</b>						
Deposits of banks and other financial institutions	108187	61109	148702	133148	185457	636603
Deposits of nonfinancial institutions and other clients	3037163	1160120	633417	400306	240176	5471182
Other attracted resources	79565	27096	64794	69804	38314	279573
Interest payments and other liabilities	319789	76944	66232	33256	61134	557355
Subordinated debt	0	0	0	0	0	0
<b>LIABILITIES, TOTAL</b>	<b>3544704</b>	<b>1325269</b>	<b>913145</b>	<b>636514</b>	<b>525081</b>	<b>6944713</b>
Minority participation	0	0	0	0	0	0
<b>OWN FUNDS</b>						
Authorized capital	312334	112139	76201	209990	10000	720664
Premium related to own funds	0	0	0	1987	0	1987
Reserves	250270	84450	30612	22777	1177	389286
Historic results	135	-4083	0	-10405	-13028	-27381
Current result	141456	24374	12120	8280	7929	194159
<b>OWN FUNDS, TOTAL</b>	<b>704195</b>	<b>216880</b>	<b>118933</b>	<b>232629</b>	<b>6078</b>	<b>1278715</b>
<b>LIABILITIES AND OWN FUNDS, TOTAL</b>	<b>4248899</b>	<b>1542149</b>	<b>1032078</b>	<b>869143</b>	<b>531159</b>	<b>8223428</b>
<b>OFF-BALANCE-SHEET LIABILITIES</b>	<b>306997</b>	<b>118794</b>	<b>290289</b>	<b>112227</b>	<b>244852</b>	<b>1073159</b>

Source: BNB.

**CONSOLIDATED INCOME STATEMENT OF CB**  
(annual closing of accounts, 1999)

(BGN '000)

	Current year	Previous year
Revenue from interest and other related revenue	493 296	456 627
Expenditure on interest and other related expenditure	134 161	131 635
<b>REVENUE FROM INTEREST, NET</b>	<b>359 135</b>	<b>324 992</b>
Net income/loss from fees and commissions	134 670	95 914
Net income/loss from operations in securities in trading portfolio	77 547	-156 321
Net income/loss from valuation adjustments of forex operations	102 579	-18 188
Other income	132 260	51 672
<b>NET REVENUE FROM OTHER BANKING OPERATIONS, TOTAL</b>	<b>447 056</b>	<b>-26 923</b>
Operating expenditure	-443 372	-359 950
Decrease/(increase) of provisions	-52 885	331 695
Expenditure on revaluation of long-term assets and investment	-13 531	-57 533
<b>OPERATING EXPENSES, TOTAL</b>	<b>-509 788</b>	<b>-106 176</b>
<b>PRE-TAX PROFIT/(LOSS) AND EXTRAORDINARY INCOME/(EXPENDITURE)</b>	<b>296 403</b>	<b>191 893</b>
Extraordinary income/(expenditure)	-1 585	11 768
<b>PRE-TAX PROFIT/(LOSS) PLUS EXTRAORDINARY REVENUE/(EXPENDITURE)</b>	<b>294 818</b>	<b>203 661</b>
Taxation	100 238	76 811
<b>POST-TAX PROFIT/(LOSS)</b>	<b>194 580</b>	<b>126 850</b>
Minority participation	0	0
<b>DISTRIBUTABLE PROFIT/(LOSS)</b>	<b>194 580</b>	<b>126 850</b>
Dividends	0	0
<b>RETAINED EARNINGS FOR THE YEAR</b>	<b>194 580</b>	<b>126 850</b>

Source: BNB.

**CONSOLIDATED INCOME STATEMENT OF CB BY GROUP**  
(annual closing of accounts, 1999)

	Group I	Group II	Group III	Group IV	Group V	Total
Revenue from interest and other related revenue	245639	97205	68246	55102	27104	493296
Expenditure on interest and other related expenditure	64859	22132	19395	18280	9495	134161
REVENUE FROM INTEREST, NET	180780	75073	48851	36822	17609	359135
Net income/loss from fees and commissions	62534	29981	14884	19206	8065	134670
Net income/loss from operations in securities in trading portfolio	44811	13728	5692	12338	978	77547
Net income/loss from valuation adjustments of forex operations	37658	38243	7465	16026	3187	102579
Other income	74982	34360	4019	18219	680	132260
NET REVENUE FROM OTHER BANK OPERATIONS, TOTAL	219985	116312	32060	65789	12910	447056
Operating expenditure	-153386	-122202	-58074	-86325	-23385	-443372
Decrease/(increase) of provisions	-16224	-31963	-6547	-2166	4015	-52885
Expenditure on revaluation of long-term assets and investment	-10040	-102	0	-3153	-236	-13531
OPERATING EXPENSES, TOTAL	-179650	-154267	-64621	-91644	-19606	-509788
PRE-TAX PROFIT/(LOSS) and EXTRAORDINARY INCOME/(EXPENDITURE)	221115	37118	16290	10967	10913	296403
Extraordinary income/(expenditure)	-5629	-536	-117	4753	-56	-1585
PRE-TAX PROFIT/(LOSS) PLUS EXTRAORDINARY REVENUE/(EXPENDITURE)	215486	36582	16173	15720	10857	294818
Taxation	74030	12208	4053	7019	2928	100238
POST-TAX PROFIT/(LOSS)	141456	24374	12120	8701	7929	194580
Minority participation	0	0	0	0	0	0
DISTRIBUTABLE PROFIT/(LOSS)	141456	24374	12120	8701	7929	194580
Dividends	0	0	0	0	0	0
RETAINED EARNINGS FOR THE YEAR	141456	24374	12120	8701	7929	194580

Source: BNE.

**CAPITAL ADEQUACY OF CB AS OF 31 DECEMBER 1999**  
(under Regulation No. 8 of the BNB)

Banks	Capital base [BGN '000]	Primary capital [BGN '000]	Total risk component (2000.2+3000.2 +4000.2) [BGN '000]	Total capital adequacy (1000/5100) [%]	Primary capital adequacy (1100/5100) [%]	Degree of assets coverage (1000/5000) [%]
Group I	657 170	459 638	1 315 594	49.95	34.94	15.49
Group II	175 171	111 895	609 052	28.76	18.37	11.20
Group III	110 950	88 068	497 760	22.29	17.69	10.73
Group IV	236 856	204 340	448 619	52.80	45.55	26.00
<b>Total for the banking system</b>	<b>1 188 122</b>	<b>871 863</b>	<b>2 876 458</b>	<b>41.31</b>	<b>30.31</b>	<b>15.28</b>

Source: BNB.

**CLASSIFICATION OF COMMERCIAL BANK RISK EXPOSURES AS OF 31 DECEMBER 1999, TOTAL**  
(under Regulation No. 9 of the BNB)

Group	Carrying value in BGN (BGN '000)	%	Carrying value in foreign currency (BGN '000)	%	Carrying value, total (BGN '000)	%
Standard exposures	2 173 163	33.04	3 632 810	55.24	5 805 973	88.28
Watch exposures	86 989	1.32	165 100	2.51	252 089	3.83
Substandard exposures	23 952	0.36	50 855	0.77	74 807	1.14
Doubtful exposures	55 399	0.84	24 911	0.38	80 310	1.22
Loss	73 640	1.12	290 120	4.41	363 760	5.53
<b>TOTAL FOR THE SYSTEM</b>	<b>2 413 143</b>	<b>36.69</b>	<b>4 163 796</b>	<b>63.31</b>	<b>6 576 939</b>	<b>100.00</b>
Group I	1 175 759	37.00	1 846 492	58.11	3 022 251	95.12
Standard exposures	40 300	1.27	32 318	1.02	72 618	2.29
Watch exposures	7 533	0.24	16 086	0.51	23 619	0.74
Substandard exposures	8 890	0.28	4 964	0.16	13 854	0.44
Doubtful exposures	19 433	0.61	25 687	0.81	45 120	1.42
Loss						
<b>Group I, total</b>	<b>1 251 915</b>	<b>39.40</b>	<b>1 925 547</b>	<b>60.60</b>	<b>3 177 462</b>	<b>100.00</b>
Group II	459 583	29.63	702 405	45.28	1 161 988	74.91
Standard exposures	27 616	1.78	39 017	2.52	66 633	4.30
Watch exposures	10 102	0.65	1 074	0.07	11 176	0.72
Substandard exposures	41 662	2.69	3 055	0.20	44 717	2.88
Doubtful exposures	34 062	2.20	232 671	15.00	266 733	17.19
Loss						
<b>Group II, total</b>	<b>573 025</b>	<b>36.94</b>	<b>978 222</b>	<b>63.06</b>	<b>1 551 247</b>	<b>100.00</b>
Group III	295 780	38.75	387 404	50.76	683 184	89.51
Standard exposures	12 726	1.67	19 672	2.58	32 398	4.24
Watch exposures	933	0.12	20 474	2.68	21 407	2.80
Substandard exposures	2 789	0.37	558	0.07	3 347	0.44
Doubtful exposures	8 262	1.08	14 655	1.92	22 917	3.00
Loss						
<b>Group III, total</b>	<b>320 490</b>	<b>41.99</b>	<b>442 763</b>	<b>58.01</b>	<b>763 253</b>	<b>100.00</b>
Group IV	127 711	22.94	336 923	60.51	464 634	83.45
Standard exposures	5 206	0.94	27 422	4.93	32 628	5.86
Watch exposures	3 461	0.62	12 901	2.32	16 362	2.94
Substandard exposures	2 048	0.37	16 241	2.92	18 289	3.28
Doubtful exposures	11 812	2.12	13 062	2.35	24 874	4.47
Loss						
<b>Group IV, total</b>	<b>150 238</b>	<b>26.98</b>	<b>406 549</b>	<b>73.02</b>	<b>556 787</b>	<b>100.00</b>
Group V	114 330	21.65	359 586	68.08	473 916	89.72
Standard exposures	1 141	0.22	46 671	8.84	47 812	9.05
Watch exposures	1 923	0.36	320	0.06	2 243	0.42
Substandard exposures	10	0.00	93	0.02	103	0.02
Doubtful exposures	71	0.01	4 045	0.77	4 116	0.78
Loss						
<b>Group V, total</b>	<b>117 475</b>	<b>22.24</b>	<b>410 715</b>	<b>77.76</b>	<b>528 190</b>	<b>100.00</b>

Source: BNB.

**CLASSIFICATION OF COMMERCIAL BANK RISK EXPOSURES TO BANKS AND OTHER FINANCIAL INSTITUTIONS**

Group	Carrying value in BGN (BGN '000)	%	Carrying value in foreign currency (BGN '000)	%	Carrying value, total (BGN '000)	%
Standard exposures	97 278	3.74	2 136 390	82.15	2 537 867	97.59
Watch exposures	0	0.00	5 679	0.22	5 679	0.22
Substandard exposures	0	0.00	15 250	0.59	15 250	0.59
Doubtful exposures	0	0.00	0	0.00	0	0.00
Loss	3 498	0.13	33 050	1.27	41 850	1.61
<b>Claims on banks and other financial institutions</b>	<b>100 776</b>	<b>3.88</b>	<b>2 190 369</b>	<b>84.22</b>	<b>2 600 646</b>	<b>100.00</b>
Standard exposures	50 931	3.16	1 542 922	95.85	1 593 853	99.02
Watch exposures	0	0.00	5 679	0.35	5 679	0.35
Substandard exposures	0	0.00	0	0.00	0	0.00
Doubtful exposures	0	0.00	0	0.00	0	0.00
Loss	0	0.00	10 150	0.63	10 150	0.63
<b>Claims on banks and other financial institutions</b>	<b>50 931</b>	<b>3.16</b>	<b>1 558 751</b>	<b>96.84</b>	<b>1 609 682</b>	<b>100.00</b>
Standard exposures	30 995	5.80	477 022	89.26	508 017	95.06
Watch exposures	0	0.00	0	0.00	0	0.00
Substandard exposures	0	0.00	0	0.00	0	0.00
Doubtful exposures	0	0.00	0	0.00	0	0.00
Loss	3 498	0.65	22 900	4.29	26 398	4.94
<b>Claims on banks and other financial institutions</b>	<b>34 493</b>	<b>6.45</b>	<b>499 922</b>	<b>93.55</b>	<b>534 415</b>	<b>100.00</b>
Standard exposures	15 352	10.08	116 446	76.44	131 798	86.51
Watch exposures	0	0.00	0	0.00	0	0.00
Substandard exposures	0	0.00	15 250	10.01	15 250	10.01
Doubtful exposures	0	0.00	0	0.00	0	0.00
Loss	0	0.00	0	0.00	5 295	3.48
<b>Claims on banks and other financial institutions</b>	<b>15 352</b>	<b>10.08</b>	<b>131 696</b>	<b>86.45</b>	<b>152 343</b>	<b>100.00</b>
Standard exposures	7 389	5.02	139 931	94.98	147 320	100.00
Watch exposures	0	0.00	0	0.00	0	0.00
Substandard exposures	0	0.00	0	0.00	0	0.00
Doubtful exposures	0	0.00	0	0.00	0	0.00
Loss	3	0.00	4	0.00	7	0.00
<b>Claims on banks and other financial institutions</b>	<b>7 392</b>	<b>5.02</b>	<b>139 935</b>	<b>94.98</b>	<b>147 327</b>	<b>100.00</b>
Standard exposures	7 739	4.93	149 140	95.07	156 879	100.00
Watch exposures	0	0.00	0	0.00	0	0.00
Substandard exposures	0	0.00	0	0.00	0	0.00
Doubtful exposures	0	0.00	0	0.00	0	0.00
Loss	0	0.00	0	0.00	0	0.00
<b>Claims on banks and other financial institutions</b>	<b>7 739</b>	<b>4.93</b>	<b>149 140</b>	<b>95.07</b>	<b>156 879</b>	<b>100.00</b>

Source: BNB.

**CLASSIFICATION OF COMMERCIAL BANK RISK EXPOSURES TO NONFINANCIAL INSTITUTIONS AND OTHER CLIENTS**

Group	Carrying value in BGN (BGN '000)	%	Carrying value in foreign currency (BGN '000)	%	Carrying value, total (BGN '000)	%
Standard exposures	1 100 226	44.66	704 666	28.60	1 804 892	73.26
Watch exposures	72 368	2.94	156 409	6.35	228 777	9.29
Substandard exposures	17 958	0.73	35 473	1.44	53 431	2.17
Doubtful exposures	55 325	2.25	24 818	1.01	80 143	3.25
Loss	61 603	2.50	234 917	9.53	296 520	12.04
<b>Claims on nonfinancial institutions and other clients</b>	<b>1 307 480</b>	<b>53.07</b>	<b>1 156 283</b>	<b>46.93</b>	<b>2 463 763</b>	<b>100.00</b>
Standard exposures	414 551	65.91	99 837	15.87	514 388	81.78
Watch exposures	26 194	4.16	26 639	4.24	52 833	8.40
Substandard exposures	1 589	0.25	15 954	2.54	17 543	2.79
Doubtful exposures	8 877	1.41	4 964	0.79	13 841	2.20
Loss	15 042	2.39	15 315	2.43	30 357	4.83
<b>Claims on nonfinancial institutions and other clients</b>	<b>466 253</b>	<b>74.13</b>	<b>162 709</b>	<b>25.87</b>	<b>628 962</b>	<b>100.00</b>
Standard exposures	328 563	39.12	166 362	19.81	494 925	58.92
Watch exposures	27 489	3.27	39 017	4.65	66 506	7.92
Substandard exposures	10 053	1.20	1 074	0.13	11 127	1.32
Doubtful exposures	41 627	4.96	3 055	0.36	44 682	5.32
Loss	27 826	3.31	194 907	23.20	222 733	26.52
<b>Claims on nonfinancial institutions and other clients</b>	<b>435 558</b>	<b>51.85</b>	<b>404 415</b>	<b>48.15</b>	<b>839 973</b>	<b>100.00</b>
Standard exposures	205 921	50.06	146 531	35.62	352 452	85.69
Watch exposures	12 726	3.09	19 672	4.78	32 398	7.88
Substandard exposures	933	0.23	5 224	1.27	6 157	1.50
Doubtful exposures	2 789	0.68	558	0.14	3 347	0.81
Loss	7 731	1.88	9 238	2.25	16 969	4.13
<b>Claims on nonfinancial institutions and other clients</b>	<b>230 100</b>	<b>55.94</b>	<b>181 223</b>	<b>44.06</b>	<b>411 323</b>	<b>100.00</b>
Standard exposures	69 579	24.85	124 113	44.32	193 692	69.17
Watch exposures	4 818	1.72	24 410	8.72	29 228	10.44
Substandard exposures	3 460	1.24	12 901	4.61	16 361	5.84
Doubtful exposures	2 032	0.73	16 241	5.80	18 273	6.53
Loss	11 004	3.93	11 478	4.10	22 482	8.03
<b>Claims on nonfinancial institutions and other clients</b>	<b>90 893</b>	<b>32.46</b>	<b>189 143</b>	<b>67.54</b>	<b>280 036</b>	<b>100.00</b>
Standard exposures	81 612	26.89	167 823	55.30	249 435	82.19
Watch exposures	1 141	0.38	46 671	15.38	47 812	15.76
Substandard exposures	1 923	0.63	320	0.11	2 243	0.74
Doubtful exposures	0	0.00	0	0.00	0	0.00
Loss	0	0.00	3 979	1.31	3 979	1.31
<b>Claims on nonfinancial institutions and other clients</b>	<b>84 676</b>	<b>27.90</b>	<b>218 793</b>	<b>72.10</b>	<b>303 469</b>	<b>100.00</b>

Source: BNB.



**LIQUIDITY OF CB AS OF 31 DECEMBER 1999**  
(under Regulation No. 11 of the BNB)

	Disposable liquid assets	Net cumulative cash flow (BGN '000)					
		up to 1 month	up to 2 months	up to 3 months	up to 6 months	up to 1 year	over 1 year
Group I	1 070 367	495 274	382 773	279 325	113 570	-269 513	600 194
Group II	563 991	-142 887	-172 899	-177 643	-112 897	-115 967	75 786
Group III	318 857	55 803	75 483	46 843	48 981	77 715	18 098
Group IV	259 446	8 295	-889	-13 233	20 803	67 379	140 231
Group V	78 664	-81 651	-68 378	-66 036	-90 930	-53 914	-2 319
<b>Total for the banking system</b>	<b>2 291 325</b>	<b>334 834</b>	<b>216 090</b>	<b>69 256</b>	<b>-20 473</b>	<b>-294 300</b>	<b>831 990</b>

Source: BNB.

**COMMERCIAL BANK FOREIGN CURRENCY POSITIONS AS OF 31 DECEMBER 1999**  
(under Regulation No. 4 of the BNB)

	open positions/capital base (%)
Group I	7.10
Group II	-3.56
Group III	-9.56
Group IV	16.40
<b>Total for the banking system</b>	<b>4.62</b>

Source: BNB.

## Major Resolutions of the Managing Board of the BNB in 1999

- 15 April** Amendments to Regulation No. 5 of 1998 of the MF and the BNB on the Terms and Procedure for Issuance, Acquisition and Redemption of Book-entry Government Securities were adopted.
- 17 May** Exchange rates of currencies other than those included in the EMU were to be rounded to six digits. For currencies whose exchange rate to the lev is lower than BGL 1, the number of foreign units obtainable for one Bulgarian lev must be set so that the first figure after the decimal point to be different from zero, and for the rest of the currencies: for a unit of foreign currency.
- 11 June** Pursuant to Article 25 of the Law on the BNB and in connection with the Law on Redenomination of the Bulgarian Lev, as of 5 July 1999 the Bulgarian National Bank put into circulation as legal tender the following banknotes and coins: **banknotes** of BGN 1, 2, 5, 10, 20, and 50 nominal value, issue 1999; **coins** of 1, 2, 5, 10, 20 and 50 stotinkas nominal value, issue 1999.
- 17 June** Regulation No. 25 issued under § 4, para. 2 of the Transitional and Final Provisions of the Law on Redenomination of the Bulgarian Lev was adopted.

All figures in old levs indicated in the tariffs applied by the Bulgarian National Bank which had entered into force before 5 July 1999, as well as in other internal rules of the BNB, and in all resolutions of BNB Managing Board effective after 5 July 1999 were to be replaced by 1,000 times reduced figures in new levs.

As of 5 July 1999 a new code of the Bulgarian lev, BGN, was adopted. This code is not binding. The replacement of BGL by BGN is not obligatory for any institution as of 5 July 1999.

- 2 July** As of 5 July 1999 the BNB put into circulation a gold commemorative coin '120 Years Council of Ministers' with a nominal value BGN 100, issue 1999, and a silver commemorative coin '120 Years Council of Ministers' with a nominal value BGN 10, issue 1999.
- 8 July** The Managing Board of the BNB approved a list of documents from the BNB secret fund for the period 1945 – 1989 to be disclosed, accessible to the public after 1 September 1999.

A 20-year prescriptive term was set for all the secret documents from the BNB fund, effective as of the date of document creation; after the expiry of that term secret documents may be disclosed automatically. The 20-year term is not valid for: documents which represent official secret at the BNB and are included in the list of facts, information, documents and items related to the procedure and manner of producing, safekeeping and transportation of banknotes and coins, in respect of which terms longer than 20 years apply; and documents of other institutions with a specific indication that they may not be disseminated without the prior consent of the document issuing institution.

CB were recommended to adopt a 20-year period for the automatic disclosure of their documents; simultaneously they should disclose documents created until 1989, which are not considered secret as of present date.

Three volumes of archive documents of the BNB were to be published jointly with the General Archives Office to the Council of Ministers for the periods 1915 – 1929; 1930 – 1947 and from 1948 onward. Thus the publication of a full corpus of archive BNB documents, including the collection of volumes for the periods 1879 – 1900 and 1901 – 1914, would be completed.

- 15 July** As of 23 July 1999 the BNB put into circulation a silver commemorative coin EURO ‘A Plovdiv House’ with a nominal value BGN 10, issue 1999.
- 16 September** As of 23 September 1999 the BNB put into circulation a silver commemorative coin on ecological subject ‘Wild Animals: Monk Seal’ with a nominal value BGN 10, issue 1999.
- 21 October** Regulation No. 7 on the Big Exposures of Banks was adopted.
- Amendments to BNB Regulation No. 9 on the Evaluation of Risk Exposures of Banks and the Allocation of Provisions to Cover the Risk Related Thereto were adopted.
- 9 December** As of 15 December 1999 the BNB put into circulation a gold coin commemorating the new millennium ‘The Virgin Mary with Infant Christ’ with a nominal value BGN 20, issue 1999.
- As of 22 December 1999 the BNB put into circulation a silver coin commemorating the Twenty-seventh Summer Olympic Games, Sydney, 2000, ‘High Jump’ with a nominal value BGN 10, issue 1999.
- Regulation on Foreign Exchange Transactions of Brokerage Financial Houses was adopted.
- Regulation on the Registration by the Bulgarian National Bank of Transactions between Residents and Nonresidents was adopted.
- Regulation on the Export and Import of Lev and Foreign Exchange Cash, Precious Metals and Precious Stones was adopted.
- Regulation on Transborder Transfers and Payments was adopted.
- Regulation on the Terms and Procedure for the Submission of Reports and Declarations on the Liabilities of Residents and Nonresidents was adopted.
- Regulation on the Collection of Information on the Balance of Payments Statistics was adopted.
- Amendments to Regulation No. 3 on Payments were adopted.
- 20 December** Internal Rules of the Procedure for Issuance of Permits to Export Lev and Foreign Exchange Cash were adopted.
- Internal Rules of the Procedure for Registration of Transactions between Residents and Nonresidents were adopted.

