Annual Report 2024

BULGARIAN NATIONAL BANK

145 YEARS

ANNUAL REPPORT

2024

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

Under the provisions of the Law on the Bulgarian National Bank Article 1, paragraph 2 and Articles 50 and 51, I have the honour of presenting the Bank's Annual Report for 2024.

Dimitar Radev
Governor
of the Bulgarian National Bank

BNB Governing Council

Dimitar Radev
Governor

Andrei Gurov*
Deputy Governor
Issue Department

Petar Chobanov
Deputy Governor
Banking Department

Radoslav Milenkov
Deputy Governor
Banking Supervision Department

Lyudmila Elkova**

Nikolay Nenovsky

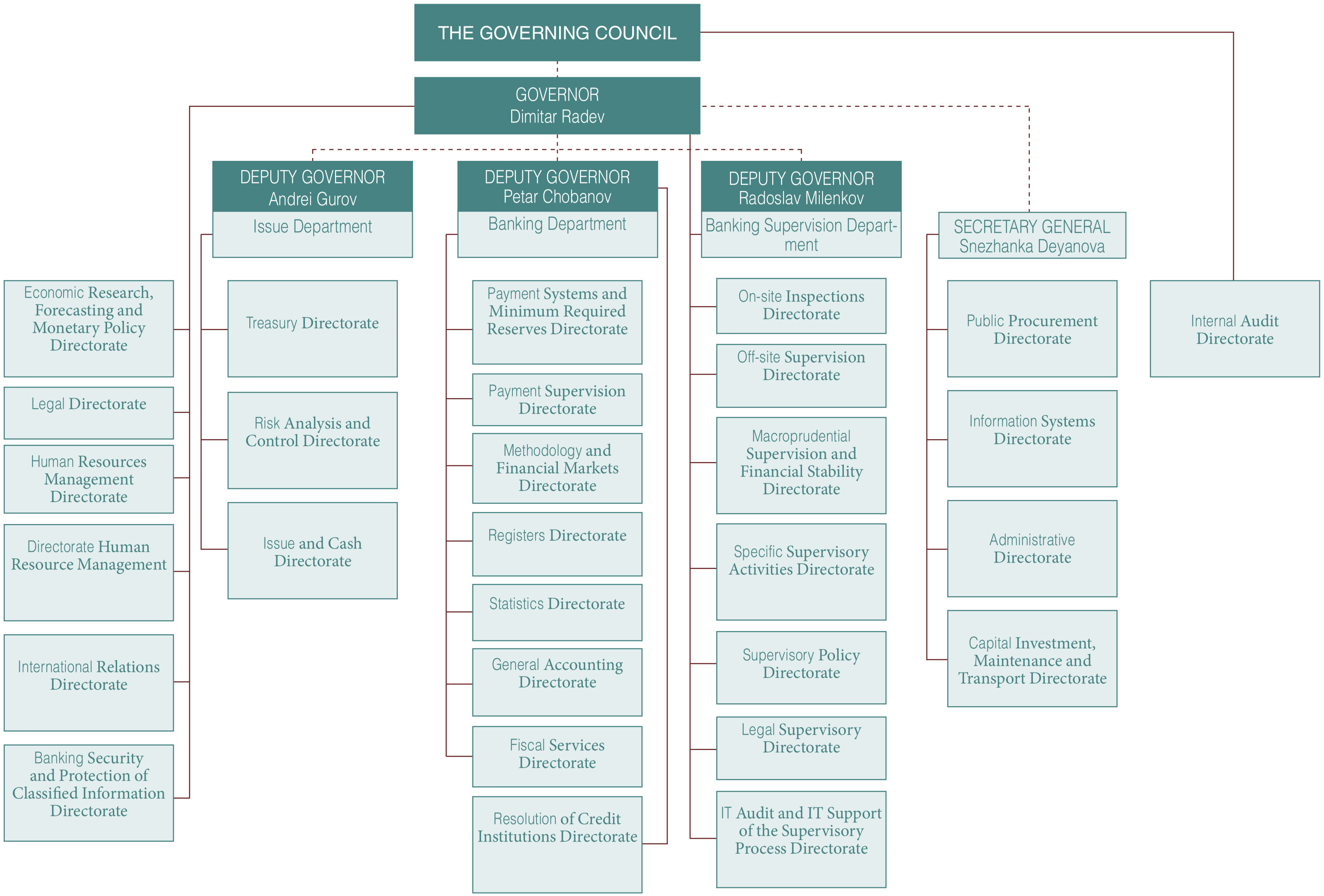
Iliya Lingorski

Lyubomir Karimanski**

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

** Lyubomir Karimanski has been a member of the BNB Governing Council since 2 December 2024, succeeding Lyudmila Elkova whose term ended on 1 December 2024.

Organisational Structure of the BNB
(As of 31 December 2024)



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List of Abbreviations

APP	Asset Purchase Programme
ATM	Automated Teller Machine
BIS	Bank for International Settlements
BISERA	Bank Integrated System for Electronic Payments
BNB	Bulgarian National Bank
BORICA	Bank Organisation for Payments Initiated by Cards
BRF	Banks Resolution Fund
BSCEE	Basel Committee on Banking Supervision
CCR	Central Credit Register
CET1	Common Equity Tier 1
CFP	Consolidated Fiscal Programme
CSDB	Centralised Securities Database
CCyB	Countercyclical capital buffer
CMPI	Crisis management deposit insurance
DORA	Digital Operational Resilience Act
DSTI-O	Debt service-to-income ratio at origination
DvP	delivery versus payment
EBA	European Banking Authority
EBFH	European Association for Banking and Financial History
EC	European Commission
ECB	European Central Bank
Ecofin	Economic and Financial Affairs Council of the European Union comprising Member State economics and finance ministers
EDIS	European Deposit Insurance Scheme
EFC	Economic and Financial Committee
EONIA	Euro OverNight Index Average (registered trademark of the European Money Market Institute, EMMI)
ESA 2010	European System of National and Regional Accounts
ESCB	European System of Central Banks
ESRB	European Systemic Risk Board
ESROT	Electronic System for Registering and Servicing Government Securities Trading
€STR	Euro Short-Term Rate
EURIBOR	Euro InterBank Offered Rate (registered trademark of the European Money Market Institute, EMMI)
FATE	Financial Action Task Force
FOMC	Federal Open Market Committee
GDP	Gross Domestic Product
GSAS	System for Government Securities Sale and Repurchase Auctions
HICP	Harmonised Index of Consumer Prices
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBAN	international bank account number
ICAAP	Internal Capital Adequacy Assessment Process
IFRS I	nternational Financial Reporting Standards
IIS	Integrated Information System
ILAAP	Internal Liquidity Adequacy Assessment Process
IMF	International Monetary Fund
IOBFR	System for Budget and Fiscal Reserve Information Servicing
IRB	internal ratings-based
IRT	Internal Resolution Teams
ISIS	Integrated Statistical Information System
JST	Joint Supervisory Team
KRI	key risk indicators
KTB	Corporate Commercial Bank AD
LBNB	Law on the BNB
LCI	Law on Credit Institutions
LCR	liquidity coverage ratio
LBDG	Law on Bank Deposit Guarantee
LEONIA	an interest rate on real transactions in unsecured overnight deposits in BGN offered at the interbank market
LPSPS	Law on Payment Services and Payment Systems
LRELC	Law on Real Estate Loans for Consumers
LRRCIIF	Law on the Recovery and Resolution of Credit Institutions and Investment Firms
LTROs	Longer-term refinancing operations
LTV-O	Loan-to-value ratio at origination
MF	Ministry of Finance
MREL	minimum requirement for own funds and eligible liabilities
NPLs	non-performing loans
NSI	National Statistical Institute
NSFR	Net stable funding ratio
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
O-SIIs	Other systematically important institutions
PELTROs	pandemic emergency longer-term refinancing operations
PEPP	Pandemic Emergency Purchase Programme
PMI	Purchasing Managers' Index
POS	Point of sale/point of service: a retail trade terminal for credit and debit card transactions
PSPP	Public Sector Purchase Programme
RBASDB	Register of Bank Accounts and Safe Deposit Boxes
RIAD	Register of Institutions and Affiliates Database
RINGS	Real-time gross settlement system
ROA	Return on Assets
ROE	Return on Equity
SDR	Special Drawing Rights
SEBRA	Electronic Budget Payment System
SEPA	Single Euro Payments Area
SDDS Plus	Special Data Dissemination Standard Plus
SHS	Securities Holdings Statistics
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
SCT	Instant SEPA Credit Transfer Instant
TARGET2	Trans-European Automated Real-time Gross settlement Express Transfer system for the euro
TARGET2-BNB	Bulgarian system component of TARGET 2
TFEU	Treaty on the Functioning of the European Union
TIPS	Target Instant Payment Settlement
TLTRO-III	Targeted longer-term refinancing operations
VaR	Value-at-Risk
XAU	troy ounce gold
XDR	currency code for special drawing rights

Summary

Preparation Activities for the BNB Accession to the Eurosystem

On 1 February 2024, the National Assembly adopted a new Law on the Bulgarian National Bank which will fully replace the current Law on the Bulgarian National Bank from the date specified in a Decision of the Council of the European Union on the adoption of the euro by the Republic of Bulgaria. The new Law aims to ensure the legal integration of the Bulgarian National Bank into the Eurosystem upon the adoption of the euro as the national currency[1]. Its adoption reflects all legal inconsistencies reported in previous Convergence Reports of the European Central Bank (ECB) and the European Commission (EC). The institutional and financial independence of the BNB and the personal independence of its governing bodies are ensured. Compliance with the prohibition of monetary financing and privileged access are guaranteed.

Following the adoption of the new Law on the BNB, work continued over the review period on drafting ordinances provided for therein, part of the regulatory framework necessary to ensure performance of the new BNB functions arising from its accession to the Eurosystem. To this end, the BNB Governing Council adopted BNB Ordinance No 6 of 9 January 2025 on Provision of Emergency Liquidity Assistance, as well as amendments to BNB Ordinance No 17 of 29 March 2018 on the Monetary and Interest Rate Statistics and Financial Accounts Statistics, and to BNB Ordinance No 27 of 13 March 2014 on the Balance of Payments Statistics, International Investment Position and Securities Statistics. Ordinance on the control over quality of euro banknotes and euro coins in cash circulation and Ordinance on the establishment and regulation of the Bulgarian National Bank's legal relationships with monetary policy counterparties were also drafted and approved at first reading. Their final adoption is pending along with an Ordinance on the format and contents of the BNB balance sheet.

The introduction of the single European currency in Bulgaria and the respective accession of the BNB to the Eurosystem requires an analytical capacity and infrastructure for implementing the functions related to the participation of BNB representatives in formulating and application of the euro area monetary policy at national level, as well as a large-scale and complex logistical and technical preparations for the changeover of the cash circulation and the adjustment of payment, information, accounting and statistical systems.

To ensure an optimal transition from the BNB operation under a currency board to a full participation in the Eurosystem's monetary policy-making and to comply with Article 19 of the new Law on the BNB, the BNB Directorate responsible for economic research and forecasting became directly subordinate to the BNB Governor. Its functions were extended by adding specific responsibilities for the Eurosystem's monetary policy-making, including analytical preparations for the Governor's participation in the ECB Governing Council meetings on euro area monetary policy issues. To this end, work continued over the review period on building the analytical and administrative

[1] After the end of the reporting year, the new Law on the BNB was amended by the 2025 State Budget Law. These amendments reflect the recommendations made in the 2024 Convergence Reports on appointment of a caretaker government provided for in the 2023 amendments to the Constitution of Bulgaria. According to them, if the BNB Governor or a Deputy Governor agrees to be appointed caretaker Prime Minister under Article 99, paragraph 5 of the Bulgarian Constitution, he shall resign from his position at the central bank. These amendments comply with Article 130 of the TFEU and Article 14.2 of the Statute, ensuring compliance with the principles of institutional and personal central bank independence.

capacity and tools for carrying out analyses of the implementation of objectives of the Eurosystem's monetary policy and its effect on the euro area economy.

In 2024, the BNB carried out a number of activities to prepare for implementing the Eurosystem's monetary policy through its main instruments, including open market operations and access for Bulgarian banks to the Eurosystem's standing facilities. In this regard, in addition to developing an Ordinance on the establishment and regulation of the Bulgarian National Bank's legal relationships with monetary policy counterparties, technical specifications for the necessary new functionalities in the existing information systems at the BNB were prepared, their implementation was commissioned and a project was developed for organising and allocating the functions and responsibilities between the units that will perform the business processes for implementing the Eurosystem's monetary policy in Bulgaria. In addition, the overall minimum reserve framework continued to be changed with a view to preparing the BNB systems and processes for implementing the Eurosystem's MRR regulations.

To implement the activities in the area of payment systems under the National Plan for the Introduction of the Euro in the Republic of Bulgaria, 2024 saw the launch of the projects to ensure full SEPA reachability of banks and non-bank payment service providers through the BNB participation in payment system STEP2 and reachability of instant payments in euro through the accession of banks and non-bank payment service providers to TIPS (Target Instant Payment Settlement). During the reporting period, preparations began for migration of card payments in levs to euro and the relevant accession of the BORICA payment system to TARGET. Work also continued on the execution of budget payments in euro.

In 2024, BNB preparations were significantly accelerated to ensure the smooth euro introduction process and the withdrawal of the Bulgarian lev from circulation. Work continued in several directions, including ensuring necessary euro coins and euro banknotes; providing a logistical and material basis for the exchange process; aligning the legal framework; planning and contracting the necessary machines, equipment and transportation vehicles; upgrading and developing information systems; planning and ensuring required human resources, as well as coordinating with key partners in the process.

In 2024, the preparation for minting of Bulgarian euro coins and the transition to test minting of coins of each nominal value was completed, and the necessary coin blanks were ensured along with production contracts. The required euro banknotes were provided for the frontloading, as well as for the first year after the euro introduction. Ensuring relevant storage areas at major locations in Bulgaria was also finalised. Most of the required specialised equipment and machines of the Cash Services Company AD were supplied and installed. Therefore, a number of public procurements were organised and conducted, and contracts and framework agreements were concluded.

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

In accordance with the Eurosystem's standard procedures, the eligibility of the government securities registration and settlement system operated by the BNB Government Securities Depository for the purposes of Eurosystem' credit operations and collateral management was assessed. At the end of the reporting period, the basic functional requirements to the accession of the Republic of Bulgaria to the euro area were successfully implemented in the ESROT electronic system for registering and servicing government securities trade.

Further information on preparing the BNB for joining the Eurosystem can be found in the relevant chapters of the report.

Economic Development in 2024

Global economic activity posted sustainable growth in 2024, with global GDP rising by 2.6 per cent in real terms. Key factors influencing the global economy during the reporting period included the restrictive monetary policy of leading central banks, a resilient global labour market, robust growth of the US economy, a slowdown in China's economy, and rising geopolitical uncertainty. Euro area real GDP growth accelerated to 0.9 per cent on an annual basis, reflecting a slower decline in inventories, as well as increases in government and private consumption. Real GDP of Germany, which is Bulgaria's main trading partner, fell by 0.2 per cent mainly due to difficulties in manufacturing, some of which are likely to be of a structural nature. The euro area labour market remained resilient in 2024, with the unemployment rate continuing to decline.

The downward trend in annual global inflation continued in 2024. Headline and core consumer price inflation in the United States and the euro area slowed down for most of the year, but the decline was lower than in the previous year, mainly owing to persistently high inflation in the services sector. In view of the prospects for achieving the price stability objectives, the US and euro area central banks started to ease their monetary policies in 2024. At its meetings in June, September, October and December, the ECB deposit facility rate, through which the central bank sets the monetary policy stance, was lowered by 25 basis points to 3.00 per cent. The US Federal Reserve System maintained its target range for the federal funds rate until its September meeting, when the rate target was lowered by 50 basis points. This was followed by two further cuts of 25 basis points each in November and December to 4.25–4.50 per cent.

Bulgaria’s real GDP growth was 2.8 per cent in 2024, with private consumption having the largest positive contribution to it. Household consumption rose by 4.2 per cent in real terms, underpinned by wage growth, the increased number of employees and improved consumer confidence. Rising net fiscal transfers to households and high lending activity supported further private consumption growth. Compensation *per* employee increased by 10.4 per cent in nominal terms (7.6 per cent in real terms), supported by stronger labour demand in the context of growing economic activity and persistent significant labour shortages, as well as increased budget and minimum wages since January 2024.

Annual inflation slowed down to 2.1 per cent at the end of 2024, influenced by lower energy prices, cheaper industrial goods, as well as the emerging base effect of high price increases in 2023, mainly in the food group. At the same time, relatively high growth of unit labour costs and strong private consumption continued to exert pro-inflationary pressure, their impact being most pronounced in the group of services.

In 2024, the annual growth of credit to non-financial corporations and households followed an accelerating trend, determined by credit to households and, in particular, housing lending. Growing labour income and limited possibilities for investing savings accumulated in the economy amid negative real interest rates on deposits continued to be the main factors behind households’ demand for housing loans. On the supply side, ample lending activity continued to be underpinned by competition between banks, high liquidity in the banking system and stable capital position of banks. These factors continued to contribute to the retention of interest rates on new housing loans at very low historical levels.

In 2024 , the budget balance on the consolidated fiscal programme was negative at BGN -6138 million (-3.0 per cent of GDP). Fiscal reserve deposits fell by BGN 1294 million from the end of 2023, amounting to BGN 9586 million (4.7 per cent of GDP), of which BGN 9104 million of deposits with the BNB. The year saw positive external debt financing of the budget and positive net financing by government securities issued in the domestic market.

Gross International Reserves

In managing gross international reserves, the BNB pursues a conservative policy to ensure high liquidity and security of the reserves. The increased political risk arising from early parliamentary elections in France at the end of June and the political tensions in South Korea in early December 2024 led to pre-emptive reduction of investments in certain asset classes, as well as exposures to some issuers and BNB counterparties.

By the end of 2024, balance sheet value of gross international reserves was EUR 42,056.13 million: an increase of EUR 130.55 million, or a 0.31 per cent growth as a share of BNB foreign currency assets on end-2023. Changes in the balance sheet value were mainly driven by external cash flows and the income from foreign reserve management.

To achieve its main objectives in managing gross international reserves, namely very high liquidity and security of the reserves, the BNB continued investing the main share of assets on the Issue Department's balance sheet into government bonds and government guaranteed debt securities with the highest credit rating, and into short-term deposits with first class foreign central and commercial banks. By end-2024, the exposure to credit risk remained limited, and approximately 65 per cent of international reserves were invested into assets with the highest AAA long-term credit rating.

Over the review period, the average structure of gross international reserves by currency changed insignificantly compared with that in 2023. The share of euro-denominated assets decreased by 1.9 percentage points, while those in gold and US dollars rose by 1.0 and 0.9 percentage points, respectively. These changes are due to positive market revaluation of gold and the increase in US dollar reserves, as a result of the proceeds of Bulgaria's dollar-denominated government debt. The structure by financial instrument reported an increase in the share of current account balances by 2.8 percentage points and deposits placed by the BNB by 4.2 percentage points, which was due to the decrease in BNB exposures in securities by 7 percentage points. Changes in the maturity structure of reserves posted a decline of 16.9 percentage points in the maturity sector from 0 to one year, while between one and three years and from three to five years it posted an increase of 14.8 and 2.1 percentage points, respectively. These changes reflected the higher duration of assets over the review period.

The net income in the Issue Department balance sheet is the sum of three components: 1. income from gross international reserve investment in the original currency; 2. currency imbalance income; and 3. liabilities expenditure and/or income. BNB income from international reserve investment was positive at EUR 1137.78 million, or 3.41 per cent yield for the period. Earnings from currency imbalance for 2024 was also positive, standing at EUR 880.83 million (yield of 2.56 per cent). This reflected primarily movements in the market price of monetary gold measured in euro. As a result of the BNB's interest rate policy, the net financial result from liabilities led to an expense of EUR 199.05 million for the BNB, corresponding to -0.57 per cent of return. The above three components brought net return from international reserve management to EUR 1819.56 million: a total of 5.44 per cent return for the year.

Payment Systems and Payment Oversight

Creating and developing safe, reliable and efficient payment systems, as well as conducting payment oversight are important functions of a modern central bank. Payment systems in Bulgaria operate effectively, ensuring continuity of payment flows; they are largely aligned with the existing payment infrastructure in Europe.

Lev payment distribution in Bulgaria by payment system saw no changes from 2023. Over the period under review RINGS processed 78.5 per cent of the value of payments effected in Bulgaria. RINGS also processed 0.1 per cent of the total number of lev non-cash payments in Bulgaria. In 2024, BORICA processed 383.9 million of ATM and POS terminal payments, totalling BGN 34,351.2 million: a 19.7 per cent numerical and 21.8 per cent value rise on 2023. Over the same period, BISERA6 processed 123.9 million of payments, totalling BGN 480,656.1 million. Compared with 2023 processed payments rose 11.6 per cent in number and 51.2 per cent in value. The number of instant credit transfers in levs compliant with the SEPA Credit Transfer Instant (SCT Inst) – a scheme for instant credit transfers in the European Payments Council's Single Euro Payments Area was 22.6 million, totalling BGN 36,919.7 million for 2024. In 2024, TARGET-BNB processed 333,925 payments worth EUR 893,710 million, including 291,784 customer payments for EUR 23,482 million. The data show an increase of 11.4 per cent in the total number of processed payments compared to 2023 and an increase of 14.7 per cent in the total value.

Over the review period, one individual supervisory inspection of a payment service provider licensed by the BNB was completed to establish compliance of payment service provider company's operations with the requirements of the Law on the Measures against Money Laundering (LMML), its implementing regulations and the Law on Measures against Financing of Terrorism (LMFT). In view of certain non-compliances with the requirements of the LMML, the Bank imposed supervisory measures. The BNB's thematic supervisory inspection of 14 payment institutions and electronic money institutions licensed by the BNB was completed in order to identify control mechanisms applied to prevent money laundering and terrorist financing, their effectiveness and degree of compliance with the legislative requirements of the LMML, its implementing regulations and the LMFT. Payment service providers have taken measures to remedy the non-compliances identified as part of the supervisory inspection. In 2024, a thematic supervisory inspection was carried out to verify the compliance of payment service providers in Bulgaria with the requirements for prior provision of information to payment service users in the event of envisaged changes to the framework contract for the provision of payment services under Article 62 of the LPSPS. Payment service providers implemented measures to remedy the non-compliances identified in the supervisory inspection. The Bank inspected six institutions to find out whether they provided payment services and/or issued electronic money without due licence or registration.

In 2024, IutePay Bulgaria EOOD was licensed to conduct activity as an electronic money institution, providing in addition payment services under Article 4, items 1, 2 and 3 of the LPSPS. During the same period, proceedings were discontinued at an applicant's request in relation to an application to operate as a payment institution, submitted on the basis of Article 10, paragraph 1 of the LPSPS. During the reporting period BORICA AD's licence as an operator of a payment system with settlement finality for servicing customer transfers in euro BISERA (formerly BISERA7-EURO) was amended. The major change in the operation of the BISERA payment system involved a migration to a pre-funded settlement model, which fostered the processing of customer payments in euro between system participants, while reducing the systemic risk.

Currency in Circulation

The Bulgarian National Bank has a monopoly on issuing banknotes and coins in Bulgaria. Banknotes and coins issued by the Bank are legal tender in Bulgaria and are mandatorily acceptable as payment at full face value without restriction. BNB issue and cash operations include: banknote printing, coin minting, accepting, delivering, repaying, processing, authenticity and fitness checking of Bulgarian banknotes and coins and foreign currency, exchanging damaged Bulgarian banknotes and coins, and scrapping unfit Bulgarian banknotes and coins. The rate at which currency in circulation increased in 2024 continued to slow down, and year-on-year growth in value was the lowest since 2012. At the end of 2024, 611.1 million legal tender banknotes were in circulation, worth BGN 30,407.6 million, rising for the year by BGN 5.2 million (0.9 per cent) in number and BGN 1581.6 million (5.5 per cent) in value. As in recent years, the trend to a high annual growth rate in the number of highest value banknotes (BGN 100) was sustained. By the close of 2024, 3339.4 million coins (legal tender) worth BGN 624.5 million circulated. Over the year their number rose by 116.4 million (3.6 per cent), and their value by BGN 34.3 million (5.8 per cent). The overall upward trend in the number of circulating coins of all denominations continued over the year. The shares of retained non-genuine Bulgarian banknotes and coins remained at very low levels: 0.000274 per cent and 0.000008 per cent of the total number of circulating banknotes and coins (legal tender) by the end of 2024. In 2024, the BNB tested sorting machines and customer operated machines in line with identification and fitness standards into nine credit institutions, four service providers and six representatives of machine producers under BNB Ordinance No 18 on the Control over Quality of Banknotes and Coins in Cash Circulation.

Maintaining Banking System Stability and Protecting Depositor Interests

Following joining the Single Supervisory Mechanism (SSM), by establishing close cooperation between the ECB and the BNB, the BNB performs its supervisory functions in relation to banks in Bulgaria in full compliance with the requirements of the national, European and international legal and prudential framework. The BNB implements all guidelines, instructions, analytical and methodological requirements of the ECB as the national competent authority for less significant institutions (LSIs) and participates with its representatives in the joint supervisory teams through which the ECB supervises systemic institutions at the SSM level. BNB's supervisory activities are in full regulatory and methodological compliance with SSM practices.

As part of its microprudential approach, in 2024, the BNB continued to monitor the financial situation of credit institutions and holding companies and assess their risk profile, providing further information and a better understanding of reported changes in the supervisory data as part of the ongoing supervisory dialogue with banks. When applying the EBA criteria, supervisors carried out an annual review and assessment of banks' reports on Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidly Adequacy Assessment Process (ILAAP) for 2023. The weaknesses identified, along with related recommendations for improvement of the processes were sent to institutions' management bodies. Funding plans covering the period 2024–2026 were subject to an annual review. The BNB reviewed and assessed the updated versions of the recovery plans of less significant institutions, which implemented the recommendations made by the BNB to increase their reliability. Monitoring of the targets set in banks' strategies and operational plans to reduce non-performing loans continued.

Supervisory inspections were carried out in four banks, one of which is subject to direct ECB supervision (under the established regime of close cooperation between the ECB and the BNB) and the remaining three are under the direct responsibility of the BNB as a national competent authority. The scope and topics of supervisory inspections at the three banks subject to the direct supervision carried out by the BNB are in the area of credit risk and credit concentration risk. Over the review period, one inspection which had started in the previous year was completed and four new inspections at less significant banks were launched, under the 2024 annual plan. Inspections focused on the credit risk.

To perform the functions of monitoring banks' compliance with the requirements of the Law on Measures against Money Laundering (LMML) and the Law on Measures against Financing of Terrorism (LMFT), the BNB completed three supervisory inspections in 2024, including one significant and two less significant credit institutions. The focus of these inspections was risk-based and included: a review of compliance with customer due diligence requirements related to high-risk events highlighted by the National Money Laundering and Terrorist Financing Risk Assessment, as well as the internal organisation and control in the area of anti-money laundering and countering the financing of terrorism. Over the year, two horizontal inspections were also performed covering a total of four significant institutions and five less significant institutions determined on the basis of a risk-based approach. With regard to the strict application of the Law on Bank Deposit Guarantee (LBDG), in 2024 targeted checks were carried out in three less significant credit institutions with a view to correctly determining the amount of guaranteed deposits.

In 2024, on-site inspections covering a range of areas to identify the IT risk were planned and implemented. IT risk inspections at three banks were performed. Within the framework of close cooperation between the BNB and the ECB, the main activity was performed *i.e.* cybersecurity management assessment. The specialised information system of the Banking Supervision Department enabled all supervised entities to test the submission of euro supervisory reports to ensure the supervision of reporting following Bulgaria's entry into the euro area. The changes to suptech products and the necessary changes to the information system were analysed in order to implement the amendments to the regulatory reporting requirements. New suptech products were updated and introduced to ensure the proper functioning of supervisory processes.

Participation in the process of assessing requests for acquisitions of credit institutions, changes in their capital structure, fit and proper assessments of management and key personnel of banks and information on qualifying holdings continued. In June 2024, a procedure was launched following an application by the Bulgarian-American Credit Bank AD to acquire, directly and independently, 99.94 per cent of Tokuda Bank AD's equity.

With regard to the regulatory framework, in September 2024, the BNB Governing Council adopted a new Ordinance No 30 on Calculation of the Amount of Premium Contributions Due by Banks under the Law on Bank Deposit Guarantee, which introduced in Bulgaria the EBA Guidelines on methods for calculating contributions to deposit guarantee schemes under Directive 2014/49/EU. In the context of the National Plan for the Introduction of the Euro in the Republic of Bulgaria, a review was carried out to identify possible amendments to the existing legislation on the activities of the BNB Banking Supervision Department.

In line with its macroprudential mandate the BNB supervises the operation of credit institutions and the banking system on the basis of continuous monitoring, identification and assessment of systemic risks. In May 2024, an Overview of the macroprudential measures introduced by the BNB to address the risks to the banking system was published. The analytical document indicates that the BNB's supervisory policy aimed at consistent accumulation and preservation of buffers has resulted in resilience in terms of liquidity, capital, efficiency and credit quality. Concurrently, there is elevated credit growth, primarily in the segment of loans secured by residential real estate. In this context, the BNB Governing Council ordered banks and branches operating in the country to apply a minimum set of indicators to monitor lending standards when originating and renegotiating loans secured by residential real estate. The decision laid down definitions and calculation methods and introduced quarterly reporting of these indicators on an individual and consolidated basis.

In September 2024, the Governing Council of the BNB adopted requirements with respect to the indicators on lending standards when originating and renegotiating loans secured by residential real estate (RRE) as follows: the loan-to-value ratio at origination (LTV-O) should not be higher than 85 per cent, the debt service payments to borrower's monthly income (debt service-to-income ratio at origination (DSTI-O) should not be higher than 50 per cent, the maximum duration of the credit agreement (maturity) should not exceed 30 years. The requirements, which entered into force on 1 October 2024, cover the household sector and should apply to loans secured by residential real estate on the territory of the Republic of Bulgaria and should be complied with on both individual and consolidated basis. It is permissible loans to be approved or renegotiated with parameters that deviate from the introduced requirements, and the total approved or renegotiated amount of such loans in the current quarter may not be higher than 5 per cent of the total gross value of newly granted or renegotiated loans in the previous quarter. In order to monitor the haircuts, additional reporting was introduced. The BNB Governing Council decision represents a subsequent stage in the formalised process of assessing lending risks secured by RRE, including the development of a quantitative risk assessment methodology (risk map), a regular monitoring and reporting mechanism. The requirements introduced aim at ensuring for prevention purposes the resilience of the banking system in the context of the increasing trends in the emergence of cyclical risks in the medium term. The requirements support the maintenance of the stability of the banking system, complementing the capital buffers applied so far by the BNB, which are one of the highest in Europe. They do not have a deterrent effect on lending, but rather follow the BNB supervisory approach of high conservatism and the general practice of macroprudential measures applied in EU countries.

As part of regular macroprudential policy decisions, the BNB reviews on a quarterly basis the countercyclical capital buffer (CCyB): a macroprudential tool applied to improve the banking system's ability to cope with the adverse effects of cyclical developments in the business and financial cycles. Within the regular quarterly assessment process, the buffer rate of 2.0 per cent was confirmed until the end of 2025 and for the first quarter of 2026 (by a decision of the BNB Governing Council of December 2024). These decisions strengthen the resilience of the banking system amid pressures on the profitability and capital position caused by a potential increase in non-performing loans and impairments. As regards risks of a structural nature, the annual review of the buffer for other systemically important institutions (O-SIIs) carried out by the BNB Governing Council in 2024 identified six institutions for which the buffer rates in 2025 would be between 0.5 per cent and 1.0 per cent.

In 2024, the high liquidity and resilient capital position of the banking system lead to the growth in credit portfolio, which had a favourable impact on banking system profitability. In 2024, a higher profit was reported than in the previous year. Regulatory funds increased and the potential residual credit risk in bank balance sheets (measured by net non-performing loans and advances) remained entirely covered by the excess of regulatory capital over capital requirements and applicable capital buffers.

In this context, the BNB continued its proactive counter-cyclical policy combining macroprudential and microprudential instruments (capital buffers, additional requirements under Pillar 2, additional own funds recommendations, ongoing monitoring of the liquidity positions, stress tests), through which the level of financial stability of the system and individual institutions is maintained adequate to the risk in the balance sheets and the environment.

BNB Activities as a Resolution Authority for Credit Institutions

The Law on the Recovery and Resolution of Credit Institutions and Investment Firms tasks the BNB with resolution of credit institutions and other legal entities which are subject to supervision or consolidated supervision by the central bank. The BNB performs the function of a resolution authority within the framework of the Single Resolution Mechanism (SRM) and in close cooperation with the Single Resolution Board (SRB). In 2024, the BNB activity as a resolution authority and national resolution authority was focused primarily on preparing, reviewing and updating resolution plans of credit institutions and monitoring the implementation of target levels of minimum requirements for own funds and eligible liabilities (MREL) as set out for credit institutions. As part of the process of reviewing and updating resolution plans for 2023, the BNB Governing Council adopted the resolution plans and set MRELs for eight credit institutions. Four updated group resolution plans were also submitted to the SRB for opinion. As the resolution authority of a credit institution that is part of a cross-border group, the BNB and the resolution college members reached a joint decision to adopt a group resolution plan for 2023. The BNB also reached a joint decision with the group-level resolution authority on setting MREL for the subsidiary credit institution in Bulgaria.

In reviewing and revising resolution plans of the credit institutions falling within the SRB direct powers, the BNB adopted in 2024 decision-making positions of the SRB Extended Executive Session on the final approval of joint decisions on 2023 resolution plans of three cross-border groups with subsidiaries licensed in Bulgaria, along with setting MRELs to resolution entities and their subsidiary banks. In the fourth quarter of 2024, the BNB adopted a position on draft decisions of the SRB Extended Executive Session for a prior approval of the resolution plan for 2024 for a cross-border group with a subsidiary bank licensed in Bulgaria, for the purposes of subsequent submission and consideration of the documents within the organised resolution college.

In line with the Banks Resolution Fund (BRF) governance function, in early April 2024, the BNB Governing Council adopted the annual financial statement of the BRF for 2023. For the purposes of ongoing management of the BRF's financial means, in 2024, the BNB maintained the investment strategy in place, and the BNB funds continued to be held on current accounts with the BNB. In accordance with the allocation of powers between the SRB and the BNB, the BNB Governing Council determined in April the 2023 annual contributions of branches of third-country credit institutions to the BRF at a total of BGN 106 thousand. As of 31 December 2024, funds collected in the sub-fund established to raise contributions by branches of third-country credit institutions were BGN 1033 thousand.

In February 2024, the SRB disclosed that, as of 31 December 2023, the target level of the Single Resolution Fund (SRF) had been reached and announced that it did not intend to raise regular annual contributions to the SRF in 2024, but would only carry out its procedure for the recalculation of the individual annual *ex-ante* contributions of the institutions that submitted corrective data in respect of previous procedures. Following a notification by the SRB on the calculation of adjustments to individual *ex-ante* annual contributions for 2023 of two credit institutions licensed in the Republic of Bulgaria, in May 2024, the BNB Governing Council decided to adjust the amount of the funds in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF, deducted from the liabilities of those credit institutions for *ex-ante* contributions to the SRF for 2023, and to recover funds of BGN 97 thousand in the earmarked sub-fund. As of 31 December 2024, funds in the earmarked BRF sub-fund established to raise and transfer contributions of credit institutions to the SRF were BGN 477,989 thousand.

Participation in the ESCB and EU Institutions and Bodies

By participating in the committees and working groups to the European System of Central Banks (ESCB), the European Commission, the EU Council, the European Systemic Risk Board, the European Banking Authority, and the Council for European Affairs, the BNB contributed to formulating Bulgarian standpoints in the area of economic governance and the financial sector and discussing other issues falling within the competencies of central banks. EU bodies and institutions activities in 2024 focused on strengthening the Union's financial system, enhancing the resilience of the European banking sector and its capacity to manage crises, as well as on harmonising the rules on the functioning of the payment services market and adopting stricter rules in the area of the fight against money laundering and terrorist financing. BNB representatives participated actively in discussions on amendments of the EU regulatory framework for the banking sector and contributed to the drafting and coordinating national positions on relevant legislative proposals.

Statistics

In 2024, the BNB continued to collect, process, analyse and disseminate the official monetary and interest statistics, external statistics, statistics of quarterly financial accounts of all institutional sectors, statistics of non-bank financial institutions, including leasing companies and investment funds, specialised lenders and insurance and reinsurance undertakings.

In 2024, work continued on the development of the BNB Integrated Information System, which will ensure optimisation and integration of information flows, and a single data entry point for statistics, reporting with regard to credit institutions' resolution activities, and supervisory reporting.

In its activities in the field of statistics, the BNB continued its cooperation with the Ministry of Finance, national and foreign statistical authorities and central banks, and by the end of March 2024, a Memorandum of Cooperation was signed between the NSI, the BNB and the MF in data developing, producing and disseminating in the field of government finance statistics. In June 2024, a NSI and BNB expert delegation chaired by the NSI President took part in the 21st meeting of the Committee on Statistics and Statistical Policy in the headquarters of the OECD in Paris, where the official hearing was also held within the framework of the review of Bulgaria's accession to the OECD. At the end of October 2024, during the meeting of the Working Group on Foreign Investment Statistics at the OECD Investment Committee, the methodological practice of Bulgaria in compiling data on direct investments in the country and abroad was presented, and the final report was submitted by the OECD after its review of data compilation. At the end of the year, a two-day meeting with ECB, Eurostat, BNB and NSI representatives took place in Bulgaria to analyse the quality of compiled statistics on balance of payments, international investment position, annual and quarterly financial accounts, which are the basis of the macroeconomic imbalances procedure.

In 2024, as a result of the joint work between the BNB and the NSI, a benchmark revision was carried out to ensure maximum consistency and improve the quality of data in and between relevant statistical areas (balance of payments, international investment position, external debt, quarterly and annual financial accounts).

The Fiscal Agent and State Depository Function

Acting as fiscal agent and depository, the BNB maintains, develops and improves electronic systems for budget and fiscal reserve information servicing, auctions, settlement and securities trade servicing and keeps the Register of Special Pledges. In 2024, a new contract between the BNB and the MF was concluded on state budget information services to optimise the reported information.

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

The BNB maintains a Central Credit Register (CCR) *i. e.* an information system (IS) on customer debt to banks, financial institutions, payment institutions and electronic money institutions extending loans under Article 21 of the Law on Payment Services and Payment Systems, as well as to investors granting project loans through a crowdfunding service provider, excluding foreign financial institutions conducting activities directly on the territory of the Republic of Bulgaria (institutions under Article 56, paragraph 1 of the LCI). As of 31 December 2024, 263 institutions under Article 56, paragraph 1 of the LCI submitted information to the CCR, of which 25 banks, 235 financial institutions, one payment institution and two electronic money institutions. As of 31 December 2024, the CCR listed 6985 thousand loans, with their balance sheet value amounting to BGN 131,025 million. Borrowers numbered 2606 thousand, of whom 2437 thousand individuals, 109 thousand legal entities, 59 thousand non-residents not registered at Bulgarian addresses or BULSTAT/PIK coded, and 1 thousand self-employed persons practising liberal professions or crafts. As of 31 December 2024, 8620 thousand of searches were made in the CRC IS by the institutions and bodies with the right of access under Article 56, paragraphs 1 and 3 of the LCI. There were 25,119 paper applications for CCR statements: 24,418 by individuals, 666 by legal entities, and 35 under Article 21a of Ordinance No 22 on the CCR for obtaining information under Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016. As of 31 December 2024, there were 7279 electronic applications for CCR statements by natural persons.

The BNB also maintains a Register of Bank Accounts and Safe Deposit Boxes (RBASDB): an electronic information system on bank and payment account numbers, holders and attorneys, beneficial owners of the account holders, data on account preservation orders, bank deposit box holders and attorneys. As of 31 December 2024, 37 institutions under Article 3 of Ordinance No 12 on the RBASDB submitted information to the Register, of which 26 banks, including the BNB, two payment institutions and nine electronic money institutions. As of 31 December 2024, the RBASDB logged 15.20 million of active bank accounts, 990.68 thousand of payment accounts kept by payment institutions and electronic money institutions, and 33.90 thousand of safe deposit box hires, including records of 2.83 million of new accounts and 2.29 million of close accounts. In 2024, bodies and institutions entitled to RBASDB information access conducted searches on total 805,633 individuals. There were 5127 applications for RBASDB paper statements: 4919 by individuals and 208 by legal entities. Over the review period, 1232 individuals obtained electronic statements from the RBASDB.

Research

Economic research and projections support the Bank's management in making decisions and delivering economic policy stance. Implementing the BNB Research Plan for 2023–2024, studies were focused on topics related to the macroeconomic effects of decreasing population, factors behind the dynamics of volumes and interest rates on consumer and housing loans, public debt sustainability, and inflation inertia in

Bulgaria. Honing and improving BNB macroeconomic models continued in the 2024, with the BNB's tool for assessing the macroeconomic effects of simulating economic shocks in the internal and external environment being updated and further developed. The basic macroeconometric model of the BNB was further refined in order to provide a more accurate assessment of potential macroeconomic effects of a change in banks' minimum reserves with the BNB. Forecasting and modelling tools of dynamics of non-performing loans under the baseline and adverse macroeconomic scenarios, used for stress testing of the banking system were further developed.

Human Resource Management

In 2024, the main priorities in human resource management at the BNB focused on provision of competitive working conditions and favourable working environment for the effective implementation of the Bank's objectives, functions and tasks. During the year, 54 employees joined the BNB and 39 left. Employees numbered 957 by end-2024.

BNB Internal Audit

BNB internal audit conforms to the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics of Internal Auditors, ESCB Internal Auditor Committee Rules and Internal Auditor Rules approved by the BNB Governing Council. In 2024, there were twelve audits: ten under the Annual Internal Audit Directorate Programme approved by the BNB Governing Council and two under the ESCB Internal Auditors Committee Programme.

BNB Budget Implementation in 2024

The BNB budget ensures performance of Bank's functions and tasks. In 2024, BNB's operating expenses were BGN 147,979 thousand. or 42.3 per cent of the approved annual budget, including currency circulation costs of BGN 27,398 thousand. Bank investments were BGN 28,813 thousand, or 31.6 per cent of annual budget under this item. Over the reporting period, the BNB continued to actively work on issues related to the euro adoption as legal tender in the Republic of Bulgaria, with this expenditure having an indirect effect on the overall implementation of the 2024 Bank budget. Due to the changed date of the euro adoption as legal tender, a portion of expenses planned in the 2024 BNB budget on circulation costs and IT system development was reprogrammed and included in the 2025 BNB budget. Consolidated financial statements (audited) present the Bank's financial position as of 31 December 2024.

I. Economic development in 2024

The External Environment

Global economic activity recorded sustainable growth in 2024, with global real GDP rising by 2.6 per cent on an annual basis, compared to 2.7 per cent in 2023[2]. Developed market economies continued to grow at rates similar to those of the previous year, while developing market economies' growth rate slowed down somewhat. Global PMIs dynamics shows[3] that global economic growth was mainly driven by higher activity in the services sector, while activity in manufacturing remained broadly unchanged from 2023. In 2024, global industrial production and world trade increased by 1.5 per cent and 3.3 per cent respectively, with China's economy contributing most to this dynamics.[4] Global labour market conditions remained favourable, with the unemployment rate continuing to decline to 5.5 per cent in 2024, from 5.7 per cent in 2023[5]. Concurrently, geopolitical uncertainties related to wars in Ukraine and the Middle East continued to weigh negatively on global economic growth.

In 2024, economic activity in the United States remained relatively high, with GDP growing by 2.8 per cent in real terms from 2.9 per cent in 2023. The resilient labour market contributed to the accelerated growth rate of private consumption in real terms, with private investment as well as public sector consumption and investment contributing positively to economic activity's growth. In China, economic activity slowed to 5.0 per cent on an annual basis from 5.4 per cent in 2023, reflecting mainly the subdued domestic demand, which was negatively affected by structural problems in the residential construction sector in the country.

Euro area real GDP growth accelerated to 0.9 per cent on an annual basis from 0.4 per cent in 2023. By final consumption expenditure component, weaker decline in inventories and the increase in government and private consumption had the main positive contribution to the accelerated economic activity. Investment made a significant negative contribution to growth, with geopolitical uncertainty, weak external demand and tight financing conditions driven by the ECB's monetary policy being the main factors behind this. In 2024, the services sector maintained its prominent role in the euro area economic growth, while the decline in industry continued, but at a more moderate pace. Over the period under review, real GDP of Germany, which is Bulgaria's main trading partner, fell by 0.2 per cent mainly due to difficulties in manufacturing, some of which are likely to be of a structural nature. At the same time, the growth of Italy, Bulgaria's other major trading partner in the euro area, amounted to 0.7 per cent over the same period. The euro area labour market remained resilient. Despite the continuing downward trend in employment growth, the unemployment decline persisted, averaging 6.4 per cent over the reporting period compared to 6.6 per cent in 2023.

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[2] Based on the World Bank data as of 11 March 2025.

[3] Purchasing Managers' Index – the US Institute for Supply Management 's Purchasing Managers' Index.

[4] CPB Netherlands Bureau for Economic Policy Analysis data as of 25 February 2025.

[5] Based on the World Bank data as of 11 March 2025.

Key Macroeconomic Indicators

(per cent)

	Average Annual Real GDP Growth			Inflation (end of year)			Unemployment rate (average annual)		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
United States	**2.5**	**2.9**	**2.8**	**5.5**	**2.7**	**2.6**	**3.6**	**3.6**	**4.0**
China	30.	5.2	5.0	1.8	-0.3	0.1	5.6	5.2	5.1
Europe									
EU	3.5	0.4	1.0	10.4	3.4	2.7	6.2	6.0	5.9
Euro Area	3.5	0.4	0.9	9.2	2.9	2.4	6.8	6.6	6.4
United Kingdom	4.8	0.4	0.9	9.3	4.2	3.5	3.8	4.0	4.3

Notes: The EU group consists of 27 Member States of the European Union. Non-seasonally adjusted data on unemployment, excluding those on the UK. Inflation in China, EU and the euro area is calculated based on CPIs. The US inflation is measured by the personal consumption expenditure price index and the UK inflation by consumer price indices, including owner-occupiers' housing costs. Data as of 11 March 2025 are used.

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

In 2024, Brent crude price fell significantly on an annual basis in both US dollars (by 2.3 per cent) and euro (2.4 per cent). The main drivers of oil price decline over the review period were related to weak oil demand, increased US oil production and prevailing market participants' expectations of a worsening economic outlook in Europe, the United States and China. Moreover, geopolitical tensions in the Middle East and OPEC+ policies aimed at curbing oil production prevented more substantial oil price decline throughout the year. In 2024, metal prices posted an increase due to the low base of 2023 and some recovery of Chinese demand reflecting the fiscal and monetary measures put in place to support the construction sector and economic activity in Bulgaria. At the same time, food prices declined throughout the year owing to idiosyncratic factors related to the increased global supply of cereals amid relatively high levels of inventories and weak demand.

The downward trend in annual global inflation continued in 2024, reaching 2.9 per cent by December 2024, from 3.8 per cent at the end of 2023. Tightened monetary policy in major advanced economies contributed to the slowdown in inflation, but the rates of decline were lower than those recorded in the previous year due to the stable inflation in services.

In 2024, US annual inflation measured by the personal consumption expenditure price index remained significantly above the target of 2.0 per cent set by the Federal Open Market Committee (FOMC). The downward trend in annual inflation slowed down from the previous year to 2.6 per cent in December 2024 from 2.7 per cent at the end of 2023. The inflation volatility over the year was mainly driven by the dynamics of transport fuel prices. Core inflation in the United States (excluding food and energy products) also slowed slightly in 2023 to 2.9 per cent in December 2024, from 3.0 per cent at the end of 2023. Prices of housing and medicines had the largest contribution to core inflation deceleration, which was partially offset by higher financial services prices. Euro area annual consumer price inflation slowed more strongly than in the United States, reaching 2.4 per cent at the end of 2024 from 2.9 per cent at the end of 2023. The lower food price growth was the main contributor to the decrease in overall euro area inflation. At the same time, the positive contribution of gas and electricity prices has increased significantly reflecting the phasing out of measures taken in previous years to limit the price rise of these energy sources. Core inflation (excluding food, energy, alcohol and tobacco products) went down to 2.7 per cent in December 2024 (from 3.4 per cent at the end of the previous year), reflecting mainly lower inflation in home furnishing and cars. At the same time, services inflation remained persistently high on account of high wage growth.

In view of the prospects for achieving the price stability objectives, the US and euro area central banks began to ease their monetary policies in 2024. The ECB started its cycle of lowering key interest rates in June 2024, reducing the interest rate on the deposit facility by a total of 100 basis points to 3.00 per cent at the end of the year. The Federal Reserve also cut the federal funds rate corridor by a total of 100 basis points to 4.25–4.50 per cent at the end of the year and, owing to relatively more stable US inflation, the country's monetary policy easing cycle started later *i.e.* in September 2024.[6]

The Bulgarian Economy

In 2024, Bulgaria's real GDP growth accelerated to 2.8 per cent[7] (1.9 per cent in 2023). By final consumption expenditure component, domestic demand and changes in inventories had a positive contribution to real GDP growth, while net exports contributed negatively. Labour market development favoured the economic activity in terms of increase in employment and rise in real labour income, which supported growth in household consumption expenditure. Fiscal policy continued to exert a pro-cyclical effect and stimulated domestic demand mainly through increases in social payments and compensation of employees in the public sector. Additional factors with a positive effect on domestic demand included high lending activity and negative real interest rates on household deposits, which have contributed to the comparatively high propensity of households to consume. The external environment had a limiting impact on real GDP growth over the course of the year amid subdued economic activity in some of Bulgaria's main trading partners.

In 2024, nominal wages continued to grow at a rate higher than that of consumer prices. The main contributors to wage growth were stronger labour demand in the context of growing economic activity and preserved significant labour shortages, as well as increased budget and minimum wages since January 2024. Private consumption rose by 4.2 per cent in real terms, underpinned by wage growth, the increased number of employees and improved consumer confidence. Rising net fiscal transfers to households and high lending activity supported further private consumption growth.

Government consumption rose by 4.6 per cent in real terms in 2024 compared to 2023. National accounts data on the general government sector for January-September 2024 and those on the implementation of the Consolidated Fiscal Programme (CFP) for 2024 indicate that government consumption growth was mainly due to higher expenditure on compensation of employees in the public sector and increased healthcare expenditure.

Gross fixed capital formation posted a 1.1 per cent annual decline in real terms, with government investment contributing to this according to the BNB's estimates[8], while private investments had a positive contribution. The decline in government investment was mainly driven by projects implemented with national funds and, to a lesser extent, investments with European funding given the start-up phase of the 2021-2027 programming period. Factors that had a positive impact on investment activity in the non-government sector were the increase in private consumption, active supply of lending resources by banks and increased demand for new housing[9].

[6] For more information, see Central Banks' Policies Section of Chapter II.

[7] Non-seasonally adjusted data. Preliminary data from the National Statistic Institute, published on 7 March 2025, are used.

[8] The NSI does not provide official data on the breakdown of total investments into private and public in the economy. Private investment series is constructed by the BNB as a difference between total investments and the estimated amount of public investments on an accrual basis in real terms. Public investment estimates for the period from January to September 2024 are based on quarterly non-financial accounts data on the general government sector as published by the NSI, while for the fourth quarter of 2024 data from the Consolidated Fiscal Programme are used.

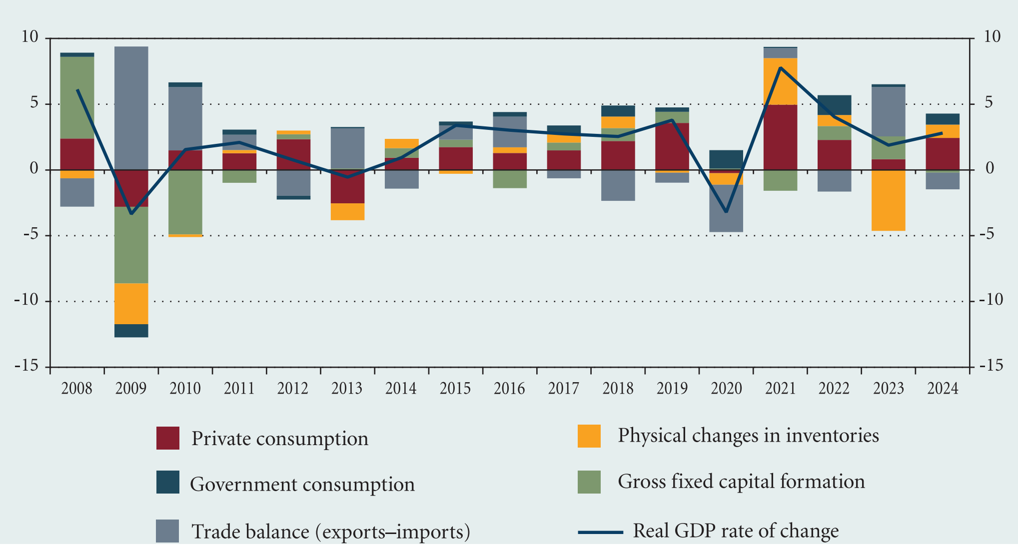
[9] NSI data on the number of new dwellings sold for the January-September 2024 and on household sentiment for home purchase are used.

Changes in inventories contributed positively to real GDP dynamics in 2024 (1.0 percentage point). Available data suggest that firms implemented targeted policies towards stockpiling of raw materials and finished products accumulated mainly in the second half of the year.

Net exports had a negative contribution to real GDP growth in 2024, as a result of the fall in exports (by 0.8 per cent) in combination with the growth of goods and services imports (by 1.3 per cent). Both trade in goods and in services contributed to the decrease in exports. These developments can be explained by subdued economic activity in certain Bulgaria's main trading partners, declines in assuring manufacturing firms with orders from abroad, and lower agricultural harvests and, hence, exports of cereals and oilseeds[10]. The upward dynamics of goods imports was in line with the strong domestic demand and the increased amount of inventories maintained by firms, which were characterised by high import content.

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

(per cent, percentage points compared to the previous year, non-seasonally adjusted data)



Sources: NSI, BNB calculations.

In terms of the trends across economic sectors, gross value added rose by 2.5 per cent in real terms in 2024, with services sector having the main positive contribution, followed by industry, while agriculture recorded a decline. Value added in the services sector grew in all sub-sectors as general government, education, human health and social work activities and trade, transport, accommodation and food service activities had the most significant positive contribution. As regards industry, real value added growth was observed in both industry[11] and construction. The decline in value added in agriculture was in line with NSI preliminary data showing a weaker agricultural harvest in 2024 compared to the previous year.[12]

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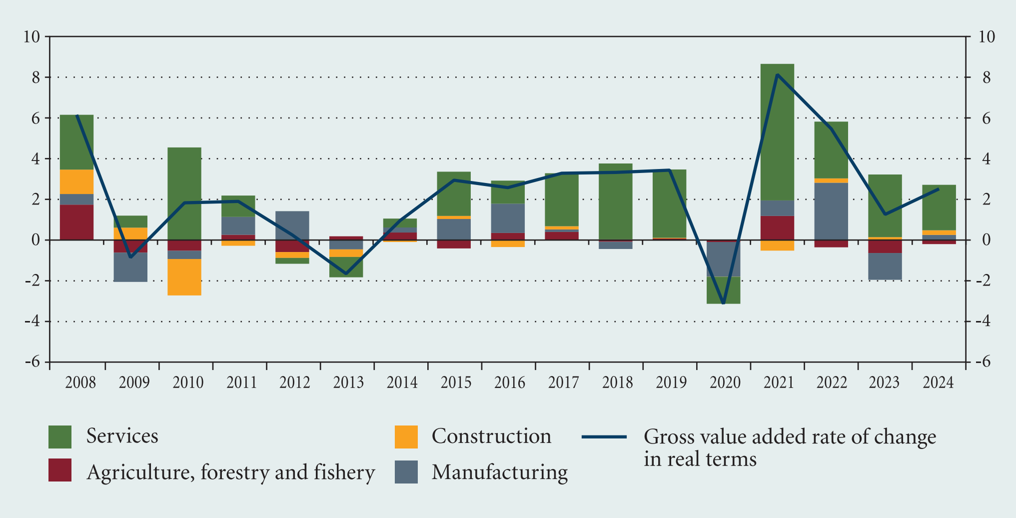
[10] According to detailed data by commodity group of foreign trade statistics for January-November 2024.

[11] Value added indicators in industry (in real terms) and the industrial production index often experience similar dynamics and informative value on economic activity developments in the industrial sub-sector. In 2024, however, the industrial production index declined for the second consecutive year, while value added continued to increase in real terms. This divergent dynamics is probably due to methodological features. Additional indicators, such as economic situation survey, dynamics of exports of goods, changes in employment and registered unemployed, indicate a deterioration in the economic activity in industry in 2024.

[12] According to the NSI's first estimate of final output in agriculture, in 2024 the production volume of agricultural sector decreased by 5.3 per cent and prices fell by 5.6 per cent.

Gross Value Added Change in Real Terms and Contribution by Industry

(per cent, percentage points compared to the previous year, non-seasonally adjusted data)



Sources: NSI, BNB calculations.

Labour market conditions remained tight in 2024, with the number of employees rising by 1.1 per cent for a third consecutive year in the context of a shrinking labour force. Employment growth was supported primarily by services sector, in particular by trade, transport, accommodation and food service activities, followed by general government; education, and human health and social work activities. The number of persons employed in construction also increased, while that in industry and agriculture declined. Concurrently, hours worked *per* person in the economy fell by 1.0 per cent on an annual basis, reflecting the reported declines in agriculture, manufacturing and construction. According to Labour Force Survey[13] data, the unemployment rate remained historically low at 4.2 per cent on average in 2024. The labour force participation rate rose slightly to 74.0 per cent (73.9 per cent in 2023) as a result of unfavourable demographic developments in Bulgaria, which resulted in a stronger decline in the working-age population than the decline in labour force. Concurrently, Employment Agency data reported an increase in registered unemployment to 5.5 per cent on average in 2024, from 5.3 per cent in 2023, probably due to lower labour demand in agriculture as well as in industry in line with unfavourable developments in the external environment and the reported decline in Bulgarian exports of goods and services.

Labour productivity[14] for the total economy rose by 1.7 per cent in 2024, driven by productivity growth in industry and construction, while agriculture and services posted a decline. Growth in compensation *per* employee decelerated to 10.4 per cent in nominal terms in 2024 (from 13.4 per cent in 2023), which can be explained by the slowdown in the consumer price growth rates. In real terms[15], the growth of compensation *per* employee for the total economy amounted to 7.6 per cent in 2024, with annual decreases reported only in information and communication and real estate operations sub-sectors. Growth of compensation *per* employee in real terms for the total economy accelerated from 2023 (4.6 per cent).

[13] Labour Force Survey data refer to the 15–64 age group.

[14] Real GDP measures labour productivity in the overall economy. Labour productivity by sector is calculated based on value added of the sector in real terms.

[15] Real compensation *per* employee is obtained after the nominal compensation *per* employee is deflated by the Harmonised Index of Consumer Prices.

The strong rise in compensation *per* employee was reflected in an increase in nominal unit labour costs of 8.5 per cent in 2024. In real terms, unit labour costs for the total economy grew by 1.9 per cent, with largest increase reported in agriculture (18.7 per cent) and culture, sport and entertainment sub-sector[16] (16.9 per cent).

Unit labour costs

(moving average, 2020 = 100)

Sources: NSI, BNB calculations.

Gross operating surplus at current prices for the total economy rose by 6.5 per cent in 2024, mainly reflecting the improvement in the financial performance of firms in services and, to a lesser extent, in manufacturing. Agriculture posted a decline, while in manufacturing the gross operating surplus remained at a level close to that of the previous year.

In 2024, the growth in the GDP deflator slowed down to 6.5 per cent from 8.0 per cent in 2023, with the increase by expenditure component of final use being driven mainly by components of domestic demand and changes in inventories. Private consumption, government consumption and gross fixed capital formation deflators increased by 4.9 per cent, 11.9 per cent and 6.3 per cent, respectively. The deflator of total exports of goods and services decreased slightly by 0.4 per cent on an annual basis, while that of imports rose by 0.1 per cent, leading to some deterioration in the terms of trade for the Bulgarian economy.

Annual HICP inflation moderated to 2.1 per cent at the end of 2024 (5.0 per cent at the end of 2023). The main factors contributing to lower inflation were the reduced energy prices as a result of the decline in international crude oil price, cheaper industrial goods due to lower import prices and the emerging base effect of high price increases in 2023, mainly in the food group. At the same time, in the context of the domestic macroeconomic environment, relatively high growth of unit labour costs and sustained strong private consumption continued to exert pro-inflationary pressure, their impact being most pronounced in the group of services. Fiscal policy also continued to be a pro-inflationary factor, as higher social payments, compensation of public sector employees and minimum wage in recent years contributed to the increase in household disposable income and consumption, creating a prerequisite for sustaining high inflation in more demand-sensitive HICP components.

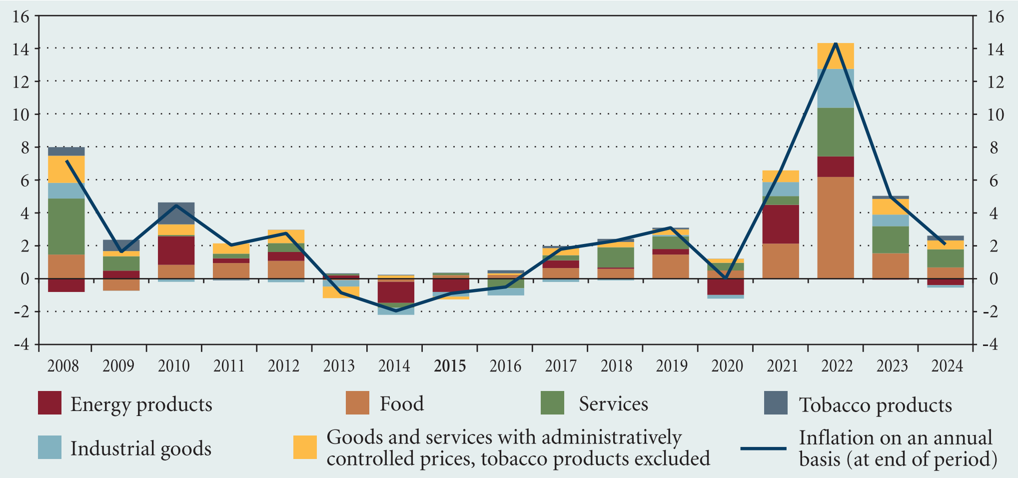
[16] It should read culture, sport and entertainment; other activity; activities of households as employers; non-identified activities of households producing goods and services for own use; activities of extraterritorial organisations and bodies under the economic activities classification at level A10.

By end-2024, core components[17] had the strongest positive contribution to headline consumer price inflation: a 2.1 per cent price increase on an annual basis (against 5.3 per cent at the end of 2023). Core inflation was entirely driven by price hikes in services, where annual inflation remained at a persistently high level (4.6 per cent at the end of 2024 compared to 7.1 per cent at the end of 2023). Industrial goods contributed negatively to core inflation at the end of the year, reflecting lower durable goods prices, while non-durable goods prices rose on an annual basis.

The annual growth rate of prices in the group of goods and services with administratively controlled prices and tobacco products remained relatively high, mainly due to higher excise duties on tobacco products and higher prices of water and sewerage services, rail transport, higher education fees and electricity price rises. Food products also had a significant positive contribution to the headline inflation at the end of 2024 despite the slowdown of the inflation in this group, partly reflecting higher international agricultural commodity prices and higher import prices of some food products. Concurrently, energy products (excluding administratively controlled prices) had negative contribution to the headline inflation in December 2024. A 5.6 per cent decrease in energy product prices on an annual basis was attributable to the decline in both transport and solid fuels, which was in line with the fall in the international price of crude oil.

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

(per cent, percentage points)



Notes: This structure corresponds to the Eurostat classification; tobacco products and goods and services with administratively controlled prices are presented separately.
The index of goods and services with administratively controlled prices is calculated by weighing the relevant elementary aggregates in the consumer basket.

Sources: NSI, BNB calculations.

Preliminary data on Bulgaria's balance of payments show that in 2024 the current account balance was slightly positive at EUR 225 million (0.2 per cent of GDP) compared to a surplus of 0.9 per cent of GDP in 2023. The decline in the current account surplus was mainly driven by the expansion of the trade balance deficit, while net primary income deficit narrowed from the previous year.

In 2024, the trade balance deficit widened as a result of the reported fall in exports of goods in real terms[18] (by 0.9 per cent) and imports growth (1.6 per cent). The unfavourable terms of trade given the stronger decline in the deflator of exports of goods on an annual basis compared to the decline in the deflator of imports of goods also contributed to the expanded

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

[18] Non-seasonally adjusted national account GDP data.

trade balance deficit. Foreign trade statistics[19] show that food had the largest negative contribution to the fall in nominal exports of goods over the year[20]. Nominal imports of goods reported a slight increase in 2024, mainly driven by the group of mineral products and fuels, while imports of machines[21] had the highest negative contribution.

Net services surplus declined by 3.8 per cent in 2024 compared with 2023. According to the non-seasonally adjusted national account GDP data, exports of services in real terms declined by 0.6 per cent, while imports fell less (by 0.3 per cent). Unfavourable terms of trade, which were driven by the higher rate of increase in the prices of services imports compared to that in services exports prices also had a dampening effect on the surplus item. In nominal terms, exports of services remained close to its level of the previous year. Revenue from information and computer, travel and research and development services had the highest positive contribution to services exports, while exports of other non-classified services posted a decline on an annual basis[22]. NSI data indicate that in 2024 the number of foreign nationals' visits to Bulgaria rose by 4.9 per cent. Imports of services in nominal terms grew by 4.2 per cent, mostly due to the higher costs incurred by Bulgarian residents for travel abroad. NSI data for 2024 show that Bulgarian residents' visits abroad rose by 7.9 per cent on an annual basis.

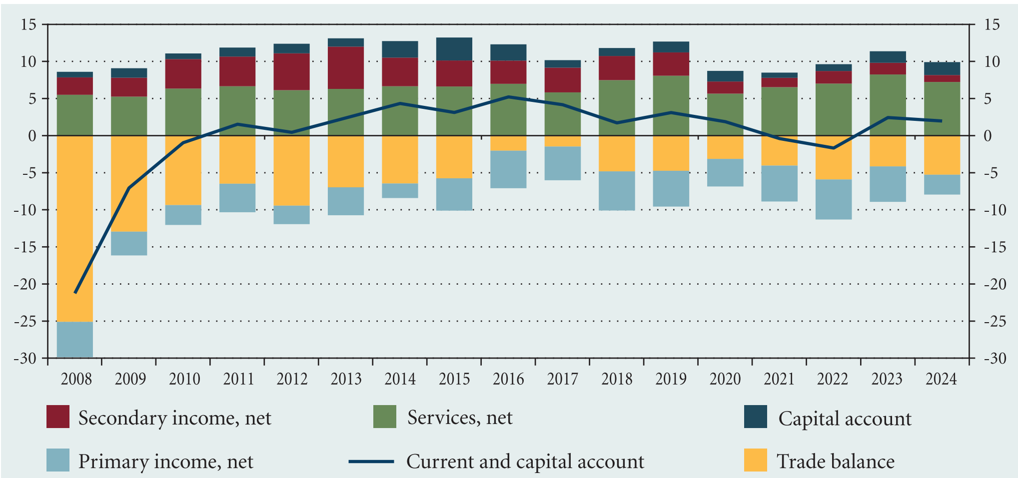
In 2024, net primary income deficit declined compared to the previous year, mostly as a result of lower outflows under the equity income sub-item related to reinvested earnings on direct investment. The surplus of net secondary income fell from 2023, reflecting mainly the lower amount of incoming current transfers to the general government sector.

Balance of payments capital account surplus increased by EUR 347 million to stand at EUR 1821 million in 2024 (1.8 per cent of GDP), resulting from higher capital inflows to the general government sector.

As a result of the above dynamics in current and capital account flows in 2024, a surplus was reported on both accounts at 2.0 per cent of GDP (against a surplus of 2.4 per cent of GDP for 2023).

Current and Capital Account Flow Dynamics and Contribution by Components

(per cent of GDP)



Sources: BNB, NSI, BNB calculations.

In 2024, the balance of payments financial account balance turned positive at EUR 182 million (0.2 per cent of GDP) compared to a negative balance of EUR 1018 million (-1.1 per

[19] The analysis employs foreign trade statistics of the Combined Nomenclature for the period January-November 2024.

[20] It should read the animal and plant products, food, drinks and tobacco group under the Combined Nomenclature.

[21] It should read the machines, vehicles, appliances, instruments and weapons group under the Combined Nomenclature.

[22] Preliminary data subject to revision.

cent of GDP) in 2023, with newly acquired foreign assets from Bulgarian residents exceeding newly incurred liabilities to non-residents. The increase in foreign assets in 2024 was mainly due to a rise in the portfolio investment of banks and other financial corporations. Concurrently, lower inflows related to direct investments in the non-bank private sector limited the increase in accumulated new liabilities to non-residents. Preliminary balance of payments data put direct investment liabilities (reporting direct investments into Bulgaria) at EUR 1880 million in 2024, posting a decline from 2023 (EUR 3760 million). Concurrently, government foreign liabilities increased in 2024, mainly owing to government bond issuance in international capital markets[23].

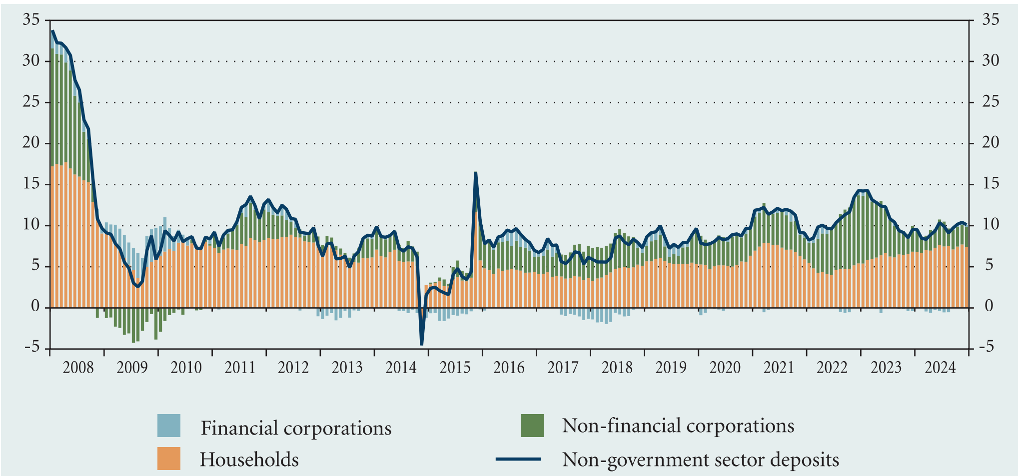
As a result of net current, capital, and financial account flows, in 2024 BNB international reserves fell by EUR 904 million, according to balance of payments data (valuation adjustments and revaluations excluded). After taking into account changes in international reserves on the BNB Issue Department balance sheet, including valuation adjustments and price revaluations, by end-2024 they grew by EUR 131 million from the end of 2023.

As of December 2024, Bulgaria's gross external debt was EUR 49.0 billion (47.3 per cent of GDP), up EUR 3.9 billion compared to end-2023, mainly due to an increase in general government and banking sector debt.

In 2024, annual growth of non-government sector deposits in the banking system followed a slightly accelerating trend, reaching 10.1 per cent as of December. The upward dynamics was supported by household deposits, rising year on year by 11.8 per cent (11.0 per cent in December 2023). Major factors that continued to support household deposit growth included increasing labour income and households' persistent preferences to maintain their free funds in the form of deposits in the banking system. Overnight deposits continued to contribute most to growth in household deposits, while the contribution of deposits with an agreed maturity remained significantly lower due to persistently low interest rates on new time deposits. Annual growth of non-financial corporations' deposits slowed to 7.0 per cent (9.0 per cent at the end of December 2023), with deposits with an agreed maturity posting a stronger slowdown of growth, probably as a result of lower interest rates on new time deposits of firms observed over the course of the year. Concurrently, in 2024 the contribution of foreign currency deposits (mainly in euro) to annual growth of corporate deposits increased, while the contribution of lev deposits of this sector declined.

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

(per cent, percentage points)



Note: The annual growth rate of non-government sector deposits in November 2015 reflects the exhausted base effect of KTB removal as a reporting unit from the monetary statistics in November 2014.

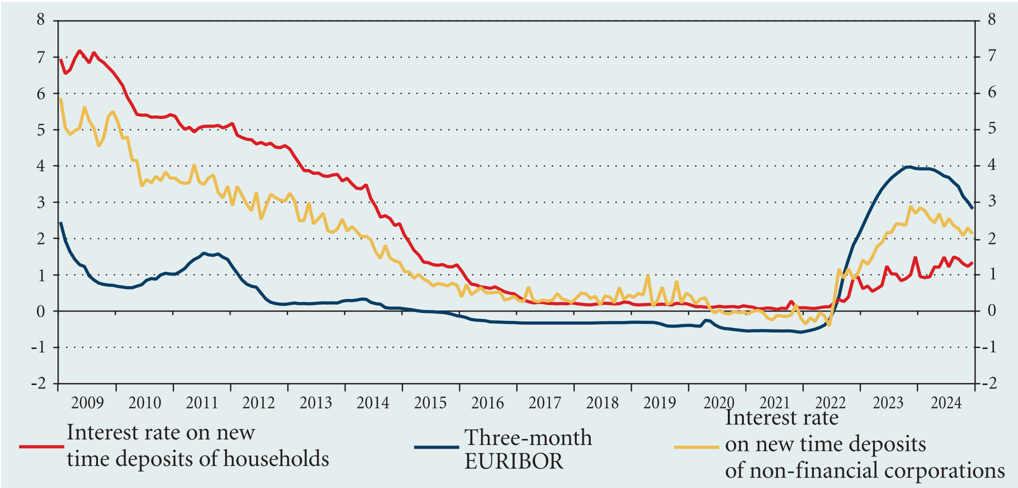
Source: BNB.

[23] On 28 August 2024, the Ministry of Finance placed triple tranche bonds on the international capital markets. The first tranche consisted of euro-denominated bonds with a maturity of eight years and a volume of EUR 1.75 billion. The second tranche consisted of euro-denominated bonds with a maturity of 20 years and a volume of EUR 1.25 billion. The third tranche consisted of USD-denominated bonds with a maturity of 12.5 years and a volume of USD 1.5 billion.

Similarly to the upward phase of the euro area interest rate cycle, from mid-2022 to mid-2024, when the transmission to interest rates for households in Bulgaria was limited due to high liquidity and banking system competition, this transmission to domestic household rates during the new cycle of declining euro area reference rates remained also limited. In the non-financial corporations' sector, a decrease in the weighted average interest rate on new loans was reported in 2024. The greater transmission of changes in the ECB monetary policy to interest rates in the non-financial corporations' sector in Bulgaria resulted from the higher share of foreign currency loans (mainly in euro) compared to the household sector, as well as from the linkage of interest rates on these loans to reference indices in the euro area interbank monetary market.

Interest Rates on New Time Deposits and Three-Month Euribor

(per cent, percentage points)

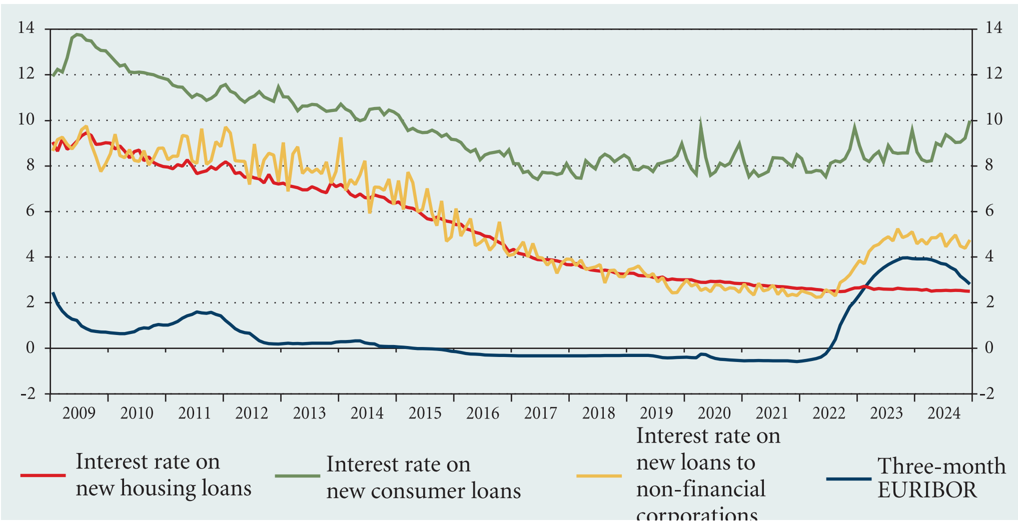


Note: Average deposit rates for non-financial corporations and households are calculated based on interest rates for all maturities and currencies across individual sectors, weighted by the relevant volumes of new deposits .

Sources: BNB, ECB.

Interest Rates on New Loans and Three-Month Euribor

(per cent, percentage points)



Note: The interest rates on new housing loans, consumer loans and new loans to non-financial corporations are calculated from the interest rates on all maturities and currencies by loan type, weighted by the corresponding volumes of new loans.

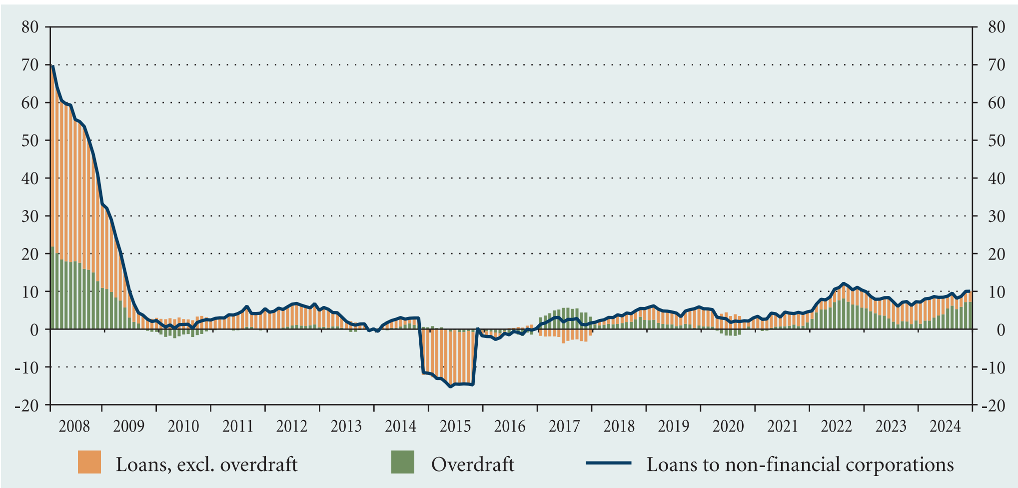
Sources: BNB, ECB.

In 2024, the annual growth rate of credit to non-financial corporations and households followed an accelerating trend, reaching 15.0 per cent by end-December (11.1 per cent in December 2023). The upward dynamics of credit was mainly driven by increased credit to households, while the increase in credit to non-financial corporations had a relatively smaller contribution. At the end of 2024, the annual growth of credit to households reached 20.8 per cent (15.9 per cent in December 2023), mainly supported by housing loans which grew by 29.1 per cent on an annual basis in December[24] (20.5 per cent in December 2023). Annual growth of consumer loans was 11.9 per cent at the end of the year. The main factors behind household demand for loans continued to be growing labour income, as well as households' needs for financial resources for purchasing first home and goods for current consumption and durable goods as reported in the Bank Lending Survey. Additional factor supporting housing credit demand by households was the limited possibilities for investing savings accumulated in the economy amid negative real interest rates on deposits. On the supply side, strong credit activity continued to be underpinned by competition between banks for a market share in housing and consumer lending segments, high liquidity in the banking system and stable capital position of banks. These factors continued to contribute to the retention of interest rates on new housing loans at very low historical levels. Strong growth in residential property prices in 2024 was a precondition for an increase in the volume of new housing loans, which also supported the growth of housing lending over the course of the year.[25]

Annual growth of credit to non-financial corporations accelerated to 10.1 per cent by end-2024 (7.3 per cent in December 2023). Corporate overdraft facilities, which followed an accelerating trend to 21.0 per cent at the end of the year, fully contributed to the upward dynamics observed. The rapid increase in overdraft is likely to reflect firms' demand for bank resources to accumulate inventories and provide working capital. Corporate loans excluding overdraft increased by 4.3 per cent on an annual basis in December 2024.

Annual Non-financial Corporation Credit Growth and Contribution by Loan Type

(per cent, percentage points)



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

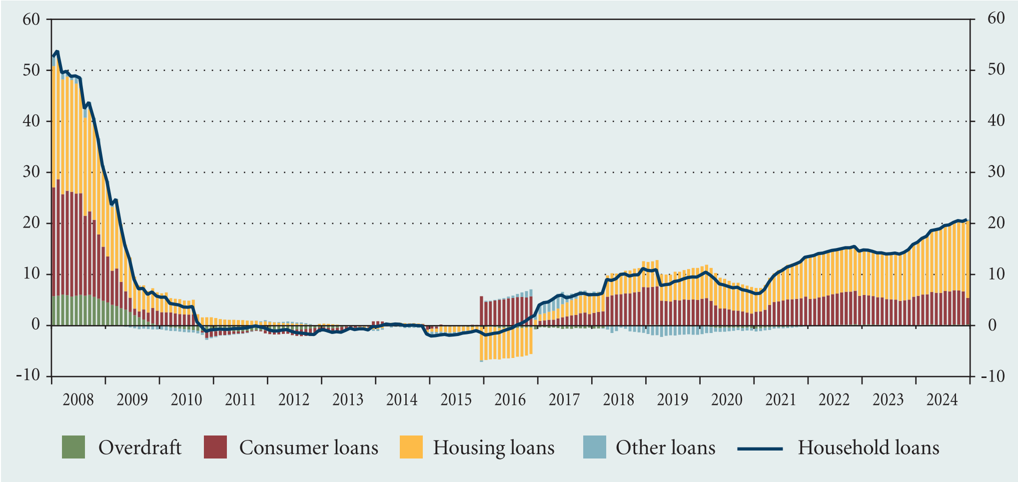
Source: BNB.

[24] Higher growth of housing loans at the end of the year was partly due to the reclassification of consumer loans into housing loans, which was reflected in the December 2024 data.

[25] In the course of the assessment of lending collateralised by residential real estate, which indicates a potential build-up of medium-term risks to the banking system, on 11 September 2024 the BNB Governing Council adopted requirements on indicators of credit standards in extending and renegotiating loans secured by residential real estate. These requirements aim at ensuring for prevention purposes the resilience of the banking system. For more information, see Chapter VI.

Annual Household Credit Growth and Contribution by Loan Type

(per cent, percentage points)



Note: Based on additional information received from reporting units, a revision of household loans was carried out according to their purpose of use in December 2015–August 2019.

Source: BNB.

BNB's quarterly Bank Lending Survey shows increased demand for consumer and housing loans by households as well as loans by large corporations throughout 2024. Banks reported lower demand for corporate loans in the segment of small and medium-sized enterprises in the first three quarters of 2024 and stronger demand between October and December 2024. Purchases of goods for current consumption and long-term consumption and, to a lesser extent, interest rate levels contributed most to the higher demand for consumer loans. Households' needs for funds for purchasing first and additional homes, positive assessments of housing market prospects and the state of the macroeconomic environment were the main contributors to the increased demand for housing loans, as well as the demand for interest rates. The main factor behind the increased demand for corporate loans during the year was the need to provide funds for working capital and accumulation of inventories, while the levels of interest rates and financing needs for investment purposes contributed to a relatively lesser extent. Survey results suggest a slight tightening of consumer lending standards in the first half of 2024, which remained broadly unchanged in the second half of the year. In the case of housing loans, standards tightened slightly in the first three quarters of 2024 and significantly in the period October-December 2024 as the BNB requirements with respect to RRE lending standards' indicators effective from 1 October 2024 potentially resulted in stronger tightening at the end of the year. Banks reported easing of corporate lending standards in the first and third quarters of 2024, maintaining them unchanged in the second quarter and tightening in the October-December 2024 period. The main factors that contributed to the tightening of corporate credit standards were the cost of attracted funds and banks' lower risk appetite. Banks' lower risk appetite and risk assessment were the main drivers of tightening standards for consumer and housing loans.

In 2024, the banking system retained high levels of liquidity, with liquid coverage ratio (LCR)[26] accounting for 241.0 per cent (246.7 per cent at the end of 2023). As regards the dynamics of bank assets, the largest increases over the year were observed in claims on the non-government sector (by BGN 13.5 billion) and government securities portfolio (by BGN 2.8 billion). Banks' net foreign assets rose by BGN 1.2 billion. Banks'

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

reserves at the BNB declined by BGN 2.7 billion from the end of 2023, driven by the lower amount of excess reserves.

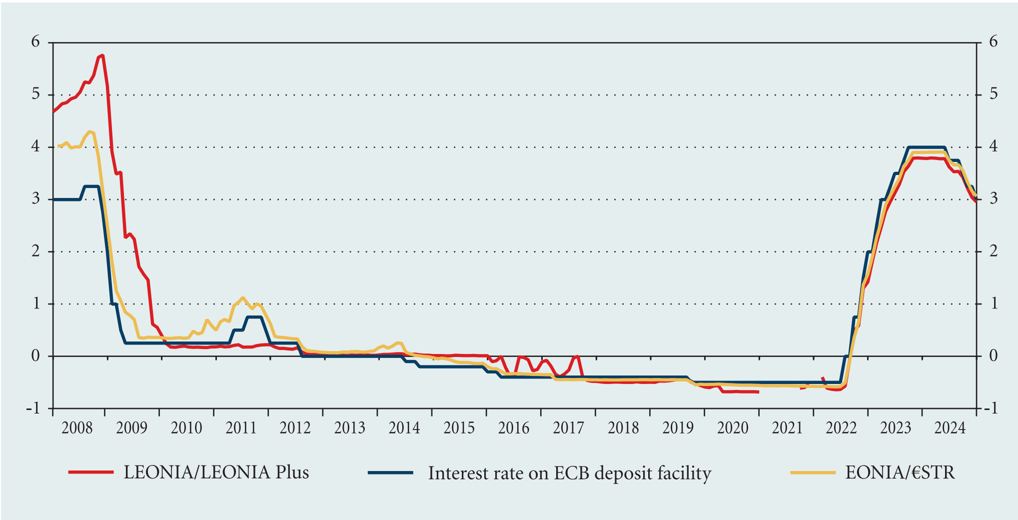
Bank transactions with the BNB in reserve currency (euro) are the main instrument of banks for managing their lev liquidity under the currency board in Bulgaria. This takes advantage of the main currency board function: buying and selling levs for euro at the fixed exchange rate set by the Law on the Bulgarian National Bank. In 2024, BNB sales (net) to commercial banks were EUR 6.4 billion[27].

The ECB's policy rate cuts in the euro area in mid-June 2024 contributed to the decrease in interest rates on concluded lev unsecured overnight deposit transactions in the domestic interbank money market. As of December 2024, LEONIA Plus index rose to 2.95 per cent (3.79 per cent in December 2023), while the spread between LEONIA Plus and *€STR* was negative, amounting to -11 basis points (unchanged from December 2023).

In 2024, activity on the interbank lev money market remained relatively high, with average daily volume of concluded transactions over the year reaching BGN 592 million (BGN 526 million in 2023). The major factors behind active trade in the interbank market were liquidity raising by some banks in the context of very low levels of excess reserves with the BNB, the interest rate on which is 0 per cent, as well as the possibility of interest rate arbitrage related to the generation of income from banks with parent banks in the euro area amid a positive spread between the ECB deposit facility rate and the interbank money market rate in Bulgaria.

Overnight Interbank Money Market Rates

(per cent, monthly average amount)



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

Sources: BNB, ECB.

In 2024, the CFP budget balance[28] was negative at BGN -6,138 million (3.0 per cent of GDP) *i.e.*, a lower budget deficit of BGN 81 million compared to the CFP programme

[27] Data refer to all bank transactions in foreign currency, including liquidity management operations related to the transfer of own funds from lev accounts with the BNB to own accounts with the BNB in euro, and *vice versa*.

[28] Based on monthly reports on cash implementation of the budget, published on the Ministry of Finance website.

for 2024.[29] At the same time, implementation in both total budget revenue and total budget expenditure was lower than projected in the CPF programme for 2024. On the revenue side, this was mainly due to the underperformance in revenue from grants resulting from the non-receipt of the second and third tranches under the National Recovery and Resilience Plan as projected in the programme. On the expenditure side, this was mainly due to lower than planned capital expenditure.

The annual growth rate of total revenue and grants under the CFP in 2024 was 7.4 per cent and was entirely determined by the increase in tax revenue, while non-tax revenue and revenue from grants reported a decline. Social and health insurance revenue, as well as VAT revenue contributed most to the increase in tax revenue. Increased social and health insurance revenue reflected the upward dynamics of compensation of employees in the economy, while VAT revenue growth was supported by the rise in private consumption.

In 2024, total CFP expenditure grew by 7.5 per cent on an annual basis. Social and staff expenditure had the main positive contribution to the growth of total budget expenditure, while capital expenditure, expenditure on Bulgaria's contribution to the EU budget and subsidy expenditure had a negative contribution. Upward dynamics in social expenditure reflected higher pension payments as a result of the increase in pensions by 12 per cent from 1 July 2023 and by 11 per cent from 1 July 2024. The main driver behind the increase in staff expenditure was the wage rise in the public sector under the State Budget Law for 2023, adopted on 28 July 2023, the increase in the minimum wage from 1 January 2024, funds earmarked to redress disparities in staff remuneration in budget organisations, as included in the State Budget Law for 2024, as well as additional wage increases in some areas of public administration, which were approved in 2024.

By the end of December 2024, the total amount of the fiscal reserve, including claims on EU funds for certified expenses, advances and other payments, was BGN 11,865 million. Fiscal reserve deposits fell by BGN 1294 million from the end of 2023, amounting to BGN 9586 million (4.7 per cent of GDP), of which BGN 9104 million of deposits with the BNB. The amount of government securities issued in the domestic market over the year (with a nominal value of BGN 1700 million) was higher than payments on matured bonds, resulting in positive net internal budget financing of BGN 1299 million[30]. The net amount of external financing of the 2024 budget was positive at BGN 5351 million, mainly driven by issued government debt on international capital markets for a total amount of BGN 8367 million, and repayment on maturing eurobonds in the amount of BGN 2893 million.

At the end of 2024, the yield on Bulgarian Eurobonds issued on international capital markets declined compared to the end of 2023. The decrease was most pronounced in securities maturing in 2029 and 2033 and amounted to 54 and 56 basis points, respectively.[31] By the end of 2024, the yield spread between Bulgarian and German government bonds narrowed from the end of 2023, in particular in the bonds maturing in 2033 and 2035, by 84 and 79 basis points (to 98 and 97 basis points, respectively). The spread narrowing reflected lower Bulgarian government bond yields, while yields on most German government bonds increased.[32]

[29] The CFP programme for 2024, as presented in the Updated medium-term budgetary forecast for2024–2026, approved by Council of Ministers' Decision No 16 of 12 January 2024, foresees a negative budget balance for 2024 of BGN -6219 million.

[30] For more information on government securities domestic market, see Chapter XI.

[31] A slight increase in Bulgaria's government bond yields was recorded only in securities maturing in 2050 (by 5 basis points).

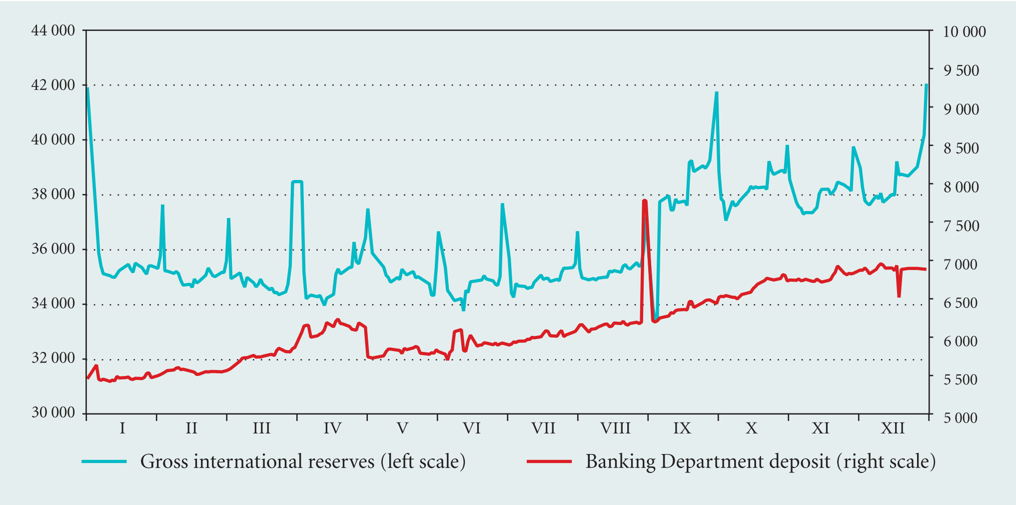
[32] For more information on government bond yields in euro area countries, see Chapter II.

II. Gross International Reserves

The BNB manages its gross international reserves in line with the Law on the Bulgarian National Bank (LBNB)[33], investment constraints, business procedures and methodologies, and opportunities offered by international financial markets. Gross international reserves comprise the assets on the Issue Department's balance sheet. Their role is to provide complete cover for monetary liabilities under the fixed exchange rate of the lev to the euro provided for by the Law on the BNB[34]. The excess of gross international reserves over monetary liabilities forms the Banking Department Deposit item or the net value of the Issue Department's balance sheet[35].

Gross International Reserves and Banking Department Deposit in 2024

(million EUR) (million EUR)



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

Source: BNB.

[33] There were no Law on the BNB amendments to the regulatory framework of gross international reserve management over the reporting period.

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

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

The Amount and Structure of Gross International Reserves

By the end of 2024, balance sheet value of gross international reserves was EUR 42,056.13 million: an increase of EUR 130.55 million[36] on end-2023, or a 0.31 per cent growth as a share of BNB foreign currency assets. Changes in the balance sheet value were mainly driven by external cash flows and the income from foreign reserve management.

External Cash Flows in Foreign Currency

(EUR millions)

	2023	2024
I. Euro purchases and sales		
At tills	-424	-632
With banks	2,415	-6 874
purchases from banks	86 164	179 666
sales to banks	-83 749	-186 540
Subtotal I	**1 991**	**-7 506**
II. Currency flows with banks, the MF, *etc*.		
Bank reserves (including minimum required reserves)	-2 762	182
Government and other depositors	4 704	4 140
Subtotal II	**1 942**	**4 322**
Total I+II	**3 933**	**-3 184**

Source: BNB.

The table shows the major external cash flows in foreign currency affecting the amount of international reserves, which in 2024 were outflows and with a net negative effect of EUR 3184 million. Net reserve currency sales to commercial banks and at tills had the largest negative contribution of EUR 7506 million. These transactions were initiated by the clients of the BNB, and the Bank meets the statutory requirement to sell and buy euro for BGN on demand and without restrictions in Bulgaria. The amount of receipts on government and other depositors' accounts with the BNB was the largest of all inflows, totalling EUR 4140 million, mainly as a result of the government debt issued by the Ministry of Finance in the beginning of September (EUR 2950 million and USD 1474 million). The balance was positive at EUR 182 million on banks' accounts with the BNB.

Over the review period, the average structure of gross international reserves by currency changed insignificantly compared with that in 2023. Euro assets decreased by 1.9 percentage points, while those in gold and US dollars rose by 1 and 0.9 percentage points, respectively, reflecting the positive market revaluation of gold and the proceeds of the dollar-denominated external debt issued by the Ministry of Finance. The structure by financial instrument reported an increase in current account balances by 2.8 percentage points and deposits placed by the BNB by 4.2 percentage points, while the BNB exposures in securities decreased by 7 percentage points. The maturity structure of reserves posted a decline of 16.9 percentage points in the maturity sector from 0 to one year, while in the sectors between 1 and three years and from three to five years it posted an increase of 14.8 and 2.1 percentage points, respectively, due to the higher duration of assets over the review period.

[36] In the remaining part of this chapter the analysis of changes in BNB gross international reserves does not include balances in banks' TARGET2 payment system accounts, worth some EUR 1574 million at the end of 2024. Balances in banks' TARGET2 accounts rose by EUR 1180,2 million in 2024. Tranches of Special Drawing Rights (SDR) 611 million disbursed in August and September 2009 and around SDR 859 million disbursed in August 2021 upon general SDR allocation by the IMF were also not included in these balances. For further details, see *BNB Annual Report 2009,* p. 26, and *BNB Annual Report 2021,* p. 91.

Currency Structure of Gross International Reserves

(per cent)

Currency	Issue Department balance sheet assets	
	2023	2024
EUR	92.5	90.6
USD	0.0	0.9
XAU	7.0	8.1
SDR	0.4	0.4

Note: The table shows only values exceeding 0.05 per cent.

Source: BNB.

Structure of Gross International Reserves by Financial Instrument

(per cent)

Financial instruments	2023	2024
Vault cash*	8.1	10.9
Deposits**	24.8	29.0
Securities**	67.1	60.1

* Account balances, payments, and monetary gold.
** Including instruments in foreign currency and gold

Note: The table shows only values exceeding 0.05 per cent.

Source: BNB.

Gross International Reserves by Residual Term to Maturity

(per cent)

Maturity sectors	2023	2024
Up to one year	99.63	82.7
One to three years	0.3	15.1
Three to five years	0.1	2.1

Notes: The sum may differ from 100 per cent due to rounding.
The table shows only values exceeding 0.05 per cent.

Source: BNB.

Gross International Reserves Risk and Return

The Market Environment

The market environment in 2024 was mainly driven by the monetary policy of the Federal Reserve System and the ECB and the new cycle of declining reference rates started by them. Consumer price inflation in the United States and the euro area slowed down for most of the year with a view to achieving the Federal Reserve System and the ECB target rates. The ECB Governing Council kept the reference interest rates unchanged until its June meeting, when they had been lowered by 25 basis points. At its meetings in September, October and December the ECB deposit facility rate, through which the central bank sets the course of the monetary policy, was lowered by 25 basis points to 3.00 per cent. The US Federal Reserve System maintained its target range for the federal funds rate until its September meeting, when the rate target was lowered by 50 basis points. This was followed by two further cuts of 25 basis points each in November and December to 4.25–4.50 per cent. Interest rates remained the main instrument of the monetary policy implemented by the Federal Reserve and the ECB, while the reduction in the size of central banks' balance sheets was secondary. German and US government bond yields declined in the short-term maturity sectors and increased in long-term sectors. The main factor behind the decline in yields in short-term sectors was the cuts in reference interest rates by both the ECB and the Federal Reserve. Market participants' expectations that the ECB and the Federal Reserve System would cut interest rates at a slower pace than expected at the end of 2023 contributed to the increased yields in the long-term maturity sectors. Stock indices in the United States and Europe rose in 2024, reflecting higher prices of technology companies' shares and easing of the Federal Reserve and the ECB monetary policies. Over the review period, indicators measuring stock market volatility in the United States and Europe increased compared with 2023. Additional factors affecting financial market volatility in the course of the year were geopolitical tensions in the Middle East and Ukraine, political uncertainty in France and uncertainty about the future US economic and trade policies.

Central Banks' Policies

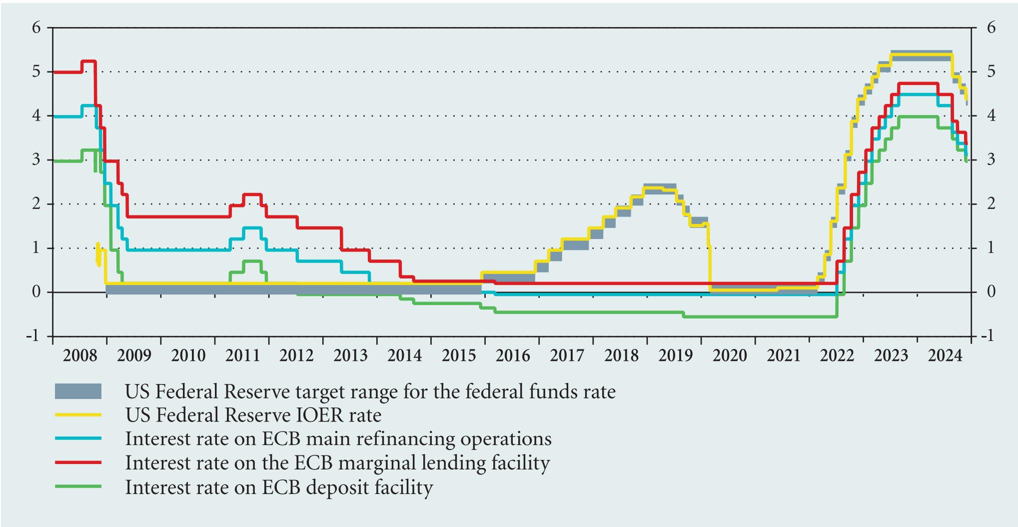
In 2024, the US Federal Open Market Committee (FOMC) lowered the target range for the federal funds rate by a total of 100 basis points to the range of 4.25–4.5 per cent, signalling an impeding slowdown in the pace of monetary policy easing in 2025. Furthermore, a decision was made to slow down the pace of reducing securities held on the Federal Reserve's balance sheet.

Between January and August 2024, the FOMC maintained its target rate, owing to the persistent US inflation over this period. At its May 2024 meeting, a change in the plan to shrink the Federal Reserve's balance sheet was announced, with the maturing amount of US government securities being reduced from USD 60 billion to USD 25 billion as of 1 June 2024, while that of the maturing agency debt securities and agency mortgage-backed securities was kept at USD 35 billion. In view of the economic data signalling deteriorating labour market conditions and downward inflation outlook at the last three meetings throughout the year, the Federal Committee took decisions to ease monetary policy by reducing the target range for the federal funds rate by 50 basis points at its September meeting and by 25 basis points in November and December, respectively.

In 2024, total assets in the US Federal Reserve balance sheet decreased by USD 860 billion to USD 6.9 trillion (23 per cent of GDP for 2024 compared to 28 per cent of GDP for 2023).

Key ECB and US Federal Reserve Interest Rates

(per cent)



Sources: ECB, Federal Reserve.

In view of the prospects for lower euro area annual inflation towards the ECB's target, the ECB Governing Council kept the reference interest rates unchanged until May 2024 and a new cycle of reduction began in June, with the deposit facility rate being reduced by a total of 100 basis points[37] to 3.00 per cent and the main refinancing operations rate and the marginal lending facility rate by 135 basis points to 3.15 per cent and 3.40 per cent, respectively. The stronger decline in the interest rate on the main refinancing operations and the marginal lending facility followed the change in the operational framework for monetary policy implementation announced by the ECB in March 2024. Changes foresee that effective as of 18 September 2024 the interest rate on the main refinancing operations will be adjusted so that the spread between the interest rate on the main refinancing operations and the interest rate on the deposit facility is reduced from 50 basis points to 15 basis points. The ECB motivated this change with its expected narrower spread to further bids in weekly liquidity-providing operations so that short-term money market rates would be close to the rate on the deposit facility. The spread between the rate on the marginal lending facility and the rate on the main refinancing operations remained unchanged at 25 basis points. The new framework provides for the ECB Governing Council to continue setting the course of the monetary policy using the interest rate on the deposit facility. The Eurosystem will provide liquidity to commercial banks through a wide range of instruments, including main refinancing operations and three-month longer-term refinancing operations. New structural longer-term refinancing operations and structural portfolio securities will be introduced at a later stage. The main refinancing operations will play a key role in meeting banks' liquidity needs, and along with the three-month longer-term refinancing operations will continue to be conducted through fixed-rate tender procedures with full allotment against broad collateral. The ECB Governing Council plans to undertake a new review of the monetary policy framework by 2026.

In 2024, the ECB Governing Council continued to implement measures to normalise the Eurosystem's balance sheet, as in the second half of 2024 it reduced reinvestments of principal payments on maturing securities acquired under the Pandemic Emergency Purchase Programme (PEPP) by an average of EUR 7.5 billion per month. The ECB Governing Council decided at its December 2024 meeting to fully discontinue the reinvestments by the end of 2024. In 2024, the Asset Purchase Programme (APP) portfolio was lowered by EUR 353 billion and the PEPP portfolio by EUR 57 billion. The last targeted longer-term refinancing programme for banks (TLTRO III) matured in December 2024. Maturities under the Eurosystem's asset purchase programme and TLTRO III repayments were the main factors contributing to the decline in the Eurosystem's balance sheet over the year. As of 31 December 2024, Eurosystem's balance sheet amounted to EUR 6428 billion (42.4 per cent of GDP in 2024) compared to EUR 6887 billion at the end of 2023 (47.2 per cent of GDP in 2023). At the same time, the excess liquidity in the euro area banking system fell by EUR 519 billion to EUR 2827 billion on the end of 2023.

The decrease in the ECB's deposit facility rate was the main driver of the decrease in unsecured deposit rates in the interbank market in 2024. By 31 December 2024, the *€STR* decreased to 2.91 per cent from 3.88 per cent at the end of 2023. The trade volume of overnight deposits in the unsecured euro area money market declined in 2024, with the daily average for the year reaching EUR 52.7 billion (compared with EUR 60.9 billion in 2023). The interest rate on unsecured deposits in the interbank market (EURIBOR) with a three months maturity declined to 2.71 per cent at the end of 2024

[37] The decisions on interest rate declines were taken at the Governing Council of the ECB meetings in June (by 25 basis points), September (by 25 basis points), October (by 25 basis points) and December (by 25 basis points).

(compared to 3.91 per cent at the end of 2023) and interest rates on 6 months and 12 months maturity deposits declined to 2.57 per cent and 2.46 per cent, respectively, from 3.86 per cent and 3.51 per cent, respectively, at the end of 2023.

Euro Area and US Sovereign Bond Yield Curve

In 2024, US sovereign bond yields fell across the maturity sectors of up to two years declined and increased across maturity sectors of over two years. Two-year bond yields dropped by 1 basis point to 4.24 per cent, with ten-year yields rising by 69 basis points to 4.57 per cent. As a result of the gradual rotation of the yield curve over the year, the slope of the curve measured by the difference between ten- and two-year bond yields was 33 basis points at the end of 2024, an increase of 70 basis points from the negative slope of the yield curve at the end of 2023. In the first half of the year, yield dynamics was mostly upward due to positive data on economic activity, sustained inflation rates and domestic labour market stability. Geopolitical risks, in particular the escalation of the military tensions between Israel and Iran since early April, contributed to higher demand for low-risk assets and dampened the rise in US government bond yields. During the third quarter, yield dynamics was mostly downward owing to some deterioration in the labour market, which led to increased market participants' expectations for the Federal Reserve System to start its monetary easing cycle. In September, the Federal Reserve System lowered its federal funds rate by 50 basis points, while US government bond yields in the maturity sectors of up to one year and over a year reached their lowest level in the year. Yields increased in the fourth quarter due to market expectations of significantly higher inflation rates and budget deficits in the coming years, reflecting the expected economic and trade policies of the new US administration. Additional factors determining US government bond yield dynamics in 2024 were monetary policies and economic developments in other major economic regions: the euro area, Japan and China.

In 2024, German government bond yields declined significantly across the maturity sectors of up to three years and increased across longer-term maturity sectors. German government two-year bond yields declined by 32 basis points to 2.08 per cent, with ten-year yields rising by 34 basis points to 2.36 per cent. These developments led to an increase in the slope of the German government bond yield curve measured by the difference between ten- and two-year bond yields, by 66 basis points to 33 basis points at the end of 2024. The main factor behind the decrease in Germany's government bond yields in the short-term maturity sectors was the decisions taken by he ECB Governing Council in its June, September, October and December meetings to lower the deposit facility rate by 25 basis points. Market participants' expectations that the ECB will decrease interest rates at a slower pace than expected at the end of 2023, and higher US government bond yields contributed to the increased yields in the long-term maturity sectors. Releases of positive data on euro area economic activity in the first half-year, stable inflation rates and ECB Governing Council members' statements that expectations of interest rate cuts in the beginning of the second quarter of 2024 are premature, have contributed to the change in market expectations towards a slower decline in ECB interest rates. The rise in long-term maturity yields was constrained by the increased demand for low-risk assets due to political uncertainty in France, geopolitical tensions in the Middle East and in Ukraine, and concerns that the possible imposition of tariffs on imports of goods from the EU into the USA by the new US administration will adversely affect euro area economic activity.

Spreads between euro area and mostly German government bond yields declined in 2024. More pronounced volatility and rising spreads were observed in June in the week following the European Parliament's elections, when France announced early elections.

Government Bond Yields in 2024

(per cent)

In the second half of the year, France faced a political crisis with early parliamentary elections and a lack of a stable government to strengthen country's fiscal position. This led to a downgraded credit rating of France and its outlook by leading rating agencies, which resulted in an increase in the yield spread on French ten-year government bonds by 29 basis points over the year. Ten-year government bond spreads narrowed in the rest of the euro area core countries: Austria's spread narrowed by 15 basis points, Finland's spread by 9 basis points and the Netherlands spread by 8 basis points. Belgium reported a slight increase by 3 basis points due to a downgraded credit rating outlook for the country (Moody's Aa3) from 'stable' to 'negative'. Euro area periphery countries experienced a larger decline in spreads, mainly reflecting positive macroeconomic developments in the respective countries, positive rating news for many countries, as well as the easing of the ECB's monetary policy. In the 10-year maturity sector, the largest declines in spreads were observed in Italy's government bonds (by 52 basis points), Spain's (by 27 basis points), and to a lesser extend, Greece's (by 18 basis points) and Portugal's (by 13 basis points).

Gold and Exchange Rates

In 2024, the US dollar appreciated by 6.6 per cent against the euro, with the exchange rate moving within a range from EUR 0.89 to EUR 0.97 *per* USD 1 (from USD 1.04 to USD 1.12 *per* EUR 1). In the first half of the year, the exchange rate of the dollar against the euro was relatively stable without a clear trend, and developments followed macroeconomic data in the United States and the euro area, as well as the FOMC and ECB monetary policy guidelines. In the second half of the year, the volatility of the USD/EUR exchange rate increased significantly owing to uncertainty about the pace of tightening of monetary policies in the United States and the euro area and the uncertainty about the future economic and trade policies of the new administration in the United States in view of its intentions to introduce protectionist trade and economic policies with potential pro-inflationary effects. An additional factor behind the US dollar appreciation over the second half of the year was the US economy data releases showing persistently higher economic growth than in the euro area.

In 2024, the spot gold price rose significantly by 27.2 per cent to USD 2625 *per* troy ounce and by 35.7 per cent to EUR 2536 *per* troy ounce. Price changes were relatively wide: from USD 1992 to USD 2788 per troy ounce. Over the course of the year, there was a persistent upward trend. Major factors behind the upward trend included the increased demand for physical gold by central banks and other institutional investors in an environment of heightened geopolitical tensions in various parts of the world and uncertainty about the future economic and trade policies of the new administration in the United States, which boosted the demand for gold in its role as a safe-haven asset. Increased market participants' expectations about the start of a downward interest cycle in the United States and the euro area amid slowing but persistent inflation exceeding the target values of central banks in these regions had an additional effect.

USD/EUR Exchange Rate in 2024

(EUR)

Troy Ounce Gold Price in US Dollars in 2024

(USD)

Troy Ounce Gold Price in Euro in 2024

(EURO)

Major Types of Risk

Net value risk in the Issue Department balance sheet in 2024, as measured by the standard deviation of net return, was 10.4 per cent on an annual basis.

International reserve interest rate risk for 2024, measured by reserves' average modified duration was 0.45 years. The duration maintained was 0.27 years higher than the average for 2023.

Gross international reserve currency risk was constrained by the Law on the BNB stipulation that the sum of the absolute values of open foreign currency positions[38] in currencies other than euro, SDR, and monetary gold, should not exceed 2 per cent of the market value of monetary liabilities in these currencies. Over the year, there were minimal open positions in foreign currencies other than euro, with the main currency risk stemming from the open position in gold.

The BNB continued managing gross international reserve investment credit risk conservatively. In connection with the early parliamentary elections in France in June, as well as the declared state of emergency in South Korea in December, investments in certain asset classes, as well as exposures to certain issuers and counterparties of the BNB, were preventively limited.

To achieve its main objectives of high international reserve security and liquidity, the main share of assets continued to be invested into euro area core country government bonds and government guaranteed debt securities, and into short term deposits with first class foreign central or commercial banks. By end-2024, the exposure to credit risk remained limited, and approximately 65 per cent of international reserves were invested into assets with the highest AAA long-term credit rating.

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

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

Return and Efficiency

Net income in the Issue Department balance sheet is the sum of three components: i. income from gross international reserves investment in the original currency; ii. currency imbalance income[39]; and iii. liabilities expenditure/income. BNB income from international reserve investment was positive at EUR 1137.78 million, or 3.41 per cent yield for the period.

International Reserves Income and Return* in 2024

Period	Net income (EUR million)	Net return (per cent)	Income (EUR million)	Return (per cent)	Income (EUR million)	Return (per cent)	Expenditure (EUR million)	Return (per cent)
			on assets		on currency revaluation of assets and liabilities		on liabilities	
	(1)+(2)+(3)		(1)		(2)		(3)	
First quarter	456.71	1.39	247.91	0.75	260.76	0.78	-51.95	-0.14
Second quarter	360.60	1.09	267.38	0.81	140.02	0.42	-46.80	-0.15
Third quarter	577.29	1.70	371.14	1.10	253.99	0.74	-47.85	-0.14
Fourth quarter	424.96	1.15	251.35	0.70	226.06	0.60	-52.46	-0.15
Total	**1819.56**	**5.44**	**1137.78**	**3.41**	**880.83**	**2.56**	**-199.05**	**-0.57**

* Return between time T_0 and time T_N is calculated by chain linked returns for this period. It is calculated using the following formula:

$R(T_0,T_N) = (1+r_1)(1+r_2)\ldots(1+r_N)-1$. This formula for calculating investment returns complies fully with the Global Investment Performance Standards (GIPS).

Source: BNB.

Earnings from currency imbalance for the first half of 2024 was also positive, standing at EUR 880.83 million (yield of 2.56 per cent). This reflected primarily movements in the market price of monetary gold measured in euro. As a result of the BNB's interest rate policy, the net financial result from liabilities led to an expense of EUR 199.05 million for the BNB, corresponding to -0.57 per cent of return. The above three components brought net return from international reserve management to EUR 1819.56 million: a total of 5.44 per cent return[40] for the year.

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

Portfolio Return and Risk in 2024

Portfolio	Return		Volatility (risk)		Information factor[3]
	Absolute (per cent)	Relative[1] (basis points)	Absolute (basis points)	Relative[2] (basis points)	
Investment 1, EUR	3.76	7	28	9	0.80
Investment 2, EUR	3.78	9	29	9	0.99
External manager A, EUR	3.55	2	21	8	0.25
External manager B, EUR	3.70	17	21	13	1.36
Liquid, EUR	3.68	-1	8	8	-
Liquid, XAU	0.03	0	0	-	-
Liquid, USD	5.16	-25	0	-1	-

[1] A portfolio's positive relative return is attained profit against benchmark return. Relative return with a negative sign is interpreted as opportunity cost in portfolio management.
[2] Relative volatility (relative risk) against benchmark is an indicator of the degree of deviation of portfolio risk characteristics from benchmark through active portfolio management. The risk is on an annual basis.
[3] Information ratio is the ratio between relative portfolio return and relative portfolio risk on an annual basis.

Source: BNB.

[39] Currency imbalance income is a result of the effects of exchange rate movements on assets' and liabilities' open foreign currency positions, respectively.
[40] Total return is obtained as a product, rather than simple sum, of the return of the relevant components.

To diversify management styles and reduce operational risk, most euro-denominated assets continued being split into two investment portfolios with identical benchmarks and investment limits, managed by different BNB teams. By the end of 2024, international financial institution external managers managed some 2 per cent of gross international reserves and the benchmark of the portfolios managed by external managers was set by the BNB. Beside additional diversification, using external managers helped exchange expertise in international market investment management. Liquid portfolios were intended mainly to assist liquidity management objectives and BNB foreign currency payment needs.

III. Payment Systems and Payment Oversight

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

Bulgaria's lev payment systems are:

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

Bulgaria's euro payment systems are:

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

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

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

Lev Payment Systems

In 2024, the RINGS real-time gross settlement system processed the bulk of the value of lev payments in Bulgaria. As of 31 December 2024, the BNB and 23 banks participated in RINGS.

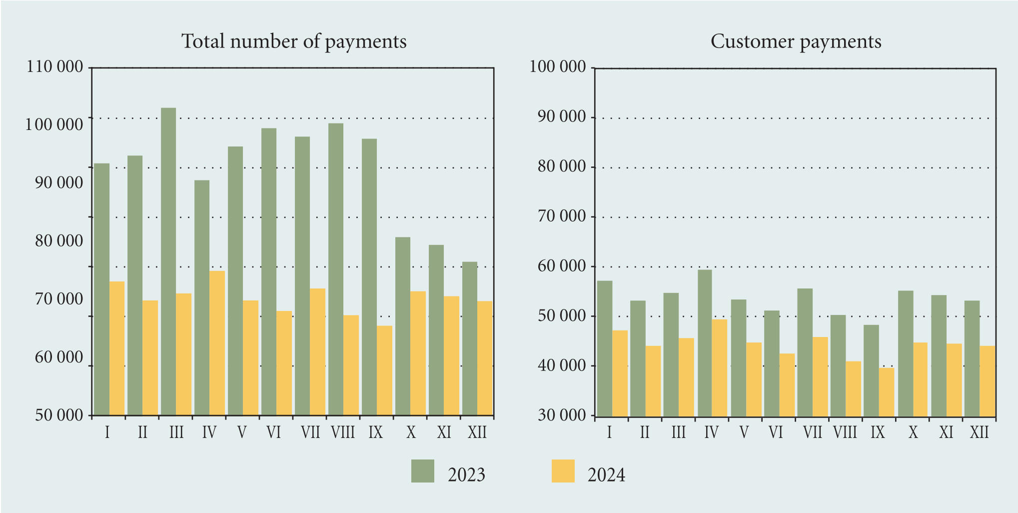
In 2024, RINGS processed 646,588 payments, down 33 per cent from 2023. The total value of payments came to BGN 1,875,727 million, posting a 25 per cent increase compared with the previous year. Customer payments numbered 534,194 or 88 per cent of total payments, accounting for BGN 112,543 million (6 per cent of the total payments).

The average daily value of payments *via* the system was BGN 7,473 million and their daily average number was 2576. The daily value peak of RINGS participants was BGN 2900 million, with a daily number peak of 4452.

In 2024, 64.9 per cent of the value of payments were processed by noon and 85.1 per cent by 2:30 pm. The remaining of 14.9 per cent went through by 5:30 pm. As regards system traffic, 87.8 per cent of payments were effected by 2:30 pm. RINGS offered 99.98 per cent availability[41] in the period under review.

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

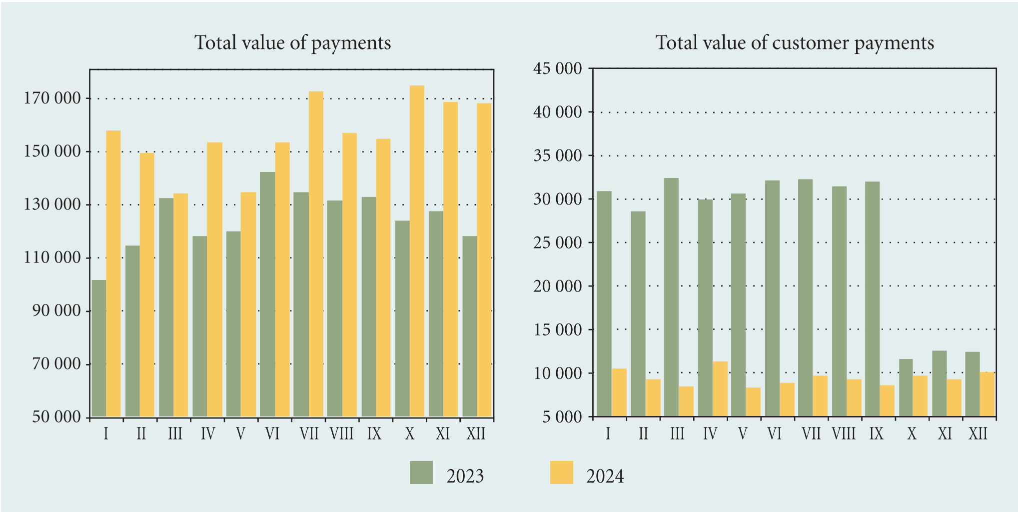
RINGS Payments Numbers in 2023 and 2024



Source: BNB.

RINGS Payment Value in 2023 and 2024

(BGN million) (BGN million)



Source: BNB.

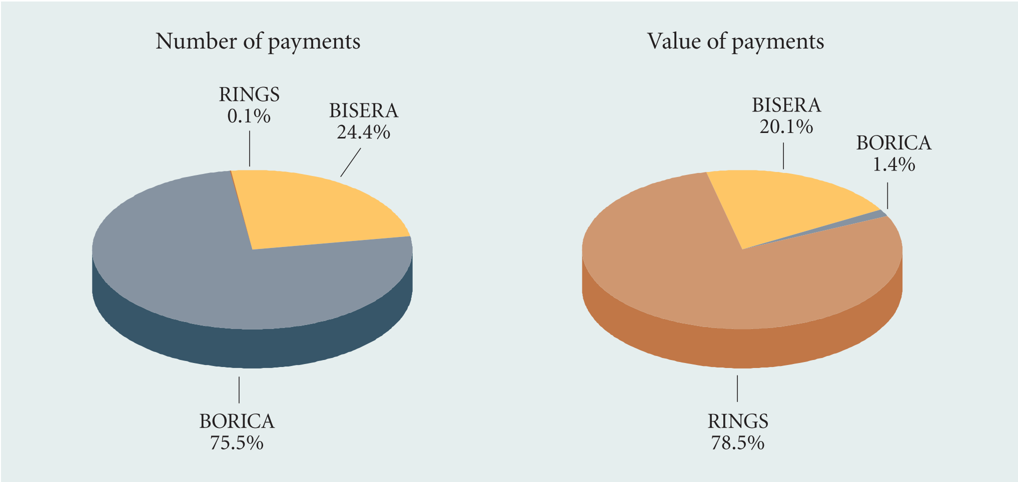
Lev payment distribution in Bulgaria by payment system saw no changes from 2023. Over the period under review RINGS processed 78.5 per cent of the value of payments effected in Bulgaria. Values around 80 per cent are deemed optimal for the operation of real-time gross settlement systems. RINGS also processed 0.1 per cent of the total number of lev non-cash payments in Bulgaria.

In 2024, BORICA processed 383.9 million of ATM and POS terminal payments, totalling BGN 34,351.2 million: a 19.7 per cent numerical and 21.8 per cent value rise on 2023.

In 2024, BISERA6 processed 123.9 million of payments, totalling BGN 480,656.1 million. Compared with 2023 processed payments rose 11.6 per cent in number and 51.2 per cent in value.

The number of instant credit transfers in levs compliant with the SEPA[42] Credit Transfer Instant (SCT Inst) – a scheme for instant credit transfers in the European Payments Council's Single Euro Payments Area was 22.6 million, totalling BGN 36,919.7 million for 2024.

Distribution of Lev Payments in Bulgaria by Payment System in 2024



Source: BNB.

Euro Payment Systems

The large-value payment system T2 (former TARGET2) provides real-time gross settlement for payments in euro, with settlement in central bank money. It is part of the new consolidated TARGET Service Platform (TARGET) of the Eurosystem, which brings together the T2 payment system, the TARGET2-Securities settlement system and the TARGET Instant Payment Settlement service (TIPS) at the technical and functional level. Legally, each central bank in TARGET operates its system component.

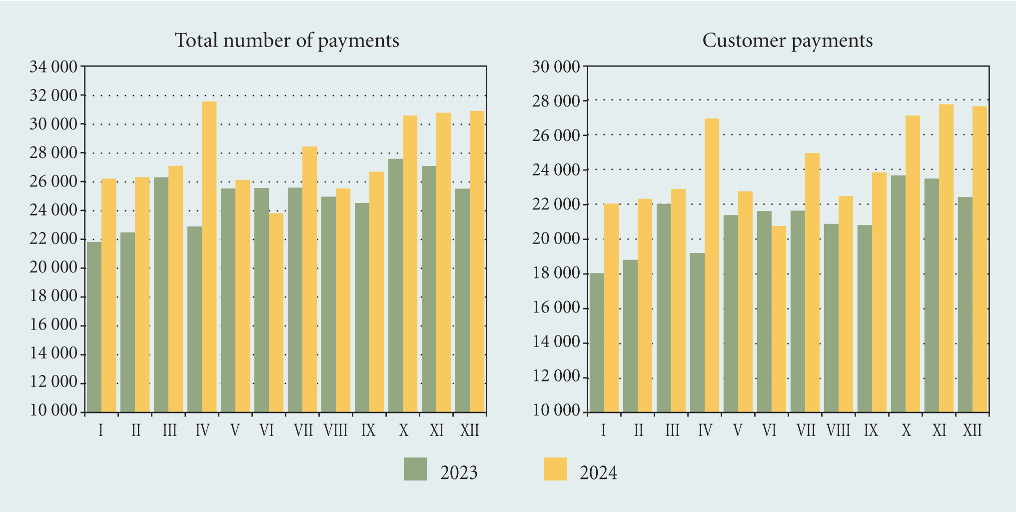
The Bulgarian National Bank operates the TARGET-BNB national component system and is responsible for the business relations of its participants and coordination with the ECB and participant central banks.

As of 31 December 2024, the TARGET national system component included the BNB, 18 direct participant banks, seven addressable BIC holders, and an ancillary system: the BISERA system for servicing customer transfers in euro. As of 31 December 2024, two TARGET-BNB banks participated in TIPS, while an e-money institution was reachable in TIPS. BISERA is an ancillary system and instructing party to TIPS, to send and receive instant payments on behalf of its participants to and from all reachable payment service providers in TIPS.

In 2024, TARGET-BNB processed 333,925 payments worth EUR 893,710 million, including 291,784 customer payments for EUR 23,482 million. Data show a rise of 11.4 per cent in total number and of 14.7 per cent in total value of processed payments compared to 2023.

[42] Single Euro Payment Area (SEPA)

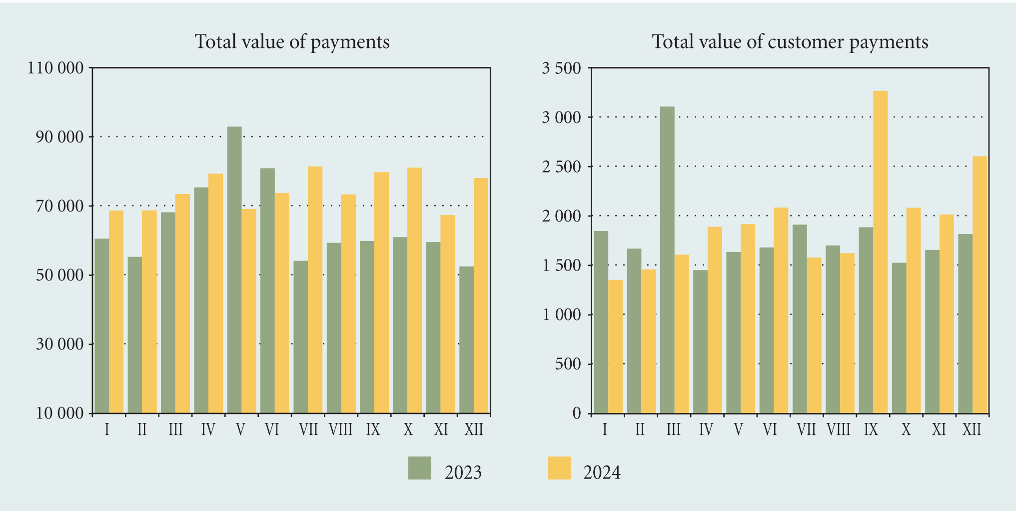
TARGET-BNB Payment Number in 2023 and 2024



Source: BNB.

TARGET-BNB Payment Value in 2023 and 2024

(million EUR) (million EUR)



Source: BNB.

The value and number of other system component payments to banks comprised 54 per cent and 89 per cent of payments processed through national component. There were 1304 daily average TARGET-BNB payments, worth EUR 3491 million. The daily value peak of TARGET-BNB participants' payments was EUR 11,229 million, with a daily number peak of 2974.

The BISERA ancillary system processes customer transfers in euro. To meet the requirements of Regulation (EU) No 260/2012 of the European Parliament and of the Council, the BISERA payment system processes SEPA euro payments and offers interoperability with the SEPA Clearer, Equens and EuroELIXIR. Over the review period, SEPA payment service providers in BISERA were fully reachable through the BNB's direct participation in the STEP2 payment system, operated by EBA Clearing.

As of 31 December 2024, BISERA processed 316,991 payments for EUR 3926 million. This includes processed SEPA credit transfers and instant credit transfers, including those sent for processing to TIPS in the role of BISERA as the instructing party in TIPS for its participants. Payments increased by 1426 per cent in value and 752 per cent in number, as compared to 2023.

Bulgarian Payment and Settlement System Development

Starting from 3 June 2024, BISERA has migrated to a pre-funded settlement model, accelerating the processing of customer euro payments between system participants and reducing system risk.

On 9 July 2024, the project was completed ensuring full SEPA reachability for payment service providers in BISERA through the direct participation of the BNB in the STEP2 payment system operated by EBA Clearing. This enabled BISERA banks and non-bank payment service providers to be reachable parties in STEP2 *via* the BNB and to order and receive SEPA customer transfers in euro to more than 4800 SEPA payment service providers.

With the aim of integrating the payment infrastructure in Bulgaria with that of the euro area, thus raising payment security, quality and speed, on 3 December 2024 the BNB joined TIPS (Target Instant Payment Settlement) as a central bank. With the implementation of the project, the BNB ensured that BISERA and banks joined TIPS in order to process domestic and cross-border customer instant payments in euro under the SEPA Instant Credit Transfer (SCT Inst) scheme, credit transfers executed on a 24/7/365 basis within a maximum of 10 seconds from debiting the payer's account until credit transfers are credited to the payee's account and receipt of the relevant confirmation from the payer.

TIPS is part of the consolidated platform for TARGET Services and provides reachability for instant payments in euro to all euro area payment service providers that are registered as SCT Inst participants, with 99 per cent of TIPS payments processed in less than 5 seconds.

Preparations began for migration of card payments in levs to euro and the joining of BORICA payment system to TARGET for euro settlement of card payments. An organisation at the BNB and BORICA AD was set up to close its operations before the target date for euro area entry.

Activities related to payment systems in preparation for the introduction of the euro in the Republic of Bulgaria

In the context of implementing the activities related to payment systems under the National Plan for the Introduction of the Euro in the Republic of Bulgaria, the projects to ensure full SEPA reachability of banks and non-bank payment service providers through the BNB participation in STEP2 and reachability of instant payments in euro through the accession of banks and non-bank payment service providers to TIPS (Target Instant Payment Settlement) were successfully competed jointly with BORICA AD. The two projects focus on: preparation of the systems and business processes to achieve the same level of services in terms of customer payments in euro as is the current level in payments in lev; improving payment process efficiency; introducing modern technological solutions and expanding the range of payment services offered to citizens.

The inclusion in TIPS provides infrastructure readiness in the context of the statutory obligation for payment service providers that execute customer credit transfers denominated in euro, to be able to execute instant credit transfers in euro.

With regard to the preparation for migration of budget payments in BGN to SEPA payments in euro, a working group on the conversion of budget accounts into euro and a change in the processes related to budget payments upon the introduction of the euro in the Republic of Bulgaria was established by a joint order of the Ministry of Finance and the BNB, with representatives of the Ministry of Finance, the BNB, the Association of Banks in Bulgaria and BORICA AD. The working group drafted amendments to the MF and BNB joint instructions relevant to payment execution from/to budget organisations and corresponding changes to the Electronic Budget Payments System (SEBRA).

According to the National Plan for the Introduction of the Euro, one of the projects to be completed before entering the euro area is the migration of card payments to card payments in euro and the respective accession of the BORICA payment system to TARGET for the settlement of card payments in euro. To this end, the necessary organisation in the BNB and BORICA AD has been established for the implementation of the project activities.

Payment Systems Oversight

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

In 2024, an individual supervisory inspection of a payment service provider licensed by the BNB was completed to establish the compliance of the payment services company with the requirements of the LPSPS. The company has removed non-compliances in its operations identified as part of the supervisory check.

Over the review period, one individual supervisory inspection of a payment service provider licensed by the BNB was completed to establish compliance of payment service provider company’s operations with the requirements of the Law on the Measures against Money Laundering (LMML), its implementing regulations and the Law on Measures against Financing of Terrorism (LMFT). In view of certain non-compliances with the requirements of the LMML, the Bank imposed supervisory measures.

Over the review period, an individual supervisory inspection of a payment service provider licensed by the BNB was initiated to establish the compliance of the payment services provider’s operations with the requirements of the LPSPS. The inspection continued after the end of the reporting period.

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

The BNB’s thematic supervisory inspection of 14 payment institutions and electronic money institutions licensed by the BNB was completed to establish applied control mechanisms to prevent money laundering and terrorist financing, their effectiveness and degree of compliance with the legislative requirements of the LMML, its implementing regulations and the LMMF. Payment service providers have taken measures to remedy the non-compliances identified as part of the supervisory inspection.

At the end of 2024, a thematic supervisory inspection of 13 payment institutions and electronic money institutions licensed by the BNB and two branches of payment institutions licensed in other Member States operating on the territory of the Republic of Bulgaria was launched. The inspection aims to establish compliance with the Guidelines of the European Banking Authority on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer under Article 8 and Chapter VI of Directive (EU) 2015/849 (*EBA/GL/2022/05*).

Over the period under review, a thematic supervisory inspection was completed to verify compliance of payment service providers licensed by the BNB with the requirements for reporting significant operational or security-related incidents in relation to the payment services they provide pursuant to Article 99, paragraph 1 of the LPSPS. Payment service providers have taken measures to remedy the non-compliances identified as part of the supervisory inspection.

In 2024, a thematic supervisory inspection was carried out to verify the compliance of payment service providers in Bulgaria with the requirements for prior provision of information to payment service users in the event of envisaged changes to the framework contract for the provision of payment services under Article 62 of the LPSPS. Payment service providers implemented measures to remedy the non-compliances identified in the supervisory inspection.

Over the review period, the Bank inspected 6 institutions to find out whether they provided payment services and/or issued electronic money without due licence or registration.

In 2024, payment institutions and electronic money institutions licensed elsewhere in the EU and operating on the territory of the Republic of Bulgaria through a branch or an agent, based on the right of establishment, were required to provide information under Commission Delegated Regulation (EU) 2021/1722[43] on their activities on the territory of Bulgaria for supervisory purposes, as well as for the monitoring of compliance with the provisions of national law transposing Titles III and IV of the Directive (EU) 2015/2366[44].

With regard to the EBA Opinion on obstacles within the meaning of Article 32(3) of the regulatory technical standards on strong customer authentication and common and secure communication (EBA/OP/2020/10) and the Opinion of the EBA on supervisory actions to ensure the removal of obstacles to account access under the Payment Services Directive 2 (EBA/OP/2021/02) the communication with payment service providers to remove obstacles and improve the functionalities of the dedicated interfaces put in place to access their payment accounts has continued.

In 2024, the BNB Governing Council decided to agree that Diners Club Bulgaria AD would discontinue its payment institution activity as from 15 April 2024 in connection with a company's application for termination of activity. As of that date, the license

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

[44] Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC.

granted to Dinners Club Bulgaria AD to provide payment services under Article 4, item 3, letter ‘c’, item 4, letter ‘b’ and item 5 of the LPSPS was cancelled.

Over the review period, the BNB Governing Council decided to agree that the Financial House Express Service OOD would cease its operations as a payment institution with effect from 31 December 2024, in connection with a company’s application for termination of activity. As of that date, its license to provide payment services under Article 4, item 6 of the LPSPS has been cancelled.

In 2024, IutePay Bulgaria EOOD was licensed to conduct activity as an electronic money institution, providing in addition payment services under Article 4, items 1, 2 and 3 of the LPSPS.

During the reporting period, proceedings were discontinued at the request of the applicant in relation to an application to operate as a payment institution, submitted on the basis of Article 10, paragraph 1 of the LPSPS.

During the period BORICA AD’s licence as an operator of a payment system with settlement finality for servicing customer transfers in euro BISERA (formerly BISERA7-EURO) was amended. The major change in the operation of the BISERA system involved a migration to a pre-funded settlement model, which fostered the processing of customer payments in euro between system participants, while reducing the systemic risk.

In 2024, the BNB Governing Council examined and approved one application filed under Article 14, paragraphs 1 and 2 of the LPSPS for acquiring a direct qualifying holding in the capital of a payment institution licensed by the BNB.

Over the review period, the BNB examined an application submitted by the Ministry of Finance on a permission for a company to operate as an electronic meal voucher operator under Article 209a of the Law on Corporate Income Taxation as regards compliance with the requirements of Article 2, paragraph 1, item 11, letter (c) of the LPSPS.

Over the reporting period, six administrative infringement notices were drafted under the LPSPS and its implementing regulations.

By end–2024, four payment institutions and ten electronic money institutions licensed by the BNB operated in Bulgaria.

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

- 708 agents were listed and 338 agents of payment institutions and electronic money institutions operating in Bulgaria and licensed by the BNB were deleted;
- four agents were listed and three agents of payment institutions and electronic money institutions operating elsewhere in the EU and licensed by the BNB were deleted.

In line with the operation in the Republic of Bulgaria of payment institutions, electronic money institutions and account information service providers licensed and registered elsewhere in the EU, in 2024 the BNB received the following notifications from the relevant competent authorities:

- for listing 59 payment institutions, electronic money institutions and account information service providers licensed elsewhere in the EU and eligible to directly operate in Bulgaria and for delisting 23 payment institutions, electronic money institutions and account information service providers operating directly in the Republic of Bulgaria;

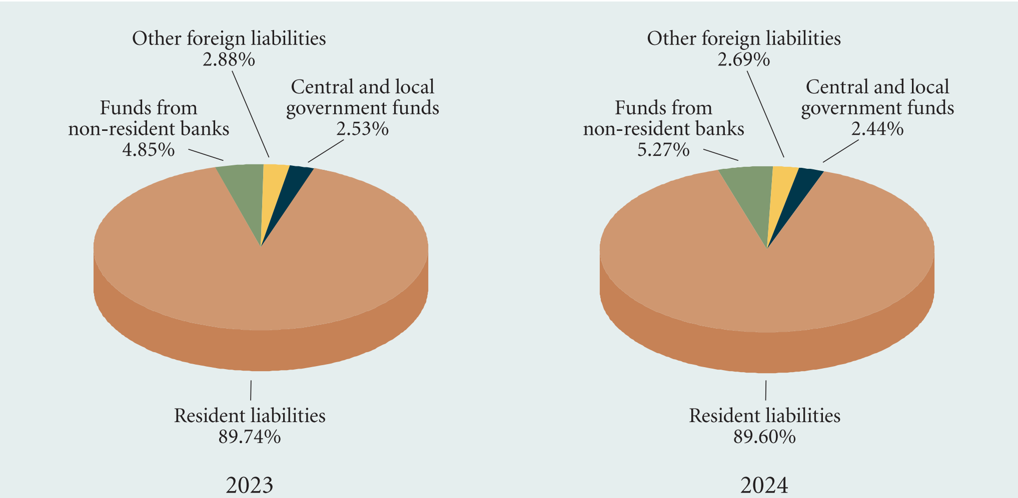
- for listing 53 agents and delisting 55 agents of payment institutions licensed elsewhere in the EU and eligible to operate in Bulgaria;
- for delisting a branch of an electronic money institution, licensed elsewhere in the EU and eligible to operate in Bulgaria.

In 2024, the BNB enquired into 544 complaints submitted by natural persons and legal entities – payment service users; on 14 of them, the Bank issued instructions. The other cases involved no breaches of the Law on Payment Services and Payment Systems and its statutory instruments, or were resolved in favour of payment service users through correspondence.

IV. Banks' Reserves at the BNB

In 2024, the average daily value of banks' attracted funds for minimum reserve calculation purposes (excluding central and local government budget accounts) rose by 9.7 per cent compared to 2023. The average daily value of funds attracted from residents (excluding central and local budget funds) grew by 9.4 per cent, and those from non-residents by 13.0 per cent, with funds attracted from non-resident banks increasing by 19.1 per cent. Over the review period, funds attracted from central and local government budgets rose by 5.3 per cent. The effective implicit rate of MRR increased by 1.1 percentage points on the previous year to stand at 11.7 per cent on average in 2024[45]. Reserve assets used by banks to comply with the MRR rate were allocated to funds on banks' accounts at the BNB (10.8 per cent) and half of cash balances designated as reserves (0.9 per cent).

Structure of Attracted Funds in the Banking System*



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

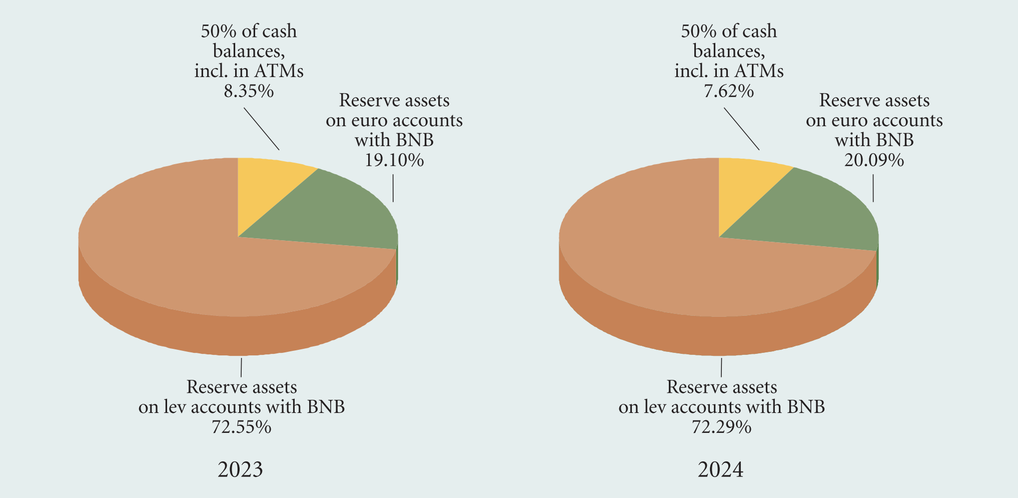
Source: BNB.

Banks keep reserves in their own assets: BNB lev and euro accounts and half their cash balances, including in ATMs.[46] In 2024, the share of lev-denominated reserve assets was 72.3 per cent on an average daily basis, from 72.6 per cent a year earlier, while the share of euro reserve assets increased to 20.1 per cent, from 19.1 per cent in 2023. The share of cash balances designated as reserve assets, including in ATMs, fell from 8.4 per cent in 2023 to 7.6 per cent in 2024.

[45] BNB Ordinance No 21 on the Minimum Required Reserves Maintained with the BNB by Banks, effective as of 4 January 2016, sets the minimum required reserve rate on funds attracted from residents at 10 per cent of the reserve base, those from non-residents at 5 per cent, and those from central and local government budgets at nil. With the amendment of Ordinance No 21 of 1 June 2023, the minimum reserve requirement rate on funds attracted by banks from non-residents was raised from 5 to 10 per cent, and from 1 July 2023, this rate on banks' attracted funds from residents and non-residents was raised from 10 to 12 per cent.

[46] According to Article 4 of BNB Ordinance No 21.

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

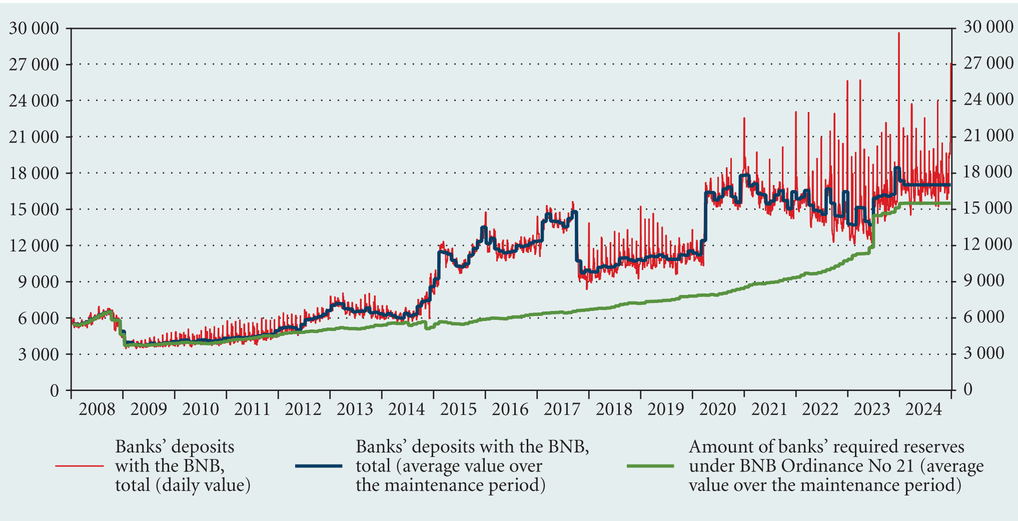


Note: The sum may differ from 100 per cent due to rounding.
Source: BNB.

In 2024, the interest rate on banks' excess reserves[47] under BNB Ordinance No 21 was 0.00 per cent.[48] In 2024, the average daily amount of banks' excess reserves declined by BGN 0.6 billion compared to 2023. Funds on banks' accounts with the BNB to meet the requirements of Ordinance No 21 exceeded minimum required reserves by 3.0 per cent on an average daily basis, from 10.1 per cent a year earlier.

Banks' Reserves with the BNB

(BGN million)



Source: BNB.

In 2024, work continued on preparing the systems and processes at the BNB with regard to implementing Eurosystem's MRR regulation requirements under Regulation EU/2021/378[49] and the reserve base under the Regulation EU/2021/378 reporting

[47] Ordinance No 21 Article 5, paragraph 1, in force since 4 June 2021, defines excess reserves as the excess of holdings in reserve assets over the minimum reserve requirements.
[48] As of 29 July 2022, excess reserve interest under BNB Ordinance No 21 was 0.00 per cent.
[49] Regulation (EU) 2021/378 of the European Central Bank of 22 January 2021 on the application of minimum reserve requirements (recast) (ECB/2021/1)

framework[50]. Technical changes were introduced in the test environment of the BNB's MRR system to establish new functionalities for reporting of the fulfilment of MRR requirements upon joining the euro area. Respective tests took place with the consolidated platform of TARGET services for data exchange related to the implementation of banks' MRR in line with the Eurosystem requirements.

Changes in the overall MRR framework to prepare for the implementation of minimum reserves in accordance with the requirements of the Eurosystem are communicated to banks within the Payment Systems and Payment Service Providers working sub-group to the Coordination Council for the Preparation of the Republic of Bulgaria euro area membership.

[50] Regulation (EU) 2021/378 of the European Central Bank of 22 January 2021 on the balance sheet items of credit institutions and of the monetary financial institutions sector (recast) (ECB/2021/2).

V. Currency in Circulation

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

By Resolution No 33 of 22 January 2024, the BNB Governing Council withdrew from circulation the commemorative coins issued in 2018 which ceased to be legal tender from 5 February 2024. After this date, commemorative coins issued in 2018 are exchangeable at BNB tills at nominal value with no limits to amounts and free of charge until 31 December 2025.

The Bulgarian National Bank stopped issuing the four gold commemorative coins put into circulation: 'Virgin Mary – Golden Apple', issue 2024, with nominal values of BGN 10, BGN 20, BGN 50 and BGN 100 and unlimited mintage, announcing the following coin mintage during the year:

- BGN 10 – 1450;
- BGN 20 – 1050;
- BGN 50 – 800;
- BGN 100 – 800.

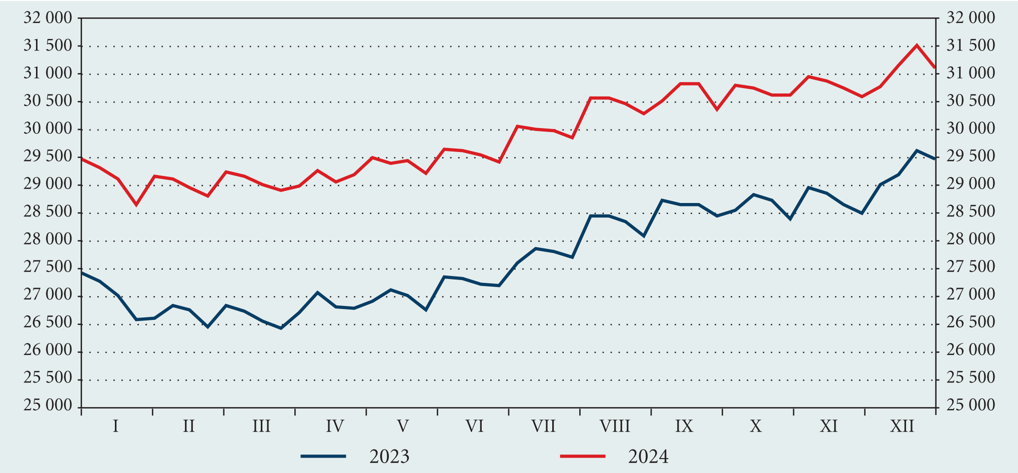
The mintage was published in the BNB electronic Catalogue of Coins.

Banknotes and Coins in Circulation (Outside BNB Vaults)[52]

At the end of 2024, currency in circulation was BGN 31,078.1 million, increasing by BGN 1616.0 million, or 5.5 per cent from the end of 2023. In 2024, the annual growth rate of currency in circulation was lower in both percentage and absolute terms *vis-à-vis* 2023. As of 31 December 2024, banknotes, circulating coins and commemorative coins as a share of the total value of currency in circulation were 97.98, 2.01 and 0.01per cent, respectively, with the share of banknotes declining by 0.01 percentage points at the expense of increasing circulating coins.

Banknotes and Coins in Circulation (Outside BNB Vaults)

(BGN million)



Source: BNB.

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

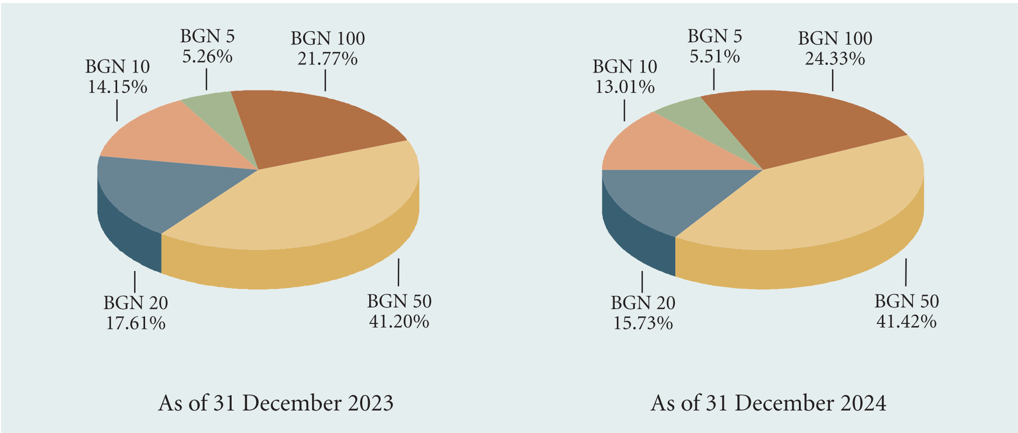
[52] This included: banknotes and circulating coins issued after 5 July 1999, including those withdrawn from circulation with no time restriction on exchange, and commemorative coins issued after 5 July 1999, including those withdrawn from circulation, whose term of exchange has not expired yet.

Banknotes and Coins in Circulation[53]

By the close of 2024, circulating banknotes numbered 611.1 million worth BGN 30,407.6 million. Compared to the end of 2023, their number rose by 5.2 million (0.9 per cent) and their value grew by BGN 1581.6 million (5.5 per cent).

Recent years' trend to high annual growth in the number of BGN 100 banknotes continued in 2024. Compared to the end of 2023, the number of BGN 100 banknotes increased by BGN 16.7 million or 12.7 per cent. This denomination contributed most strongly to the annual increase in circulating banknotes. In 2024, the number of BGN 5 banknotes in circulation grew by 5.6 per cent and that of BGN 50 rose by 1.4 per cent. Over the same period, the number of BGN 10 and BGN 20 banknotes fell by 7.3 and 9.9 per cent, respectively.

Individual Denomination Shares in the Total Number of Circulating Banknotes

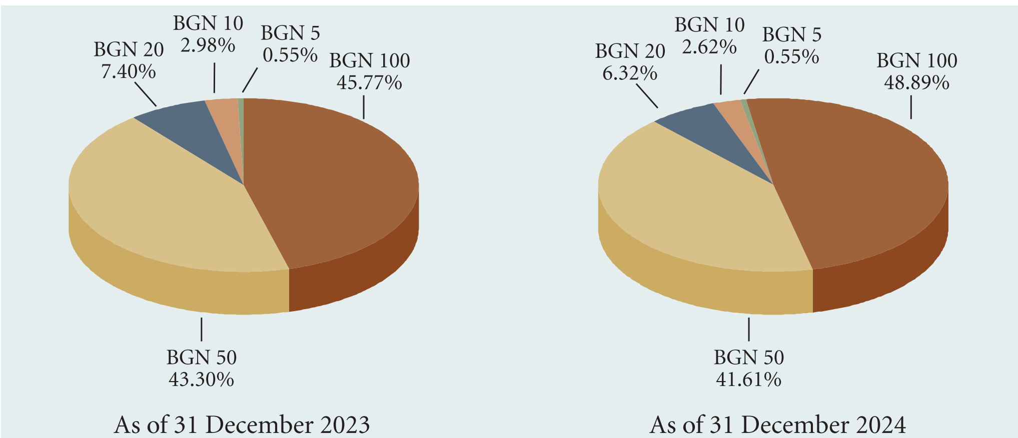


Note: The sum may differ from 100 per cent due to rounding.

Source: BNB.

The BGN 50 banknotes held the largest share (41.42 per cent) in the total number of circulating banknotes at end-2024. The previous years' trend towards an increase in the shares of the highest value banknotes (in number) compared to all other banknote denominations was sustained. Shares of BGN 50 and BGN 100 banknotes also increased: by 0.22 and 2.56 percentage points, respectively. The share of BGN 5 banknotes also picked up in 2024, by 0.25 percentage points. Over the same period, the shares of BGN 10 and BGN 20 banknotes decreased, with the share of BGN 20 posting a larger decline (by 1.88 percentage points).

Individual Denomination Shares in the Total Value of Circulating Banknotes



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

Source: BNB.

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

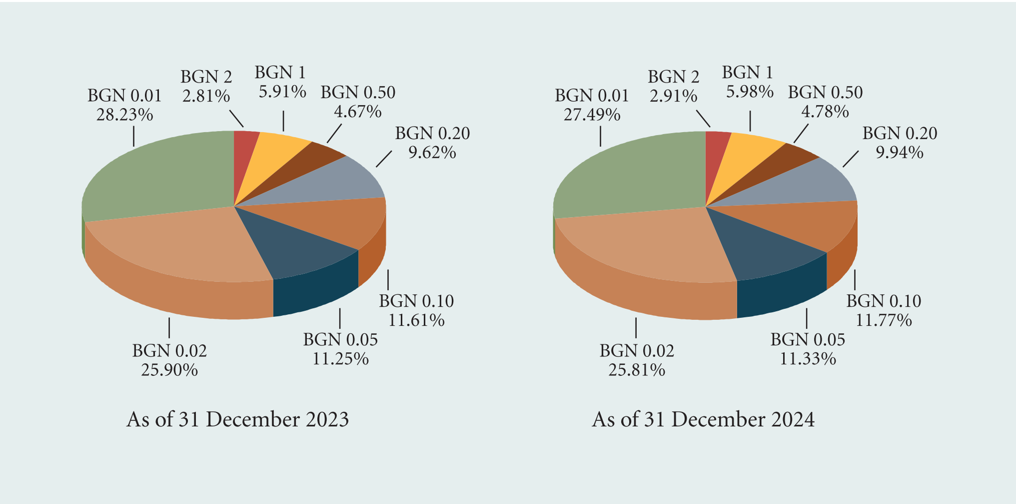
By the end of 2024, the BGN 100 and BGN 50 banknotes held the largest shares in the structure of circulating banknotes: 48.89 and 41.61 per cent, respectively. Only the share of BGN 100 banknotes increased in value by 3.12 percentage points compared to end-2023. The shares of all other banknote denominations declined, the BGN 50 banknote recording the largest decline, by 1.69 percentage points. The BGN 5 banknotes in circulation occupied 0.55 per cent, similarly to end-2023.

The average banknote circulating at the end of 2024 was worth BGN 49.76. For a year, its value rose by BGN 2.18 or 4.6 per cent, reflecting continued growth in the number of BGN 50 and BGN 100 banknotes and a decrease in the number of BGN 10 and BGN 20 banknotes.

In late 2024, 3339.4 million of coins worth BGN 624.5 million of nominal value were in circulation. Year on year, the total number of circulation coins rose by 116.4 million (3.6 per cent), and their value by BGN 34.3 million (5.8 per cent). The upward trend in the number of circulating coins of all denominations continued. The number of BGN 0.02 and 0.20 coins rose most significantly on an annual basis: by 27.1 million (3.3 per cent) and 22.1 million (7.1 per cent). BGN 2 coins grew at the fastest rate year on year (7.2 per cent). At the end of 2024, 97.1 million of these coins were in circulation, an increase of 6.5 million. The growth rate of BGN 0.01 coins declined in currency in circulation. In 2024, their number increased by 0.9 per cent to 917.9 million. Number growth in the other denominations ranged from 4.4 per cent for BGN 0.05 coins to 6.0 per cent for BGN 0.50 coins.

The BGN 0.01 coins held the largest share (27.49 per cent) in the total number of circulating coins at end-2024. BGN 2 coins comprised the smallest share at 2.91 per cent (in number). In 2024, the shares of BGN 0.01 and 0.02 coins decreased in number (by 0.74 and 0.09 percentage points, respectively), while those of BGN 0.05, 0.10, 0.20 and 0.50 coins and BGN 1 and 2 coins increased within a range from 0.07 percentage points for BGN 1 coins to 0.32 percentage points for BGN 0.20 coins.

Individual Nominal Value Shares in the Total Number of Circulating Coins



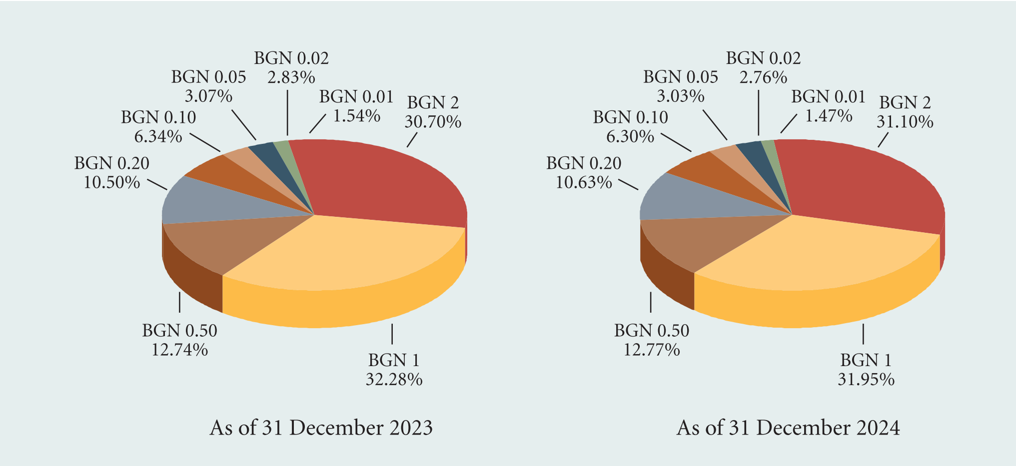
Note: The sum may differ from 100 per cent due to rounding.
Source: BNB.

By end-2024, the total value of BGN 1 coins in circulation was BGN 199.5 million, accounting for the largest share (31.95 per cent) within the structure of circulating coins by value. The value of BGN 0.01 coins held the smallest share at 1.47 per cent.

In 2024, the shares of BGN 0.20, BGN 0.50 and and BGN 2 coins rose by 0.13, 0.03 and 0.40 percentage points within the structure of circulating coins by value. The shares (by value) of the remaining denominations declined in the range from 0.04 percentage points for BGN 0.05 coins to 0.33 percentage points for BGN 1 coins.

At the end of 2024, the average circulating coin was BGN 0.19, up BGN 0.01 from end-2023.

Individual Nominal Value Shares in the Total Value of Circulating Coins



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

Non-genuine Banknotes and Circulating Coins

In 2024, the BNB National Analysis Centre retained 1676 non-genuine Bulgarian banknotes (of which 1229 which had entered into circulation), down 316 compared to those retained in 2023. The share of retained non-genuine Bulgarian banknotes in the total number of circulating banknotes by end-2024 was 0.000274 per cent.

The BGN 100 banknote had the largest share of retained non-genuine banknotes at 57.82 per cent, followed by BGN 50 and BGN 20 at 19.93 and 18.74 per cent, respectively. Non-genuine BGN 10, 5 and 2 banknotes' shares were 3.22, 0.18 and 0.12 per cent.

In 2024, retained non-genuine Bulgarian coins numbered 272; all of these had entered into circulation, up 30 compared to those retained in 2023. The relative share of retained circulating non-genuine Bulgarian coins in the total number of circulating coins at end-2024 was also very low at 0.000008 per cent.

Evaluating suspect foreign banknotes and coins, the BNB National Analysis Centre retained in 2024 714 euro banknotes (including 642 which had entered into circulation), 303 US dollar banknotes (including 201 which had entered into circulation) and 33 other foreign banknotes which had entered into circulation.

BNB Issue and Cash Operations

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

In 2024, producers supplied 21.0 million of new banknotes and 150.0 million of new coins worth BGN 2110.3 million of nominal value. In line with the Bank 2024 minting programme, the BNB put into circulation five commemorative coins with limited mintage and four gold commemorative coins 'Virgin Mary – Golden Apple' of BGN 10, 20, 50 and 100 nominal values, with unlimited mintage[54].

In 2024, banks deposited BGN 38,570.8 million of Bulgarian banknotes and coins, up BGN 5111.1 million or 15.3 per cent on 2023. Bulgarian banknotes and coins worth BGN 40,183.3 million were withdrawn from the BNB: up BGN 4686.6 million or 13.2 per cent *vis-à-vis* 2023.

In 2024, banknotes recirculated through BNB tills 2.0 times on average. Highest value banknotes (BGN 50 and BGN 100) and lowest value banknotes (BGN 5) returned less often, *i.e.* from 0.7 to 1.4 times; while BGN 10 and BGN 20 banknotes returned at 4.2 and 3.5 times through BNB tills.

In 2024, banknote processing machines processed 1155.2 million of banknotes and 89.9 million of coins. Compared with 2023, the number of processed banknotes increased by 8.3 per cent, while that of processed circulating coins – by 19.2 per cent. Banknotes of BGN 10, BGN 20 and BGN 50 had the largest shares in nominal value structure at 28.06, 28.99 and 32.36 per cent, respectively, with BGN 0.01, BGN 0.50 and BGN 1 coins comprising the largest shares at 22.90, 14.11 and 24.01 per cent, respectively.

Cash quality and integrity checks identified some 50.6 million of banknotes as unfit for circulation, down 13.7 million on 2023. Banknotes of BGN 10, BGN 20 and BGN 50 had the largest shares of unfit banknotes at 28.90, 29.66 and 20.93 per cent, respectively. The share of unfit processed banknotes in 2024 was 4.38 per cent. There were 2.2 million of unfit coins after the machine processing over the review period. Coins of BGN 0.01, 0.10 and BGN 0.20 held a larger share among retained unfit coins at 33.20, 14.63 and 14.57 per cent, respectively. The share of unfit coins in total processed coins was 2.47 per cent in 2024.

In 2024, the BNB purchased EUR 14.6 million of reserve currency from budget organisations, individuals and legal entities. At the same time, the Bank sold EUR 646.7 million of reserve currency.

In 2024, the Bank conducted four full checks into credit institutions and two service provides to ensure observance of Ordinance No 18 on the Control over Quality of Banknotes and Coins in Currency Circulation and instructions given on its implementation. The BNB tested 245 sorting machines and customer operated machines in line with identification and fitness standards into nine credit institutions, four service providers and six representatives of machine producers under Ordinance No 18.

With regard to preparing the currency circulation for Bulgaria's accession to the euro area, many steps were taken in 2024 to ensure that the euro introduction procedure and withdrawal of the Bulgarian lev from circulation run smoothly. The preparation of the currency circulation for joining the euro area is extremely large-scale, complicated and comprehensive. It includes not only the supply of euro banknotes and coins, but also the exchange of euro banknotes and coins, as well as the withdrawal and destruction of Bulgarian banknotes and coins from circulation. In the reporting period, the responsible European institutions approved the euro coin designs with a Bulgarian national side. Coin workpieces for euro coins with a Bulgarian national side were prepared, and the relevant contracts were implemented as planned. A large part of requested quantities was produced and delivered to Bulgarian Mint EAD, and another part was placed in custody with the manufacturers until the date of abrogation of Bulgaria's derogation. Contracts for production and delivery of euro coins with a Bulgarian national side have also been concluded, and the actual production may start immediately after the date specified in the Council of the EU Decision on the adoption of the euro by the

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

Republic of Bulgaria. Preliminary estimates of the required quantity of euro banknotes by denomination for frontloading and for the first year of introduction of the euro were agreed and sent to the ECB. Relevant agreements between the BNB and the two national central banks, which were determined to ensure the euro banknotes, were also drawn up. Over the review period, work continued on the adjustment project of the Cash System and the National Counterfeiting Monitoring System (NCMF). Relevant business procedures for depositing levs, for depositing euro and for withdrawing euro after the euro adoption date were developed.

To provide sufficient storage spaces for euro cash frontloading and for withdrawn Bulgarian banknotes and coins and their subsequent destruction, land-lease and storage contracts were concluded in Plovdiv, Varna and Burgas. Premises restructuring activities were launched in Cash Centre – Sofia intended to ensure storage of euro and lev banknotes and coins and destruction of Bulgarian banknotes and demonetisation of Bulgarian circulating coins by high capacity machines. Internal rules on a procedure for scrap selling of withdrawn and demonetised Bulgarian circulation coins were also adopted. In addition, most specialised equipment and machines of the Cash Services Company AD were supplied and installed. They include banknote processing systems and machines, coin demonetisation machines, euro coin minting and sorting machines, euro banknote vacuum packing machines, *etc*. Following public procurement and special transport procedures, contracts were concluded for supplying 12 passenger cars and six armoured trucks to transport Bank valuables. Numerous regular meetings were organised with key partners in the process of introducing the euro and withdrawing the Bulgarian levs from circulation, including with the Association of Banks in Bulgaria, Bulgarian Post AD and cash service suppliers.

To implement the above processes, a number of public procurements were conducted, and contracts and framework agreements were concluded to ensure legal certainty for the Bank business units in providing required services, supplies and construction related to the technical preparation for introducing the euro in Bulgaria. In addition, IT activities focused on developing the communication and server infrastructure necessary for the functioning of the BNB information systems. New communication equipment was delivered and is being implemented in stages. Technical specifications and updates in the Bank information systems involved the functionalities related to Bulgaria's accession to the euro area.

VI. Maintaining Banking System Stability and Protecting Depositor Interests

Assessment of the State of the Banking System[55]

In 2024, the banking sector operated in a context of heightened geopolitical uncertainty in the external environment and relatively favourable internal conditions.

Interest rate levels and strong private consumption over the reporting period supported the demand for credit, and high liquidity in the banking system and stable capital position of banks stimulated its supply. Over the review year, the BNB reported higher growth rates of total assets and banking loans compared to 2023. In order to reflect potential medium-term risks arising from dynamics in lending secured by residential real estate, the BNB introduced requirements for loan-to-value and debt service-to-income ratios, and maturity for loans secured by residential real estate, with effect from 1 October 2024.

The downward trend in both the amount of non-performing loans and their relative share (non-performing loans ratio) was retained over the year. Own funds increased and the potential residual risk in bank balance sheets measured by net non-performing loans and advances remained entirely covered by the excess of regulatory capital over capital requirements and applicable capital buffers. The banking system reported an increase in profits, the main driving factor for good profitability being net interest income supported by the increase in gross interest-bearing assets. At the same time, there was a gradual slowdown in the growth rate of net interest income and an increase in the volume of impairment costs of financial assets.

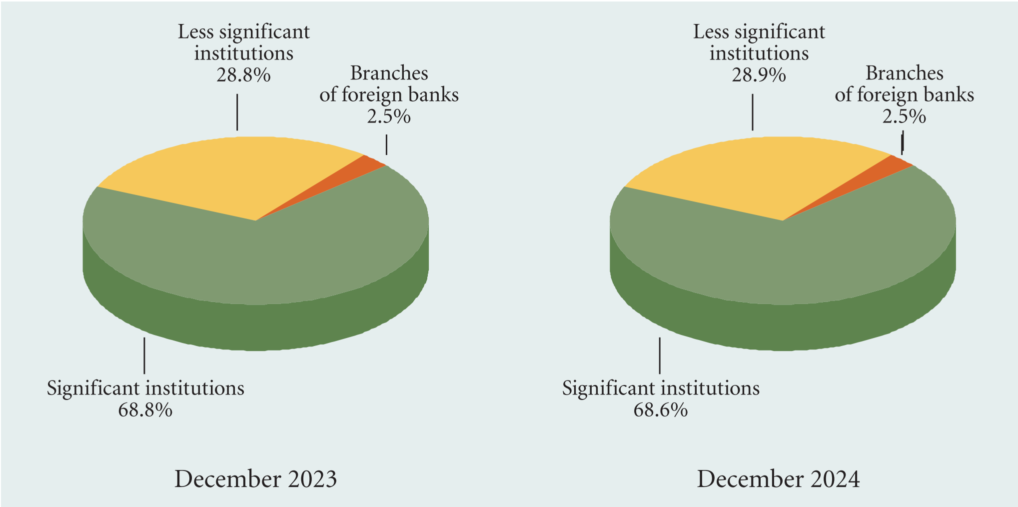
Against the background of an increased amount of total risk exposures in 2024, a robust increase in own funds maintained banking sector's capital ratios significantly above the minimum regulatory requirements and capital buffer requirements. Given the persistently high credit growth rates and the continued uncertainty in the factors determining the economic environment, the 2 per cent countercyclical capital buffer rate applicable to domestic credit risk exposures in Bulgaria remained in force during 2024 and was confirmed until the end of the first quarter of 2026.

Banking liquidity position remained stable over the year, with liquidity coverage ratio and net stable funding ratio being maintained at levels exceeding significantly the minimum regulatory requirements.

In 2024, banking system assets increased by BGN 19.5 billion (11.3 per cent), amounting to BGN 191.6 billion by end-December, with a higher growth rate than that in 2023 (16.7 per cent or BGN 10.7 billion). The increase in balance sheet loans and advances during the period (by BGN 14.1 billion, 13.7 per cent) was mainly a result of the growth in credit portfolio. The share of loans and advances in total assets reached 61.2 per cent at the end of December 2024. The annual growth in balance sheet figure reflected also the increase in debt securities (by BGN 7.2 billion, 27.6 per cent) predominantly in the general government sector, with their share in total banking assets rising from 15.1 per cent to 17.3 per cent at the end of the review period. Reflecting the decline in cash balances at central banks (by BGN 2.5 billion, 8.4 per cent), the share of the most liquid balance sheet item of cash, cash balances at central banks and other demand deposits in total assets decreased from 21.1 per cent to 17.8 per cent, its amount reaching BGN 34.0 billion at the end of December 2024.

[55] Based on supervisory reports data on an individual basis, as reflected in quarterly reporting forms, summarised on 19 February 2025 for the current quarter and four previous quarters.

Domestic and Foreign Bank Market Shares by Asset Size and According to the ECB's Significance Criteria



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

Source: BNB.

Assets of banks designated as significant institutions, which are subject to direct supervision by the ECB accounted for 68.6 per cent of banking system assets by the end of December 2024, while those designated as less significant institutions (LSIs) comprised 28.9 per cent. Foreign bank branches accounted for 2.5 per cent of the balance sheet figure.

Credit portfolio[56] occupied 56.0 per cent of the banking balance sheet figure at the end of December 2024 (compared to 54.8 per cent at the end of December 2023). Based on data from supervisory reports, banking system gross credit portfolio grew by BGN 13.2 billion (13.5 per cent) on an annual basis compared to an increase of BGN 11.4 billion (13.3 per cent) in 2023, reaching 110.6 billion by end-December 2024. Loans and advances to non-financial corporations accounted for 47.7 per cent of gross credit portfolio at the end of December 2024, while those to households were 43.4 per cent (compared to 49.7 and 40.5 per cent, respectively, at the end of 2023). Loans to non-financial corporations rose by BGN 4.3 billion in 2024 (9.0 per cent), occupying 33.0 per cent of the credit portfolio growth (against 31.8 per cent a year earlier). In the same period, loans to households grew by BGN 8.5 billion (21.5 per cent) or 64.4 per cent of the annual rise in gross credit portfolio (48.5 per cent for 2023). Loans secured by residential property increased by BGN 5.5 billion (25.2 per cent), and consumer loans rose by BGN 3.0 billion (16.6 per cent). Loans to other financial corporations also went up (by BGN 543 million, 6.5 per cent) and those to the general government sector decreased by BGN 197 million (18.8 per cent). By end-December 2024, the amount of claims on credit institutions reached BGN 10.00 billion, up BGN 1.1 billion (12.6 per cent) from the end of December 2023.

The share of loans and advances in levs increased to 70.3 per cent at the end of 2024, while that of euro-denominated ones decreased to 26.9 per cent (compared to 66.7 and 29.9 per cent, respectively, at the end of December 2023). The share of claims in other currencies dropped to 2.7 per cent (3.4 per cent at the end of 2023). In the structure by residence, the share of gross loans and advances to residents increased to 89.7 per cent at the end of 2024 (from 88.4 per cent), with a corresponding decrease in the share of claims on non-residents to 10.3 per cent (from 11.6 per cent at the end of 2023).

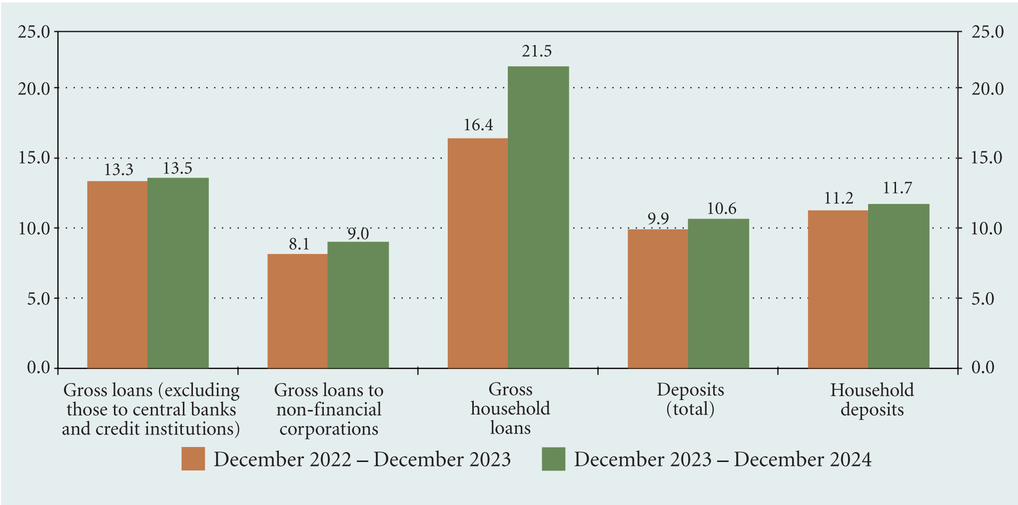
[56] Credit portfolio includes the sectors of non-financial corporations, households, other financial corporations and the general government.

At the end of 2024, the gross amount of debt securities in bank portfolios was BGN 33.0 billion (BGN 25.9 billion by end-2023). The amount of general government debt securities in bank portfolios increased by BGN 6.7 billion (30.2 per cent) and accounted for 88.0 per cent of total securities at the end of the period. Debt securities of credit institutions and non-financial corporations posted growth during the year, while those of other financial corporations declined. By the end of 2024, equity instruments amounted to BGN 704 million, and their share in total banking assets remained insignificant.

Over 2024, attracted deposits in the banking system increased by BGN 15.6 billion (10.6 per cent) to BGN 162.9 billion at the end of the year, and their annual growth rate was higher than in the previous year (BGN 13.2 billion, 9.9 per cent). Household deposits increased by BGN 9.6 billion (11.7 per cent), and their share in the structure of total deposits rose to 56.6 per cent (from 56.1 per cent at the end of December 2023). Over the review period, deposits of non-financial corporations grew by BGN 2.9 billion (6.3 per cent), and their share in the overall structure at the end of 2024 stood at 30.2 per cent (31.4 per cent at the end of December 2023). Annually, there was also an increase in deposits of credit institutions (by BGN 3.5 billion, 33.1 per cent), which was larger than in 2023 (BGN 2.7 billion, 33.7 per cent). In the same period, deposits of other financial corporations went up by BGN 218 million, or 5.3 per cent, while those to the general government sector dropped by BGN 651 million, or 17.2 per cent. By end-December 2024, the shares of lev-denominated and euro-denominated deposits were 61.2 and 33.3 per cent, 61.6 and 32.2 per cent at the end of December 2023, respectively. Deposits in other currencies comprised 5.5 per cent (6.2 per cent at the end of December 2023). Within the resident structure, deposits attracted from domestic sources occupied 89.5 per cent at the end of December 2024 and those from non-residents 10.5 per cent (against 90.2 and 9.8 per cent at end-December 2023).

Dynamics of Selected Balance Sheet Indicators

(per cent; on an annual basis)



Source: BNB.

The gross amount of all non-performing exposures[57] at the end of 2024 was BGN 3.9 billion, decreasing by 1.1 per cent (BGN 41 billion) from the end of 2023, at a slower pace than in 2023 (12.6 per cent or BGN 565 million). The ratio of gross non-performing exposures improved to 2.1 per cent at the end of 2024, from 2.4 per cent at the end of 2023.

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

By end-December 2024, gross loans and advances in the banking system were BGN 120.6 billion, according to the narrowed scope (applied since June 2020 under EU Regulation[58]), or an increase of BGN 14.3 billion (13.4 per cent) for a year. The gross amount of non-performing loans and advances decreased by 1.1 per cent (BGN 40 million), remaining close to its level of end-2023 (BGN 3.8 billion). The ratio of non-performing loans, calculated on the basis of the narrowed scope, improved to 3.2 per cent by end-December 2024 (compared to 3.6 per cent a year earlier). Based on the broad scope, which includes also cash balances at central banks and other demand deposits, the total amount of gross loans and advances rose by BGN 12.2 billion (8.8 per cent) to reach BGN 151.8 billion by end-2024. The ratio of non-performing loans calculated on the basis of the broad scope[59] fell to 2.5 per cent by end-2024 (against 2.8 per cent at end-December 2023).

As regards the quality of gross credit portfolio of the banking system, in 2024, a decrease was reported in both the amount of its non-performing portion by BGN 40 million (1.1 per cent), and in the non-performing loans' ratio to 3.4 per cent at the end of December (compared to 3.9 per cent at the end of 2023). This reflected the decline over the period in the share of non-performing loans, mainly in the main sectors in banks' credit portfolios, namely non-financial corporations and households, and the overall annual growth of the portfolio (by BGN 13.2 billion, 13.5 per cent) to BGN 110.6 billion. Among the prerequisites for improving the credit quality of the portfolio were also banks' write-offs and sales of non-performing loans.

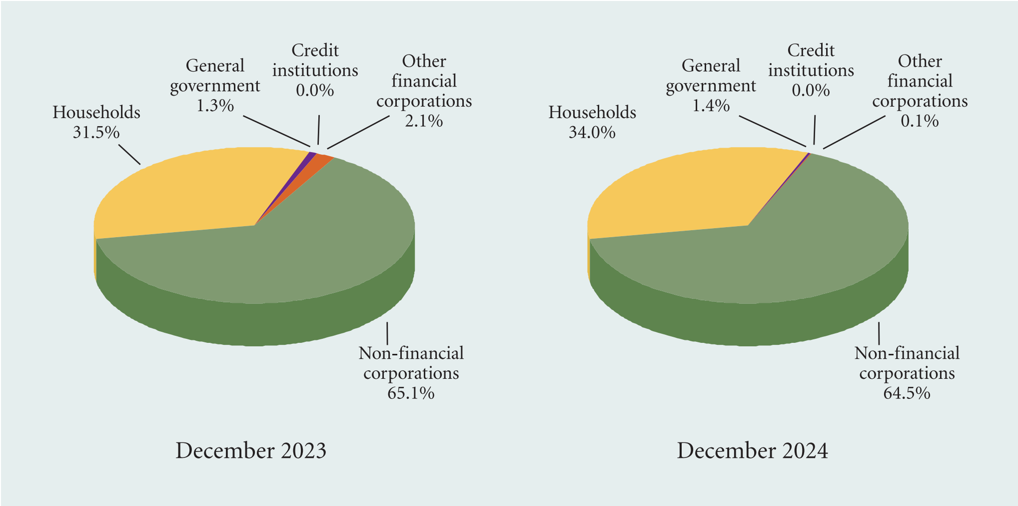
In late 2024, gross non-performing loans of non-financial corporations accounted for 64.5 per cent of total non-performing loans, and those of households comprised 34.0 per cent. For non-financial corporations, the non-performing loans ratio decreased to 4.6 per cent (from 5.2 per cent at the end of 2023), reflecting the fall of BGN 49 million (1.9 per cent) in the non-performing part and a rise of 9.0 per cent in total loans for the sector. For households, the non-performing loans ratio also improved, reaching 2.7 per cent (from 3.1 per cent at the end of 2023), with the non-performing part increasing by BGN 82 million (6.8 per cent) and their total amount by 21.5 per cent.

Total gross non-performing loan and advance impairment coverage remained virtually unchanged on an annual basis at 49.4 per cent by end-December 2024 (49.5 per cent at the end of 2023).

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

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

Non-performing Loans and Advances by Sector

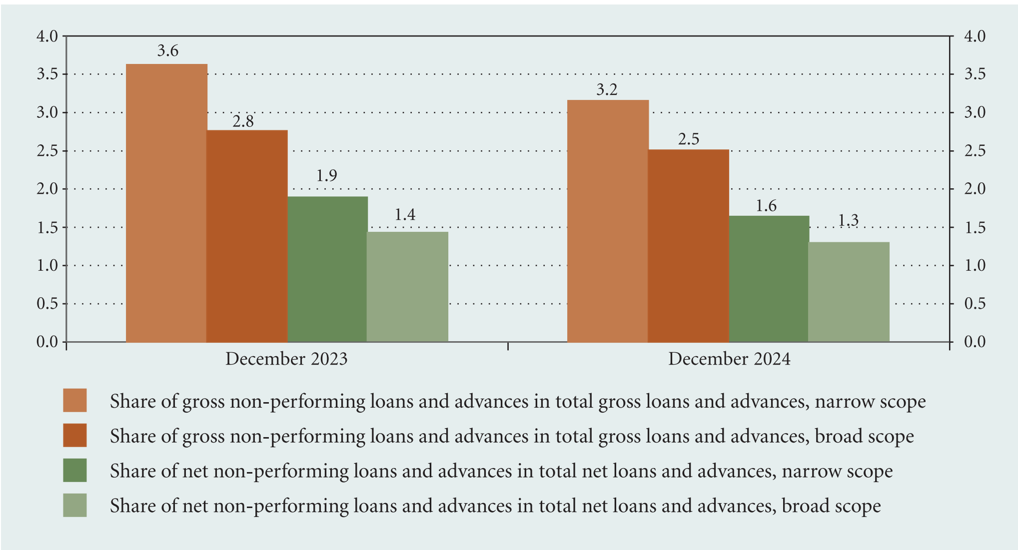


Source: BNB.

The net value of non-performing loans and advances[60] was BGN 1.9 billion by end-December 2024. It represents the potential residual credit risk in bank balance sheets, remaining entirely covered by the excess of capital over capital requirements and applicable capital buffers. Compared to the end of 2023, the net value of non-performing loans and advances in the narrowed scope decreased by 0.9 per cent (BGN 17 million). The ratio of net non-performing loans and advances was 1.6 per cent by end-2024 (1.9 per cent at the end of 2023). According to the broad scope, the ratio of net non-performing loans and advances fell to 1.3 per cent at the end of 2024, against 1.4 per cent at the end of 2023.

Non-performing Loans and Advances in Total Loans and Advances

(per cent)



Source: BNB.

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

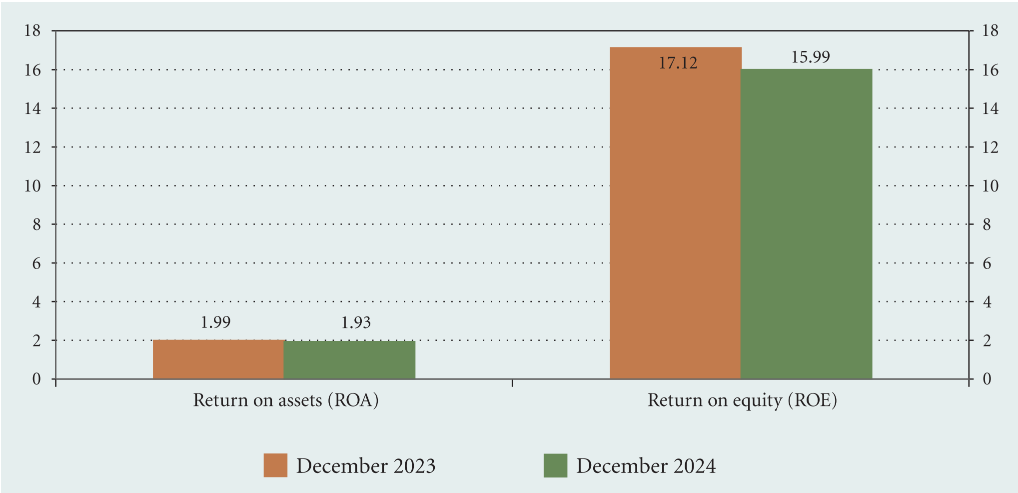
At the end of 2024 balance sheet equity of the banking system amounted to BGN 23.2 billion. It grew by BGN 3.1 billion (15.7 per cent) on an annual basis, reflecting the rise in retained earnings (by BGN 1.3 billion, 25.0 per cent), other reserves (by BGN 1.0 billion, 19.1 per cent), reported profit for 2024 (by BGN 277 million, 8.1 per cent), premium provisions (by BGN 297 million, 24.6 per cent) and accumulated other comprehensive income (by BGN 215 million).

The banking system's profit at the end of 2024 was BGN 3.7 billion, or BGN 277 billion (8.1 per cent) higher than in 2023. Net interest income had the largest contribution to the increased financial result of the banking sector in 2024. Net income from financial instruments and net fee and commission income posted also an annual increase, while other net income recorded a decline. Impairment charges rose compared to those for 2023 coupled with operating expenditure. Tax expense related to profits from ongoing activities also increased.

By end-2024 the return on assets (ROA) indicator was 1.93 per cent (19.99 per cent at the end of 2023) and the return on equity (ROE) indicator declined to 15.99 per cent (from 17.12 per cent as of 31 December 2023).

Return on Assets and Return on Equity (per cent)

(per cent)



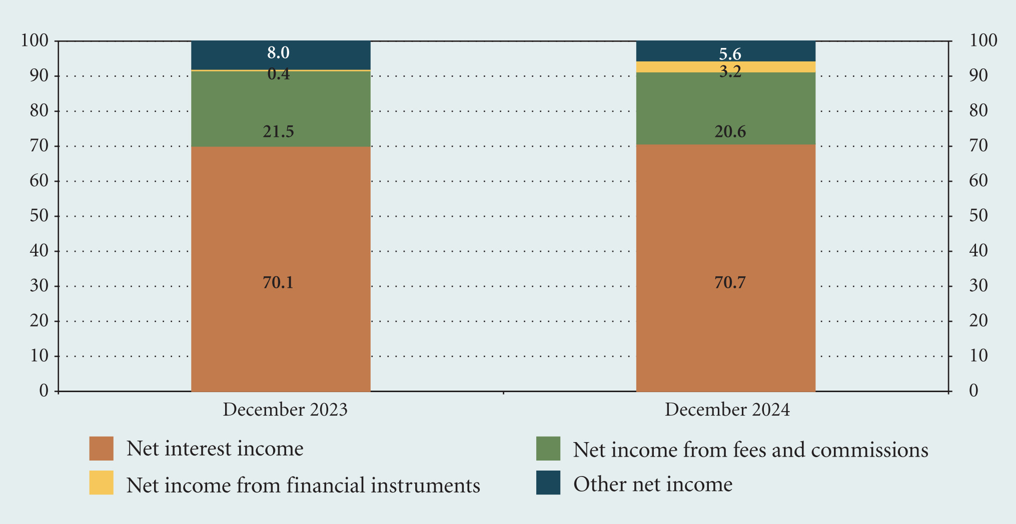
Source: BNB.

Total net operating income increased by BGN 962 million (13.9 per cent) from end-December 2023 to BGN 7.9 billion. In its structure, the share of net interest income was 70.7 per cent (70.1 per cent by end-2023) its amount increasing by BGN 723 million (14.9 per cent) to BGN 5.6 billion. Compared to the end of 2023, interest income went up by BGN 851 million (14.5 per cent) to BGN 6.7 billion under the influence of the growth in gross interest-bearing assets[61]. Over the same period interest expenditure rose by BGN 128 million (12.4 per cent) to BGN 1.2 billion at the end of 2024. The net interest margin indicator was 3.54 per cent (against 3.58 per cent at the end of December 2023). Return on interest bearing assets dropped to 4.28 per cent (4.34 per cent as of 31 December 2023). In the same period, the price of interest liabilities measured at amortised cost (containing deposits, bonds issued and other financial liabilities) rose to 0.61 per cent at the end of December 2024 (from 0.45 per cent a year earlier).

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

Net Operating Income Structure

(per cent)



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

Compared to 2023, fee and commission income rose by BGN 206 million (11.0 per cent) to BGN 2.1 billion by end-2024, and fees and commission expenditure grew by BGN 74 million (19.1 per cent) to BGN 460 million. Net income from fees and commissions went up by BGN 132 million (8.9 per cent) to BGN 1.6 billion by end-December 2024, occupying 20.6 per cent in the structure of net operating income (against 21.5 per cent at end-2023). Compared to the end of 2023, net income from financial instruments picked up from BGN 219 million to BGN 248 million. Over the same period other net income fell by BGN 112 million (20.3 per cent), their share in total net operating income falling from 8.0 per cent to 5.6 per cent.

As of 31 December 2024, the banking system cost to income ratio[62] improved to 38.2 per cent (39.2 per cent a year earlier). On an annual basis, operating expenditure (administrative and depreciation costs) increased by a total of BGN 283 million (11.3 per cent) to BGN 2.8 billion as of end-2024, and bank expenses reported under the item of cash contributions to resolution funds and deposit guarantee schemes grew by BGN 15 million (7.0 per cent) to BGN 221 million. The ratio of impairment charges to total operating income grew to 8.5 per cent at the end of 2024 (5.7 per cent by end-2023). Impairment costs of financial assets not measured at fair value through profit or loss were BGN 666 million, or BGN 273 million (69.7 per cent) more than those reported in 2023.

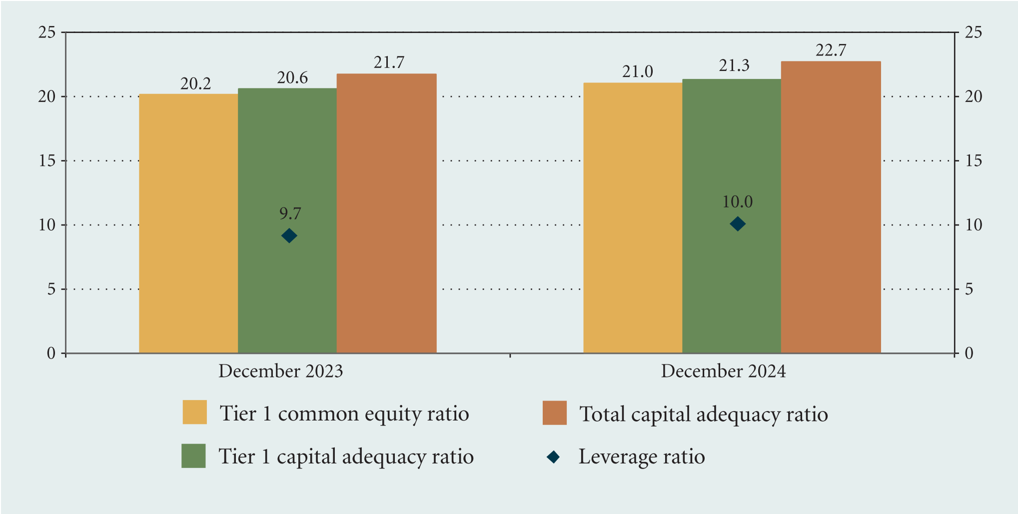
In 2024, the capital position of the banking system remained stable, with capital ratios exceeding significantly minimum regulatory requirements and capital buffers applied. Compared to 31 December 2023, total regulatory equity of the banking system rose by BGN 2.7 billion (14.7 per cent) to BGN 21.0 billion. Tier 1 capital amounted to BGN 19.7 billion and Common Equity Tier 1 (CET1) capital was BGN 19.4 billion.

Capital adequacy ratios increased from the end of 2023. In late 2024, CET1 ratio was 21.03 per cent, Tier 1 capital ratio – 21.32 per cent, and total capital adequacy ratio – 22.70 per cent, respectively (compared to 20.15, 20.60 and 21.73 per cent at the end of 2023).

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

Selected Capital Indicators

(per cent)



Source: BNB.

Total risk exposures picked up BGN 8.2 billion (9.8 per cent) to BGN 92.4 billion at end-2024. This reflected the growth in risk-weighted exposures for credit risk – by BGN 7.5 billion (9.6 per cent), reaching BGN 85.7 billion at the end of 2024. Over the year exposures to corporations, retail exposures and real estate mortgage-backed exposures increased.

In 2024, the more favourable temporary treatment of risk weights for exposures to EU Member States' central governments and central banks, where these exposures are denominated and funded in the domestic currency of another Member State[63], was renewed. This led to the decrease in risk weighted exposures to central governments and central banks, which fell by BGN 1.3 billion (71.7 per cent) on end-2023 (when a 25 per cent weight applied to exposures covered by the renewed derogation from 2024). As a result, the increase of risk weighted exposures for credit risk in 2024 was lower than that reported in the previous year (BGN 9.0 billion or 13.0 per cent for 2023), and their share in the structure of total risk exposures decreased slightly from 92.9 per cent at the end of 2023 to 92.7 per cent by end-2024.

Compared to the end of 2023, risk exposures for operational risk increased (by BGN 573 million, 9.9 per cent) to BGN 6.3 billion, as their share in total risk exposures was retained at 6.9 per cent at the end of 2023. Over the year, exposures for position, currency and commodity risks also rose (by BGN 182 million, 89.7 per cent) to BGN 385 million, but their share of total risk exposures remained insignificant at 0.4 per cent (0.2 per cent at the end of 2023).

In 2024, all banks met the regulatory requirements and buffers applied.[64] Given the persistently high credit growth rates and the uncertainty in the economic environment, the countercyclical buffer rate of 2.0 per cent, effective from 1 October 2023, was confirmed by BNB Governing Council decisions of March, June and September 2024. Total for the

[63] As per Regulation (EU) No 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 amending Article 500a for the reporting periods from 30 June 2024 to 31 December 2024, credit institutions may apply a 0 per cent risk weight to exposures to central governments and central banks of EU Member States where those exposures are denominated and funded in the domestic currency of another Member State. This Regulation was published in the EU Official Journal on 19 June 2024, with certain amendments applicable from 9 July 2024.

[64] For more information on the effective capital buffer rates, see the BNB website under the Banking Supervision section, Capital Buffers sub-section: https://www.bnb.bg/BankSupervision/BSCapitalBuffers/index.htm?toLang=_EN.

banking system, at the end of 2024, the capital above the regulatory minimum under Pillar 1 was BGN 13.6 billion, up BGN 2.0 billion (17.6 per cent) from the end of 2023. The capital in excess of the requirements under Pillar 1, Pillar 2 and the applicable buffers was BGN 4.9 billion (BGN 3.6 billion by end-2023) and continued to exceed the volume of net non-performing exposures, thus ensuring additional coverage of the banks' items appearing to be a source of potential residual credit risk in their balance sheets.

At the end of 2023, banking system's aggregated leverage ratio[65] (when a fully phased-in definition of Tier 1 capital is applied) was 9.96 per cent (from 9.69 per cent by end-2023). Over the review period, the total risk exposure (formed by bank assets, off-balance sheet items, derivatives, securities financing transactions and standard purchases and sales with pending settlement) increased at a slower pace than Tier 1 capital, which predetermined the improvement in the ratio. End-2024 ratio shows high capital coverage of the total risk exposure and a low level of indebtedness of the banking system. Over the year, all banks in Bulgaria reported a leverage ratio exceeding the minimum regulatory requirement of 3.0 per cent.

Banking system's liquidity position remained stable, with liquidity coverage ratios (LCR)[66] of all credit institutions exceeding significantly the minimum regulatory requirement of 100 per cent. At the end of 2024, the liquidity coverage ratio of the banking system was 241.1 per cent, against 246.7 per cent at the end of 2023. The liquidity buffer (the ratio numerator) increased by BGN 3.9 billion (7.3 per cent) to BGN 56.9 billion. Within its structure, reserves in the central bank with an option of withdrawal posted a decline (BGN 4.3 billion, 15.9 per cent) to BGN 22.8 billion. At the same time, assets in the central government posted an increase (BGN 5.7 billion, 29.4 per cent) to BGN 25.3 billion. Assets in the central bank also rose (by BGN 2.0 billion, 97.9 per cent) to BGN 4.1 billion, while coins and banknotes declined (by BGN 162 million, 5.3 per cent) to BGN 29 billion. As a result of developments in 2024, the share of reserves in the central bank with an option of withdrawal in the liquidity buffer was 40.0 per cent, that of assets in the central government 44.5 per cent and that of assets in the central government 7.2 per cent (compared to 51.0, 36.9 and 3.9 per cent as of end-2023). The combined share of the three most liquid positions[67] in the liquidity buffer at the end of 2024 fell to 52.4 per cent (compared to 60.7 per cent by 31 December 2023). Net liquidity outflows (the denominator of the liquidity coverage ratio) were BGN 23.6 billion at the end of 2024, increasing by BGN 2.1 billion (9.8 per cent) from the end of 2023.

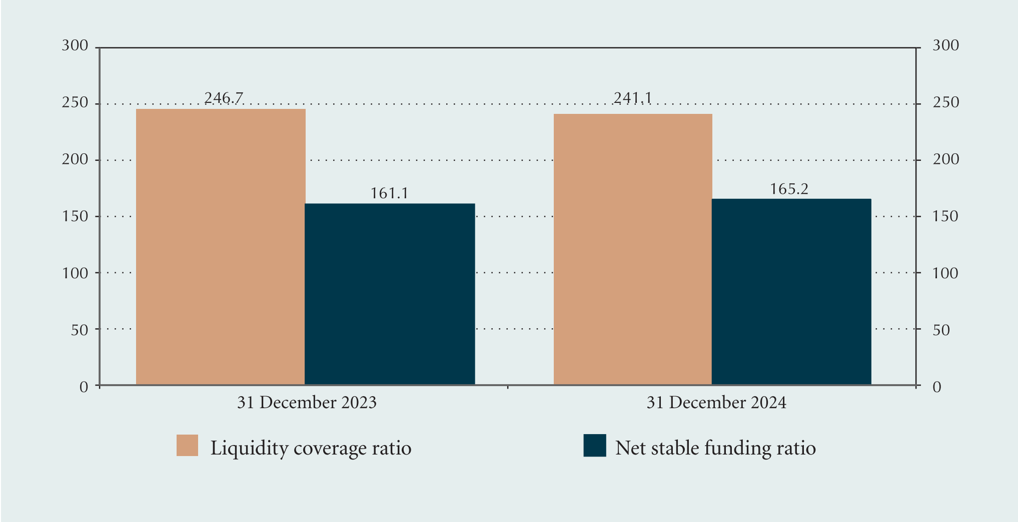
[65] The regulatory requirement for a leverage ratio (when a fully phased-in definition of Tier 1 capital is applied) is introduced in compliance with Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013, with effect from 28 June 2021. Reporting templates comply with Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for Regulation (EU) No 575/2013 and repealing Implementing Regulation (EU) No 680/2014. The 3 per cent rate is defined in compliance with the Basel III regulatory framework.

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

[67] Most liquid items are: coins and banknotes, reserves in the central bank with an option for withdrawal and assets with the central bank.

Selected Liquidity Indicators

(per cent)



Source: BNB.

Loan-to-deposit ratio (LTD)[68] for the banking system increased from the end of 2023 from 71.2 to 74.3 per cent, driven by the higher growth rate of the credit portfolio (13.5 per cent) compared to the deposit portfolio (8.9 per cent).

The aggregate net stable funding ratio (NSFR)[69] was 165.2 per cent (161.1 per cent at the end of 2024), with all banks in Bulgaria adhering to the minimum regulatory requirement of 100 per cent.[70] Available stable funding (the NSFR nominator) was BGN 150.1 billion and required stable funding (the NSFR denominator) was BGN 90.9 billion (against BGN 135.5 billion and BGN 84.1 billion by end-2023).

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

As of 31 December 2024, financial institutions registered in Bulgaria under Article 3a of the LCI numbered 261, including 14 financial institutions from EU Member States conducting activities on the territory of the Republic of Bulgaria *via* a branch or directly and two funds established under the procedure of the Law on the Bulgarian Development Bank.

At the end of 2024, total assets of this sector reached BGN 17.2 billion, up 13.4 per cent. On an annual basis, assets of the 20 largest non-bank financial institutions amounted to 75 per cent of sector's total assets.

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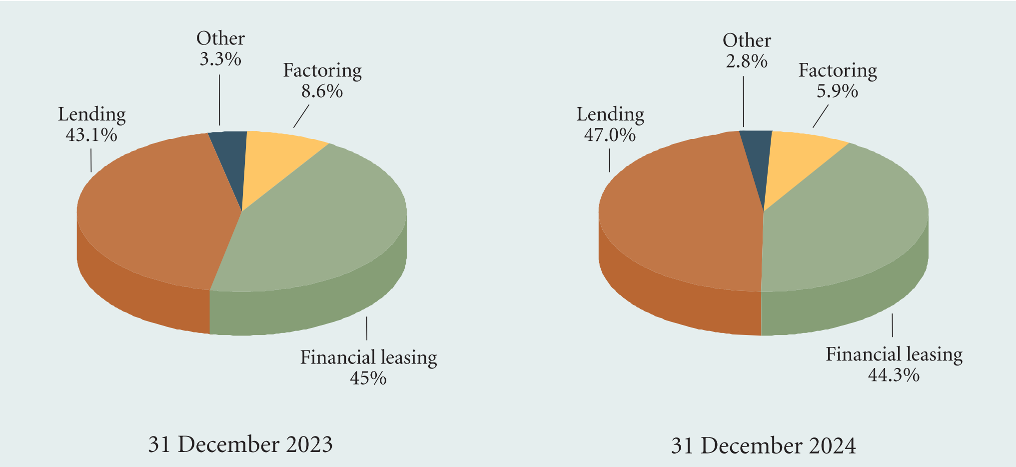
[68] The ratio is calculated excluding central banks and credit institutions sectors.

[69] The net stable funding ratio illustrates the extent to which credit institutions' liabilities and own funds items can ensure funding for their exposures over a one-year horizon.

[70] The regulatory requirement is introduced in compliance with Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 and becomes applicable as of 28 June 2021. Reporting templates comply with Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for Regulation (EU) No 575/2013 and repealing Implementing Regulation (EU) No 680/2014.

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



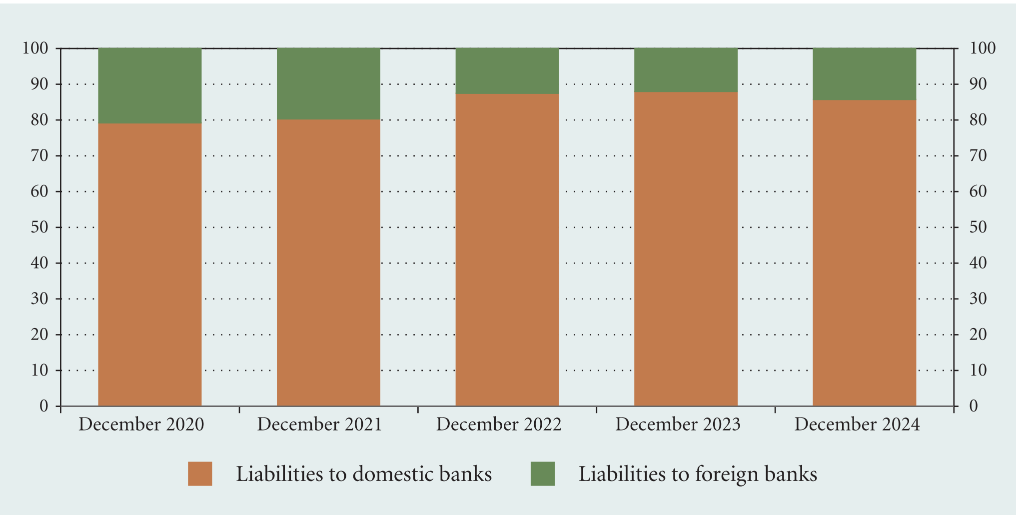
Source: BNB.

Gross credit portfolio that includes claims on loans and financial leasing increased year on year by 13.5 per cent to BGN 16.2 billion. Performing loans as of 31 December 2024 comprised 86.7 per cent of sector's portfolio. Non-performing loans and advances rose by 9.3 per cent on an annual basis, reaching BGN 2.1 billion as of 31 December 2024. Over the year accumulated impairment for the credit portfolio grew by 24.4 per cent.

Attracted funds in the sector increased by 15.6 per cent compared to the previous year, reaching BGN 13.7 billion, and funds attracted from banks were BGN 9.3 billion (compared to BGN 8 billion for the previous year). The upward trend in the share of attracted funds from domestic banks persisted in 2024, reaching 86 per cent of all attracted bank resources.

Structure of Attracted Funds from Banks

(per cent)



Source: BNB.

The profit of the 20 largest financial institutions retained its high share (45 per cent) in the sector's financial result, with a profit of BGN 463 million in 2024.

Sector's equity reached BGN 2.9 billion, growing 5.2 per cent on an annual basis. The capital of the 20 largest financial institutions comprised the half of the sector's equity capital. At the end of 2024, return on assets (ROA) was 2.7 per cent and return on equity (ROE) – 16 per cent.

Banking Supervision's Activities

Over the review period, in close cooperation with the Single Supervisory Mechanism (SSM), BNB employees continued to exchange and share expertise with regard to the challenges that national competent authorities expect when implementing European regulatory acts[71] related to the recent amendments to the so-called Basel banking supervision standards.

Off-site Supervision

Supervisory Review and Evaluation Process and Current Monitoring of Credit Institutions' Risk Profile

In 2024, the ongoing monitoring of the financial situation of credit institutions and holding companies continued, along with assessment of their risk profile continued, providing further information and a better understanding of reported changes in supervisory data as part of the ongoing supervisory dialogue with banks. Analytical financial performance reports of banks were prepared on a quarterly basis and of foreign branches on an annual basis, containing conclusions and findings from the monitoring of institutions for the period under review.

To implement the annual supervisory programme, meetings were held with the members of banks' management and supervisory boards, risk management and internal control units, as well as with representatives of external audit firms auditing banks and third country branches. Planned meetings with external audit firms auditing the annual financial statements of banks and third-country branches also took place.

When applying the EBA criteria, supervisors carried out an annual review and assessment of banks' reports on Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidly Adequacy Assessment Process (ILAAP) for 2023. The weaknesses identified with related recommendations for improvement of the processes were sent in writing to institutions' management bodies. Funding plans covering the period 2024–2026 were subject to an annual review. The BNB reviewed and assessed the updated versions of the Recovery plans of less significant institutions, implementing the recommendations made by the BNB to increase their reliability. Monitoring of the targets set in banks' strategies and operational plans to reduce non-performing loans continued.

Over the review period, the BNB Governing Council decided to set additional capital requirements and recommendations for additional own funds of less significant institutions based on the Supervisory Review and Evaluation Process with a reference date of 31 December 2022. The SREP reports and assessments were prepared in compliance with the SSM LSI SREP Methodology, version 2023.

Work on Drafting Opinions and Follow-up of Supervisory Measures

There was a supervisory dialogue with credit institutions in relation to capital plans and dividend payment intentions over the year. Assessments were prepared on banks' ability to meet capital requirements over a three-year period and, based on the conclusions of the analysis, there was no objection to planned dividend payments. Opinions were also

[71] Directive (EU) 2024/1619 of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and Regulation (EU) 2024/1623 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor.

prepared to include interim profits into bank's capital, to assess the suitability of management staff and persons holding key positions in several banks, as well as to approve changes to the statutes of two banks. Corrective action taken by banks to implement supervisory measures and recommendations from conducted supervisory inspections were followed up.

Close Cooperation within the Single Supervisory Mechanism

In 2024, BNB representatives continued to participate in the ECB's Joint Supervisory Teams for direct supervision of significant institutions in Bulgaria in the context of the established close cooperation. SREP reports on the risk profile and financial position of the institutions were prepared with a reference date of 31 December 2023 and proposals were made for the amount of the additional capital requirements and recommendations to be met by these banks since the beginning of 2025. Supervisory colleges discussed draft joint decisions on capital and liquidity as of 31 December 2023 and recovery plans of the European banking groups, part of which the four significant institutions are. Opinions were prepared for prior coordination of the selection of external auditors and analyses on outsourcing. Participation in the Joint Supervisory Teams also included communication on the procedures for assessing suitability of members of the Governing Council, Supervisory Boards and key function holders. Procedures were conducted to assess capital projections in relation to credit institutions' intentions to distribute dividends, as well as to include interim profits in banks' capital. In 2024, workshops were held in Bulgaria with representatives of the Joint Supervisory Teams of three of the significant institutions directly supervised by the ECB (DSK Bank, UniCredit Bulbank, Eurobank Bulgaria). Regular meetings were also held with significant institutions' management bodies (on monthly and quarterly basis) to discuss financial results and risk appetite and control framework, *etc.*

In the course of the year, the BNB continued its cooperation with German supervisory authorities on joint decisions on capital and liquidity and recovery plans of subsidiaries.

Every three weeks regular meetings were held between representatives of the BNB and the ECB unit responsible for monitoring less significant institutions in in Bulgaria (Country Desk Bulgaria).

Working Formats under the SSM to the ECB

Among the topics discussed within the SSM's Capital Adequacy Expert Group were the overlapping of elements of the Internal Capital Adequacy Assessment Process (ICAAP) and capital risk control, the provision of a platform to the joint supervisory teams for capital projections, the integration of the minimum requirement for own funds and eligible liabilities into the monitoring of capital adequacy and the analysis of good practices for capital allocation within a banking group.

The Business Model & Profitability Expert Group discussed topics and projects on changes to the SREP methodology, on business model and profitability analysis tools, on digitalisation assessments, on analyses of banks with weaknesses in the business model, as well as a horizontal analysis of corporate investment banking in the SSM.

Over the review period, the ECB's annual Significance Exercise was conducted to monitor the compliance of banks' criteria for classification as significant or less significant. A manual for assessing the significance of banks was developed and adopted.

On-site Inspections

In 2024, supervisory inspections were carried out in four banks, one of them subject to direct ECB supervision (under the established regime of close cooperation between the ECB and the BNB) and the remaining three are under the direct responsibility of the BNB as a national competent authority. The scope and intensity of the ECB inspection carried out by a BNB team were coordinated through a centralised process based on a request from the respective ECB Joint Supervisory Team (JST), and three-party consultations with the JST and the ECB were held.

The supervisory inspections conducted in three less significant institutions over the reporting period, subject to BNB direct supervision, concerned aspects related to credit risk and credit concentration risk. The scope also included quality checks on reporting for regulatory purposes when reporting the relevant risks. Supervisory assessments were based on the documentation and information reviewed in the IT systems, including internal policies, credit files/registers, established business practices. The inspection findings served to make recommendations for improving business processes, internal rules and procedures, internal control mechanisms and other recommendations related to credit risk.

Over the review period, one inspection which had started in the previous year was completed and four new inspections at less significant banks were launched under the 2024 annual plan. Inspections focused on the credit risk related to the monitoring, assessment and risk classification of credit exposures to non-financial corporations. Supervisory reporting checks related to the correct reporting of exposures within the scope of inspections were also included.

As part of the process of close cooperation between the BNB and the ECB, BNB staff continued to be involved in dedicated ECB working groups in view of the implementation and development of work processes and tasks in various strands of relevance to internal model assessment, on-site inspections, tabling and coordination of supervisory inspections. Work continued on analysing and further developing modules and functionalities of the single information system for managing supervisory business processes within the SSM (IMAS) related to supervisory inspections, SREP activities, licensing, approvals, supervisory sanctions.

Macroprudential Supervision

The BNB supervises the activities of credit institutions and the banking system based on continuous monitoring, identification and assessment of systemic risks, thereby exercising its macroprudential supervision. The analysis focused on inherent risks of the banking system and state and developments in the economic environment in which banks operate. The analysis of the banking system's risk profile covers both key business lines and key risks: the asset quality, profitability level, capital adequacy and liquidity. The cyclical and structural dimensions of systemic risk which are the basis for the macroprudential tools put in place are assessed. Up-to-date information on trends in the banking system is disclosed *via* monthly press releases. The main analytical findings are included in the BNB quarterly publication *Banks in Bulgaria*. The macroprudential monitoring obtained additional information based on the Annual Banking Business Aspects Survey for 2024, the main purpose of which is to provide a forward-looking assessment of quality improvement in loan portfolios and the degree of provisioning.

In May 2024, an Overview of the macroprudential measures introduced by the BNB to address the risks to the banking system was published. The analytical document indicates that the BNB's supervisory policy aimed at consistent building up and preservation of buffers has resulted in resilience in terms of liquidity, capital, efficiency and credit quality. Concurrently, there is elevated credit growth, primarily in the segment of loans secured by residential real estate. In this context, the BNB Governing Council ordered banks and branches operating in the country to apply a minimum set of indicators to monitor lending standards when originating and renegotiating loans secured by residential real estate. The decision laid down definitions and calculation methods and introduced quarterly reporting of these indicators on an individual and consolidated basis.

In September 2024, the Governing Council of the BNB adopted requirements with respect to the indicators on lending standards when originating and renegotiating loans secured by residential real estate (RRE) as follows:

1. The loan-to-value ratio at origination (LTV-O) should not be higher than 85 per cent;

2. The current debt service payments to borrower's monthly income (debt service-to-income ratio at origination (DSTI-O) should not be higher than 50 per cent;

3. The maximum term of the credit agreement (maturity) should not exceed 30 years.

The requirements, which entered into force on 1 October 2024, should apply to loans to the household sector should be secured by residential real estate on the territory of the Republic of Bulgaria and be complied with on both individual and consolidated basis. It is permissible loans to be approved or renegotiated with parameters that deviate from the introduced requirements, and the total approved or renegotiated amount of such loans in the current quarter may not be higher than 5 per cent of the total gross value of newly granted or renegotiated loans in the previous quarter. In order to monitor the haircuts, additional reporting was introduced.

The BNB Governing Council decision represents a subsequent stage in the formalised process of assessing lending risks secured by RRE, including the development of a quantitative risk assessment methodology (risk map), a regular monitoring and reporting mechanism. The requirements introduced aim at ensuring for prevention purposes the resilience of the banking system in the context of the increasing trends in the emergence of cyclical risks in the medium term. The requirements support the maintenance of the stability of the banking system, complementing the capital buffers applied so far by the BNB, with the latter being one of the highest in Europe. They do not have a deterrent effect on lending, but rather follow the BNB supervisory approach of high conservatism and the general practice of macroprudential measures applied in EU countries.

As part of regular macroprudential policy decisions, the BNB reviews on a quarterly basis the countercyclical capital buffer (CCyB): a macroprudential tool applied to improve the banking system's ability to cope with the adverse effects of cyclical developments in the business and financial cycles. Given the persistently high credit growth rates and the uncertainty in the economic environment, the buffer rate of 2.0 per cent was confirmed until the end of 2025 within the regular quarterly assessment process (by BNB Governing Council decisions of March, June and September 2024) and the first quarter of 2026 (by a decision of the BNB Governing Council of December 2024). These decisions strengthen the resilience of the banking system amid pressures on the profitability and capital position caused by a potential increase in non-performing loans and impairments.

As regards risks of a structural nature, the annual review of the buffer for other systemically important institutions (O-SIIs) carried out by the BNB Governing Council in 2024 identified six institutions for which the buffer rates in 2025 would be between 0.5 per cent and 1.0 per cent.

To comply with the Recommendation of the European Systemic Risk Board (ESRB) of 15 December 2015 on the assessment of cross-border effects and voluntary reciprocity for macroprudential policy measures (ESRB/2015/2) and its subsequent amendments, the BNB regularly reviews the current data on respective exposures, aiming to assess their materiality relative to the announced thresholds and the necessity to introduce the respective macroprudential measure in case the conditions for a voluntary reciprocity, in line with the requirements of the Recommendation, are present. In this context, in May 2024 the BNB Governing Council decided to inform the ESRB that it is not necessary to introduce a voluntary reciprocity with respect to the macroprudential measures of Belgium, Germany, Norway, Sweden, Portugal and Denmark, based on the review of the current data, showing an insignificant size of specific exposures referred to in Recommendation ESRB/2023/13[72], amending Recommendation ESRB/2015/2.

Specific Supervisory Activities

To perform the functions of monitoring banks' compliance with the requirements of the Law on Measures against Money Laundering (LMML) and the Law on Measures against Financing of Terrorism (LMFT), the BNB completed three supervisory inspections of banks in 2024, including of one significant and two less significant credit institutions. The focus of these inspections was risk-based and included: a review of compliance with customer due diligence requirements related to high-risk events highlighted by the National Money Laundering and Terrorist Financing Risk Assessment, as well as the internal organisation and control in the area of anti-money laundering and countering the financing of terrorism.

Two horizontal inspections covering a total of four significant institutions and five less significant institutions determined on the basis of a risk-based approach were also performed over the year. One of the inspections involved the organisation in entering into and maintaining relations with the customers: non-profit organisations (NPOs), in compliance with the provisions of the LMML and the LMTF, according to the National Risk Assessment, the Sectoral Terrorist Financing Risk Assessment for NPOs and Guidelines EBA/GL/2023/03. The second horizontal inspection involved a review and assessment of the organisation following the establishment of correspondent relationships with a respondent credit institution from another country.

In addition, transactions monitoring systems implemented by all 23 banks were analysed.

Methodological work was performed on drafting guidelines, instructions/circulars to banks: guidelines for remote establishment of business relationships with bank customers and de-risking and financial inclusion were drafted.

BNB representatives took part in five interinstitutional working groups at national level related to legislative acts and functioning of national mechanism for defining policies for coordination of ML/TF prevention measures.

In 2024, the envisaged activities under the Action Plan to the National Strategy for Countering ML/TF in the Republic of Bulgaria in 2023–2027, adopted by Council of Ministers Decision No 586 of 31 August 2023, were implemented on a regular basis. The BNB participated in the plenary meetings of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (Moneyval) in 2024. Clarifications were provided on additional questions by rapporteurs on the first progress report on Bulgaria, adopted by the Committee in May 2024, as Bulgaria was assigned a higher score based on recommendations of ML/TF Financial Action Task Force (FATF).

Virtual meetings with representatives of all banks and the Association of Banks in Bulgaria were also held to discuss issues and good practices in preventing money laundering and terrorist financing.

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[72] Recommendation of the European Systemic Risk Board of 8 December 2023 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2023/13).

In relation to the BNB control functions under the Law on Real Estate Loans for Consumers (LRELC) and the application of the relevant EBA guidelines falling within its scope, in 2024 the following were inspected: two significant credit institutions and one less significant credit institution; two financial institutions entered in the Register under Article 3a of the LCI and four credit intermediaries. Improvements in the rules and produces applied in assessing the creditworthiness of consumers were established in two of the inspected credit institutions. One bank was given guidance on improving the creditworthiness assessment procedures. The inspections concerning remunerations received by employees in all credit institutions show that they comply with the requirements of the law. Minor shortcomings were found in training requirements of creditors' employees.

In the case of financial institutions, material shortcomings were identified, in applying the requirements of the legal framework related to the assessment of consumer creditworthiness. In line with the guidelines issued by the BNB, the inspected financial institutions have committed themselves to bring their activities in compliance with legal requirements. During the period, as a result of a previous inspection and an administrative infringement notice issued to one of the entities, a penalty order was served.

As a result of an amendment to Ordinance No 19 of the BNB on Credit Intermediaries, the reporting requirements for regular financial reports to the BNB were extended. The analysis of the reporting information shows that the credit intermediaries have an increasing contribution to the mortgage market, leading to a rising number of consumers benefiting from their services. The outcome of the inspections carried out into credit intermediaries indicate that they seek to apply strictly the legal requirements regarding the training and remuneration of their employees.

For the strict application of the Law on Bank Deposit Guarantee (LBDG), in 2024 targeted checks were carried out in three less significant institutions with a view to correctly determining the amount of guaranteed deposits. Insignificant discrepancies in determining the deposit base were established in the inspected credit institutions. The Deposit Insurance Fund was notified of the identified discrepancies and the assessment of the follow-up of adjustments by banks.

All complaints, questions and enquiries received during the reporting period from customers of financial institutions were subject to inspections, of which the persons were notified.

In 2024, the trend towards an increased interest of legal entities for entry in the register under Article 3a of the LCI continued. At the end of the reporting period, the total number of financial institutions registered under Article 3a of the LCI was 261, including 14 financial institutions from EU Member States conducting activities on the territory of the Republic of Bulgaria *via* a branch or directly and two funds established under the procedure of the Law on the Bulgarian Development Bank. One financial institution was deleted from the Register and one order for refusal of registration under Article 3a of the LCI was issued. Signals received from state institutions and citizens regarding financial institution activities by companies without being registered under Article 3a of the LCI were considered.

Regular reporting information continued to be processed by financial institutions. Analysis of information ensured compliance with the requirements under Ordinance No 26 of the BNB on principal activity and maintenance of own funds. In the ongoing review of the reporting information, companies operating as financial institutions without registration under Article 3a of the LCI were identified, one of which was issued an administrative infringement notice adopted without appeal by the infringer.

Supervisory Information Service and IT Audit

Established and developed surveillance activities related to the risk in information and communication technologies (ICT) involved checks on the implementation of standards, policies and procedures for IT security and reliability. To this end, on-site inspections of less significant credit institutions were performed within the BNB competence and according to the European Banking Authority (EBA), the European Central Bank (ECB) standards and guidance and international standards related to the IT audit. In 2024, on-site inspections covering a range of areas to determine the IT risk were planned and implemented. IT audit unit performed IT risk checks at three banks. All recommendations made in the supervisory inspection reports with deadlines during the reporting period were followed up and implemented by the supervised institutions.

IT and cyber risk checks in significant credit institutions at the ECB's request were also carried out within the framework of close cooperation between the BNB and the ECB. During the year the main activity on such a check was performed *i. e.* to assess cybersecurity management.

The BNB prudential mandate on credit institutions in the area of cyber resilience also requires coordination in the bank sector when cyber incidents occur, as well as interaction with the National Computer Security Incident Response Team. In 2024, only one major incident was reported by a bank that was classified as operational, even though it was seen as a cyber incident when it occurred. Over the past period, BNB teams coordinated the conduct of pan-European Cyber Resilience Stress Test involving one of the significant banks.

In the context of planned large-scale technology operations with potentially high risk at the supervised entities that participated in mergers, the smooth implementation of these operations in coordination with the technology and management teams at banks was followed up.

The ongoing supervision and monitoring of supervised entities requires a vast amount of data collected, inspected and processed automatically by the BNB specialised information system. All supervised entities were offered the opportunity to test the submission of euro supervisory reports to ensure the supervisory of reporting following Bulgaria's entry into the euro area. The changes to suptech products and the necessary changes to the core information system were analysed in order to implement the amendments to the regulatory reporting requirements[73].

New suptech products were updated and introduced to ensure the proper functioning of supervisory processes. Timely implementation of the two reporting commitments to the European Central Bank and the European Banking Authority was ensured.

With the entry into force of Regulation (EU) 2022/2554 (DORA), the commitments of a competent authority were also added to the BNB's commitments. The requirements of the Regulation will further enhance the resilience of IT systems and processes in credit institutions and introduce uniform requirements across the financial sector. BNB experts contributed to the preparation of amendments related to basic and secondary legislation related to Regulation (EU) 2022/2554 (DORA) and Directive (EU) 2022/2555 on measures for a high common level of cybersecurity (NIS 2 Directive).

Work on Amending the Existing Regulatory Framework

With regard to the European regulatory framework, work continued on standing committees and working groups to the European Banking Authority (EBA) and the European Central Bank (ECB) where BNB experts took part at various levels in discussing

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[73] Caused by changes in the regulatory framework (EBA Reporting Framework) – version 4.0.

and elaborating common supervision policies and standards, the assessment and convergence of national practices on the introduction and implementation of the EU prudential and supervisory framework. In the context of EBA Board of Supervisors' work programme opinions were drafted to support and give affirmative vote on 112 written procedures for the adoption of draft regulatory acts: guidelines, recommendations, regulatory standards, *etc*., concerning a wide range of topics in the area of the prudential supervision of credit institutions.

By participating in the EBA and the ECB working structures, the BNB representatives contributed to the development and implementation in the EU of the revised regulatory and reporting framework for capital requirements, with the BNB experts being actively involved with their expertise in the EBA work related to the new method for calculating capital requirements for operational risk, as well as in the ECB work on updating the directly applicable European liquidity reporting framework.

BNB experts engaged in regular discussions within working groups of the European Council, the European Commission, the EBA and the ECB on drafting new regulatory requirements and changes to existing technical standards, guidelines, decisions, recommendations and instructions. BNB took steps to bring the decisions of the relevant European authorities into the current regulatory framework *vis-à-vis* supervised entities in Bulgaria.

Over the past year, BNB experts helped in the coordination of Bulgarian language versions of the amendments to Directive (EU) 2024/1619 of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, as well as Regulation (EU) 2024/1623 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor. BNB experts coordinated the process and contributed with their expertise also to the alignment of Bulgarian language versions of various guidelines drafted and published by the EBA. In 2024, decisions of the BNB Governing Council were adopted on implementing the EBA and the Joint Committee of the European Supervisory Authorities Guidelines, including on: the risk-based approach to anti-money laundering and countering the financing of terrorism supervision; customer due diligence and assessment of money laundering and terrorist financing risk factors; the specification and disclosure of systemic importance indicators; the Simple, Transparent and Standardized (STS) on-balance-sheet securitisation criteria; supervisory cooperation between the European Supervisory Authorities and competent authorities on digital operational resilience for the financial sector (DORA); resubmission of historical data under the EBA reporting framework, *etc*.

In cooperation with the SSM, BNB representatives took part in reviewing and completing IMF questionnaires, which were part of the IMF's euro-area financial sector assessment programme (FSAP), which aims to compare the Basel core principles for effective banking supervision with relevant national legislation.

BNB experts participated in the regular Supervisors Connect for 2024. Over the past year it focused on exchanging experiences with regard to the horizontal functions in banking supervision, as well as on off-site and on-site inspections.

Application of the Regulatory Framework

On 11 September 2024, the BNB Governing Council adopted at its meeting a new Ordinance No 30 on Calculation of the Amount of Premium Contributions Due by Banks under the Law on Bank Deposit Guarantee, which introduced in Bulgaria the EBA Guidelines on methods for calculating contributions of credit institutions to deposit guarantee schemes under Directive 2014/49/EU.

In the context of conducting bank supervision on a consolidated basis, the work continued on aligning reporting and risk management processes in financial holding companies, representing parent companies of a Member State, respectively EU parent undertakings of credit institutions operating in the Republic of Bulgaria.

BNB experts assisted with their expertise in the application of both the directly applicable European reporting framework and the public disclosure of information by supervised entities as required by the CRR. In the second half of the year, the BNB updated the reporting requirements as of 30 September 2024, reflecting new reporting of interest rate risk in the banking book and changes to macroprudential forms.

In line with the EBA Decision on information required for the monitoring of Basel supervisory standards, in the course of the third exercise for this monitoring, three institutions were included in the sample based on data as of 31 December 2023: the Bulgarian Development Bank EAD, First Investment Bank AD and Invest Capital AD.

In cooperation with the ECB, the BNB carried out its regular operational risk management self-assessment by analysing risks and efficiency of controls in place in supervisory processes.

The BNB organised and coordinated the process of annual public disclosure provided for in Article 102 of the Law on Credit Institutions and Regulation (EU) 650/2014 by the supervisory authorities to allow comparison of the approaches adopted by the BNB and other competent authorities of Member States.

In accordance with Article 76(4) of the LCI, banks operating in the Bulgarian market agreed on the choice of auditors to conduct independent financial audit of the financial statements for 2024. As a result of amendments to the relevant legislative framework in the fourth quarter of the year, the BNB, in consultation with the Commission for Public Oversight on Statutory Auditors (CPOSA), took action to update the criteria for prior coordination of the selection of bank auditors.

In the context of the National Plan for the Introduction of the Euro in the Republic of Bulgaria a review was carried out to identify possible amendments to the existing legislation on BNB banking supervision's activities.

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

As part of the established practice, ECB experts visited the BNB and held with BNB representatives workshops to familiarise them with certain aspects of supervisory reporting processes and procedures.

Issue of Licences, Permits, and Approvals

In the past 2024, there were no new bank operations licences or bank licensing procedures in Bulgaria[74].

In June 2024, a procedure was launched following an application filed by the Bulgarian-American Credit Bank AD to acquire, directly and independently, 99.94 per cent of Tokuda Bank AD's equity under Article 28, paragraph 1 of the Law on Credit Institutions (LCI).

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

In 2024, the BNB Governing Council issued permissions related to equity capital, as follows:

– to one significant bank to include issues of shares into the Common Equity Tier 1 (CET 1);

– to one bank to include its interim profit for the fourth quarter of 2023 into the Common Equity Tier 2 (CET2);

– two permissions for a significant bank to include an issue of bonds into the Common Equity Tier 2 (CET2);

– to one bank to include an issue of bonds into Tier 2 (T2);

– to two significant banks to include their interim profits as of 30 June 2024 into Common Equity Tier 1 (CET 1);

– to seven banks to include their interim profits as of 30 June 2024 on an individual basis into Common Equity Tier 1 (CET 1);

– to one bank to include its interim profit as of 30 June 2024 on an individual and consolidated basis into Common Equity Tier 1 (CET 1);

– to one bank to include its interim profit between 1 July 2024 and 30 September 2024 on an individual basis into Common Equity Tier 1 (CET 1);

– to one bank to include an issue of bonds converted into shares into Common Equity Tier 1 (CET1).

Over the past 2024, six banks, two of which significant, obtained approvals by the BNB Governing Council under Article 71, paragraph 5 of the LCI to amend their statutes.

In the January–December 2024 period, as a result of a fit and proper assessment, 26 approvals for holding positions in the management and supervisory bodies of banks and for holding position as procurator[75] were issued by resolutions of the BNB Governing Council (12 to less significant institutions and 14 to significant institutions following instructions by the ECB) and 12 approvals to assess the suitability of key function holders in banks (9 to less significant institutions and 3 to significant institutions following instructions by the ECB)[76].

Over the past year, supervisory measures were imposed by the BNB Governing Council resolutions on two banks for supervisory framework breaches.

In 2024, 11 new EU Member State credit institutions exercised the freedom to provide direct services under the mutual recognition of the single European passport through notifications to the BNB by their licensing authorities on their intent to provide bank services directly on the territory of the Republic of Bulgaria, bringing the number of First Time Free Services Notifications received in the BNB to 365.

In the second half of 2024, three Bulgarian credit institutions indicated to the BNB the intention to provide direct services freely in other Member States under the mutual recognition of the single European passport.

As a result of the close cooperation between the ECB and the BNB[77], the following procedures for specific instructions from the European Central Bank (ECB) were implemented, leading to the adoption of national decisions by the BNB Governing Coun-

[75] Information on approvals issued pursuant to Article 11, paragraphs 1 and 3 of the LCI is available on the BNB website, https://www.bnb.bg/BankSupervision/BSCreditInstitution/BSCIRegisters/index.htm.

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

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

cil and issuance of orders by the Deputy Governor heading the Banking Supervision Department:

– 17 national decisions on issuing approvals for holding positions in management and supervisory bodies and for holding key positions in four significant credit institutions;

– two national decisions on issuing approvals for amendments to the statutes of two significant banks;

– 16 national decisions on invoicing 2022 and 2023 annual supervisory fees due to the ECB for the supervised entities and supervised groups established in Bulgaria;

– one national decision imposing requirements following a review of the internal audit unit and supervised entity's risk appetite framework for one significant credit institution;

– one national decision to a supervised entity to use the Standardised Approach on an individual and subconsolidated basis and to apply corresponding changes to the sequential implementation of the Internal Rating-Based Approach (IRB Approach) for calculating own funds requirements for credit risk on an individual and subconsolidated basis for one significant credit institution;

– six national decisions in relation to own funds of four significant credit institutions;

– three orders to conduct supervisory inspections in two significant credit institutions, three national decisions on setting 2025 prudential requirements based on the annual supervisory review and evaluation process (SREP) conducted by the ECB and other competent authorities with a reference date of 31 December 2023 concerning three significant credit institutions.

In 2024, the BNB Banking Supervision Department registered and handled 102 complaints from banks' customers on specific issues.

VII. BNB Activities as a Resolution Authority for Credit Institutions

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

Credit institutions established in the Republic of Bulgaria in respect of which the ECB exercises all powers under Article 4 of Regulation (EU) No 1024/2013[78] fall within the direct remit of the SRB, which exercises the functions of a resolution authority and makes decisions on all aspects of resolution[79]. As the national resolution authority for credit institutions under the direct remit of the SRB, the BNB participates and is represented in Internal Resolution Teams set up by the SRB[80], which perform tasks on drawing up resolution plans and taking decisions related to resolution. The SRB replaces the BNB also when cooperating with resolution authorities of non-participating Member States, including in resolution colleges and European resolution colleges established under Directive 2014/59/EU.[81] Regarding credit institutions, groups respectively, whose resolution authority is the SRB, the BNB participates in the resolution colleges as an observer.

In respect of credit institutions and groups established in the Republic of Bulgaria which do not fall under the direct remit of the SRB, the BNB adopts decisions on all aspects of resolution, taking into account its cooperation commitments with the SRB and implementing Regulation (EU) No 806/2014[82].

As part of the SRM, the Bulgarian National Bank is represented with a voting right in the management bodies of the SRB in the form of the Plenary session[83] and the Extended Executive Session[84] by the Deputy Governor heading the Banking Department.

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

Decisions related to the BNB functions and tasks as a resolution authority and national resolution authority are adopted by the BNB Governing Council. In exercising bank

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

[79] As of 31 December 2024, these are four credit institutions, namely United Bulgarian Bank AD, DSK Bank AD, UniCredit Bulbank AD and Eurobank Bulgaria AD.

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

[81] Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 Establishing a Framework for the Recovery and Resolution of Credit Institutions and Investment Firms and Amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012 of the European Parliament and of the Council.

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

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

[84] The Extended Executive Session includes permanent SRB members and representatives of national resolution authorities in whose jurisdiction the entities subject to consideration of issues and adoption of decisions are located.

resolution functions, the BNB Governing Council is assisted by the Resolution of Credit Institutions Directorate, which is a separate structural unit, independent of the structural units involved in banking supervision tasks and other BNB functions. From 15 October 2024, the operation of the Resolution of Credit Institutions Directorate is directly subordinate to the Deputy Governor heading the Banking Department.

Over the review period, work continued on developing the BNB's internal methodological framework relevant to the resolution function in the context of the SRB policy integration, as far as applicable, while complying with national specificities. Internal procedure acts governing the organisation, coordination and oversight of the resolution function were reviewed and updated. In accordance with the EBA Guidelines (EBA/GL/2023/01), the BNB Governing Council adopted the write-down and conversion and bail-in exchange mechanic, which was published on the BNB website. The regulatory framework on independent valuers for resolution purposes was further developed with the amendments to BNB Ordinance No 44 of 28 July 2022 on the Terms and Procedure for Selection of Independent Valuers under Article 55a of the Law on the Recovery and Resolution of Credit Institutions and Investment Firms (LRRCIIF).[85]

In 2024, the BNB activity as a resolution authority and national resolution authority was focused primarily on preparing, reviewing and updating resolution plans of credit institutions and monitoring the implementation of target levels of minimum requirements for own funds and eligible liabilities (MREL) as set out for credit institutions.

The BNB continued preparing and updating[86] resolution plans of credit institutions falling within the direct powers of the BNB.[87] In 2024, the BNB Governing Council adopted 2023 resolution plans of seven credit institutions that are not part of a group subject to supervision on a consolidated basis, and a resolution plan of a credit institution subject to supervision on a consolidated basis. The resolution plans of four credit institutions provide for the application of a resolution tool, while evaluations in the remaining four institutions justify the liquidation of the business through insolvency proceedings as appropriate and feasible. In accordance with the BNB's procedural commitments within the SRM, the resolution plans were submitted to the SRB for an opinion prior to their adoption by the BNB Governing Council. As part of this procedure, the SRB informed the BNB that it was unable to form an opinion of any of the draft resolution plans.[88] All resolution plans adopted include an analysis of the business model, an assessment of the critical functions for the credit institution concerned, an evaluation of the feasibility of winding up the business through insolvency proceedings, a public interest analysis of the extent to which each of the resolution objectives has been achieved and the assessment of resolvability. In parallel with the adoption of the resolution plans, the BNB Governing Council reviewed and set the target levels of the minimum reserve requirements for own funds and eligible liabilities (MREL) for credit institutions.[89]

[85] Darjaven Vestnik, issue 99 of 22 November 2024.

[86] Resolution plans are to be reviewed and revised at least annually and after any material change to the legal form, governance or organisational structure , or to the business or its financial position of the institution or group that could have a material effect on the effectiveness of the plan or requires a revision of the resolution plan.

[87] In the context of the allocation of functions and powers between the BNB and the SRB, the Bulgarian National Bank is responsible for the resolution planning of thirteen credit institutions licensed in the Republic of Bulgaria.

[88] In accordance with Article 31(1)(d) of Regulation (EU) No 806/2014, an opinion on the draft plan is mandatory in the event that elements of the resolution plan are found to be in non-compliance with the aforementioned Regulation or with the SRB's general instructions.

[89] In view of the forthcoming national application of the provisions transposing the amendments to Directive 2014/59/EU and Regulation (EU) No 806/2014 adopted by Directive (EU) 2024/1174 as of 14 November 2024 for credit institutions/groups for which resolution plans provide for winding-up under normal insolvency proceedings, MREL will not be determined. Given these considerations, the BNB Governing Council adopted MREL decisions for these credit institutions/groups, which should apply until and including 13 November 2024.

In the third quarter of 2024, four updated resolution plans of groups were also submitted to the SRB for opinion, for which liquidation under insolvency proceedings was not justified as appropriate and feasible based on the evaluations made, providing for a provisional application of a resolution tool. Under this procedure, the SRB informed the BNB at the end of 2024 that it was unable to form an opinion on any of them.

The Bulgarian National Bank in its capacity as a resolution authority for a credit institution, part of a cross-border EU group, participated as a member in the resolution college set up by the group-level resolution authority. In the first half of 2024, the college members took within the statutory deadline a joint decision and adopted the group resolution plan for 2023. According to the plan, the subsidiary credit institution in Bulgaria was identified as a resolution entity in view of the identified critical function and the conclusion that some of the resolution objectives could not be achieved to the same extent in case of liquidation under insolvency proceedings. Within the same time frame, the BNB and the resolution authority at group level reached a joint decision on setting MREL on an individual basis for the subsidiary credit institution in Bulgaria as a resolution entity.

In the course of reviewing and updating resolution plans of the four credit institutions falling within the SRB direct powers, the BNB Governing Council adopted in 2024 positions on decision-voting of the SRB Extended Executive Session concerning the final approval of joint decisions on 2023 resolution plans of three cross-border groups with subsidiaries licensed in Bulgaria and on setting MREL for resolution entities and their subsidiary banks falling within the SRB powers.[90]

In line with its positions, the BNB did not support the draft decisions of the SRB's Extended Executive Session on the resolution plan and the resolvability assessment for 2023 and on the determination of MREL for the three cross-border groups with subsidiaries in Bulgaria, falling under the direct remit of the SRB. The Bulgarian National Bank expressed its reasoned disagreement with the resolution plan and resolvability assessment of the groups as regards the part relating to the approach for setting out the MREL for subsidiary banks licensed in the Republic of Bulgaria. The BNB positions as a national resolution authority were expressed within the Extended Executive Session of the SRB by the BNB representative in accordance with the applicable internal acts and the Rules of Procedure of the SRB Executive Session. Due to a lack of consensus and in accordance with the applicable legal framework, the SRB's draft decisions, which were not supported by the BNB, were adopted by the Executive Session comprising the permanent members of the SRB.

The resolution plans for 2023 of the three groups, part of which are credit institutions established in Bulgaria, on which joint decisions have been reached within resolution colleges organised by the SRB, include an assessment of banking group resolvability, an assessment of significant corporations and an analysis of their legal and financial structure, and of their business model, critical functions, preferred strategy and resolution tool, MREL calculations and an analysis of the tools serving to implement the MREL. The three subsidiary banks licensed in Bulgaria, part of the relevant banking groups, were determined as significant with identified critical functions. A MREL was set out on a individual or (sub)-consolidated basis in accordance with the approach taken by the SRB for the three subsidiary banks, that are not resolution entities, according to the strategy provided for in resolution plans of the relevant group.

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

In accordance with the SRB schedule for reviewing, revising and adopting resolution plans for 2024, the BNB Governing Council approved in the fourth quarter of 2024 a position on draft decisions of the SRB Extended Executive Session for a prior approval of the resolution plan of a cross-border group with a subsidiary bank licensed in Bulgaria, for the purposes of subsequent submission and consideration of the documents within the organised resolution college. The BNB supported SRB's draft decisions taking into account changes in the policy and in the SRB approach to setting MREL for the subsidiary bank licensed in the Republic of Bulgaria. The position was expressed within the Extended Executive Session of the SRB by the BNB representative in accordance with the applicable internal acts of the BNB and the Rules of Procedure of the SRB Executive Session.

Under the BRF governance function, the BNB Governing Council adopted on 11 April 2024 the annual financial statements of the Banks Resolution Fund for 2023, including Performance Report[91] and all components of the BRF financial statements as of 31 December 2023. The audited financial statements were published within statutory deadline in the Darjaven Vestnik, issue 36 of 23 April 2024. Within the same period, the annual report presenting the Fund's activities and its assets, financial position, cash flows, financial result and changes in net assets, along with the report of the independent auditor[92] were published on the BNB website.

For the purposes of ongoing management of the BRF's financial means, in January 2024 the BNB Governing Council determined eligible classes of assets and investment restrictions for market and credit risks with regard to the possibility for BRF financial means to be invested through a structured indexed account (SIA) with the BNB. In 2024, the BNB Governing Council took decisions to leave unchanged the applied investment strategy regarding BRF financial means, which continued to be kept on current accounts with the BNB and were subject to the General Terms and Conditions of the Bulgarian National Bank on Servicing Accounts of Banks, Budget Organisations and Other Customers. Upon making relevant decisions to invest the resources of the BRF, the Governing Council reviewed and took the expected returns and risk into account in the event of a choice of SIA, as well as the market situation at that time.

In line with the allocation of powers between the SRB and the BNB, the function of determining and raising contributions by branches of third-country credit institutions for the purposes of resolution financing is exercised entirely by the BNB, and the collected funds are transferred to a separate BRF sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF. In April 2024, the BNB Governing Council set the annual contributions by branches of third-country credit institutions to the BRF for 2023 at BGN 106 thousand. Funds were transferred to the respective sub-fund account within the time-limit under Article 139, paragraph 5 of the LRRCIIF(30 days from the date of notification). As of 31 December 2024, funds collected in the sub-fund established to raise contributions by branches of third-country credit institutions were BGN 1033 thousand.

Contributions of credit institutions licensed in the Republic of Bulgaria for the purposes of resolution financing are due to the Single Resolution Fund (SRF) and are determined by the SRB. As a national resolution authority, the Bulgarian National Bank is responsible for notifying credit institutions about their *ex-ante* annual contributions (contributions) set by the SRB, collecting and transferring the contributions to the SRF. To this end, a separate earmarked sub-fund is used under Article 134, paragraph 1, item 2 of the

[91] It includes information and analyses concerning the dynamics and trends in the international environment, economic activity in Bulgaria and the state of the banking system, given their interconnectedness and determining role for BRF management activities, as well as information on the management of the BRF and the main indicators representing its performance in 2023.

[92] Ernst & Young Audit OOD, appointed by Decision No 371 of the BNB Governing Council of 18 November 2021.

LRRCIIF. Within the procedure for determining the individual *ex ante* contributions to the SRF for 2024, the SRB verified whether the SRF target level has been reached[93] and found out that the available financial means in the SRF represented at least 1 per cent of the amount of guaranteed deposits of all credit institutions licensed in the Member States participating in the SRM. On 15 February 2024, the SRB published a press release on reaching the target level of the SRF as of 31 December 2023, stating that it did not intend to raise regular annual contributions to the SRF in 2024.[94] Accordingly,within the procedure for determining the individual annual contributions to the SRF for 2024, the SRB only follows its procedure for the recalculation of the individual annual ex-ante contributions of the institutions that submitted corrective data in respect of previous procedures[95]. In May 2024, following a notification by the SRB of a decision on the calculation of adjustments to individual *ex-ante* annual contributions, including two credit institutions licensed in the Republic of Bulgaria which submitted corrective data for 2023, the BNB Governing Council decided to adjust the amount of the funds in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF, deducted from the liabilities of those credit institutions for *ex ante* contributions to the SRF for 2023, and to recover funds of BGN 97 thousand in the earmarked sub-fund. Recovered funds can be used in accordance with the provisions of § 56, paragraph 2 of the Transitional and Final Provisions of the Law on the Amendment to the LRRCIIF[96].

As of 31 December 2024, funds in the earmarked BRF sub-fund established to raise and transfer contributions of credit institutions to the SRF were BGN 477,989 thousand.

For the purposes of closer of the financial years 2024, 2025 and 2026, the BNB conducted in the first half of 2024 a public procurement procedure[97], including also a selection of a registered auditor to perform an independent financial audit of the annual financial statements of the BRF for these financial years. Following the public procurement exercise and pursuant to Article 136, paragraph 1, item 5 of the LRRCIIF, the Governing Council appointed Ernst & Young Audit OOD as an auditor to perform an independent financial audit of the BRF for financial years 2024, 2025 and 2026.

[93] According to Article 69(1) of Regulation (EU) No 806/2014.
[94] See the ECB's press release of 15 February 2024.
[95] Procedures for determining individual annual *ex-ante* contributions for the 2016–2023 period.
[96] Published in the Darjaven Vestnik, issue 37 of 7 May 2019.
[97] Subject 'Selection of a registered auditor to perform an independent financial audit of the consolidated financial statements of the Bulgarian National Bank and the annual financial statements of the Banks Resolution Fund for financial years 2024, 2025 and 2026.'

VIII. Participation in the ESCB and EU Institutions and Bodies

EU bodies and institution activities in 2024 focused on strengthening the Union's financial system, enhancing the resilience of the European banking sector and its capacity to manage crises, as well as on harmonising the rules on the functioning of the payment services market and adopting stricter rules in the area of the fight against money laundering and terrorist financing. BNB representatives participated actively in discussions on amendments of the EU regulatory framework for the banking sector and contributed to the drafting and coordinating national positions on relevant legislative proposals.

The European System of Central Banks

The BNB Governor sits on the ECB General Council with EU central bank governors and the ECB President and Vice President. In 2024, the four ECB General Council meetings discussed issues on the application of economic convergence criteria in preparing the 2024 Convergence Report; economic developments and EU financial sector performance, the report on compliance with the ban on monetary financing by central banks and the report on prospects and monetary policies of non-euro area Member States.

BNB representatives took part in 17 ESCB committees[98] and 70 working groups thereto. Bank representatives on ESCB bodies, committees, and working groups helped elaborate ECB's acts on monetary and banking policies, payment and settlement systems, statistical reporting and research, and other central banking issues. The Bank also took part in coordinating ECB opinions with regard to written consultations between EU Member States and the ECB on legislative bills, as well as proposals for EU legislation falling within the ECB field of competence. During the reporting period, Bulgaria consulted the ECB in writing on three draft legal acts related to the euro area accession process. Consultation was held on the revised draft Law on the Introduction of the Euro in the Republic of Bulgaria, draft Law amending the Law on the Bulgarian National Bank, which will be effective from the date specified in the Decision of the EU Council on the adoption of the euro by the Republic of Bulgaria, and on a draft ordinance of the BNB on providing emergency liquidity assistance. The BNB participated actively in the coordination of these three ECB opinions.

The European Systemic Risk Board, the European Banking Authority, Colleges of Supervisors

The BNB Governor and Deputy Governors are members of the ESRB General Board. Discussions at the four meetings of the General Board during the review period focused mainly on identifying and prioritising systemic risks in the European Economic Area (EEA) affecting banks and non-bank financial institutions.

The General Board noted that risks to financial stability remained elevated in a context of heightened geopolitical tensions, higher political uncertainty and still fragile

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

economic recovery in the EU. Materialisation of risks to the macroeconomic development, which could put pressure on the balance sheets of non-financial corporations and households, was identified as a major challenge for the financial stability in the EU. Despite slowly improving economic growth prospects, the General Board recognised that geo-economic fragmentation may increase the macroeconomic, credit and market risks, push up commodity prices and lead to a higher volatility in financial markets, affecting capital flows, foreign exchange rates and credit spreads. In view of the increased risk appetite and marginal valuations of some assets, potential disorderly corrections in global financial markets have been identified as another serious risk to EU's financial stability that needs to be carefully monitored. In this context, it was argued that additional concerns arise also from less stringent regulatory standards in some non-EU countries, which could lead to higher risk-taking by banks and non-bank financial institutions, including in new financial areas, such as crypto-assets.

The General Board agreed that as a result of high profitability and low levels of non-performing loans observed in 2023, the EU banking sector has increased its resilience to unfavourable shocks in the future. At the same time, it was recognised that despite sound asset quality indicators, the materialisation of macroeconomic risks coupled with asset price corrections may lead to vulnerabilities in the EU banking sector, which could rapidly intensify funding risks and bank liquidity risks. In this context, the General Board highlighted the need for banks to carefully manage their credit risks by implementing appropriate provisioning and capital planning practices, to strengthen the monitoring over the interest rate risk and liquidity risks. Implementation of these measures and further improving coordination and information sharing between micro and macroprudential authorities will enable banks to preserve and reinforce their resilience so as to withstand shocks.

Financial stability risks related to cyber incidents were an important part of the General Board's discussions. They covered the operational tools of the cyber risk policy, which aims to mitigate the impact of cyber-attacks prior to, during and after an incident and to preserve processes and systems underlying financial system functioning. The concentration risk associated with the use of third-party service providers was also discussed in relation to an enhanced possibility of a system shock. To mitigate cyber risks, the ESRB General Board called for a stronger focus on data collection and coordination by regulators.

It also discussed risks stemming from changes in inflation and interest rates along with the role and interaction of the macroprudential policy with the monetary policy in addressing these risks. Members of the General Board stressed that pursuing a credible macroprudential policy which promotes resilience and limits the build-up of vulnerabilities can support the monetary policy in achieving the price stability objective.

In addition to work on identifying systemic risks, the General Board also addressed a number of issues, including the establishment of a single liquidity risk monitoring framework, the results of the financial system-wide liquidity stress test conducted by the ESRB, vulnerabilities and interconnectedness in the commercial real estate sector, as well as macroprudential measures taken by EEA countries to strengthen the resilience of the banking sector.

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

Finance and economy ministers and central bank governors of EU Member States took part in two informal EU Ecofin Council meetings in 2024. The BNB Governor and a Deputy Governor attended the meetings. Discussions at the February meeting focused on the need to strengthen EU capital markets by increasing retail investor participation in financial markets. It was pointed out that EU capital markets remain fragmented and limited in their scope, and it is thus important to promote financial literacy as a priority in order to facilitate participation of retail investors. In this respect, recommendations were focused on enhancing financial literacy by: ensuring better access to clear and easily understandable information so as to enable retail investors to make informed investment decisions; providing tools for comparing various investment products in order to create a user-friendly investment environment; and offering attractive savings products within the EU for retail investors in financial markets. At the second informal meeting of the EU Ecofin Council in September, discussions of the ministers and governors focused on how to stimulate the participation of institutional and retail investors in climate transition financing. Possible elements of a successful policy framework to mobilise more resources for the sustainable financing of the green transition in the EU and ensure strong and sustainable economic growth were elaborated. Effective, transparent and predictable climate policies and improving conditions for investments in the EU were identified as measures that can boost private investments during the climate transition. To attract private sector investments, participants discussed also the need for coordinated action by EU countries aimed at using public funds to invest in infrastructure and innovation-related projects with a little likelihood of private sector's involvement.

A Deputy Governor represents the BNB on the Economic and Financial Committee. In 2024, discussions continued in the Committee on legal aspects and risks of using net windfall profits generated from immobilised Russian assets and reserves of the Bank of Russia or of the Russia's National Wealth Fund to support Ukraine. Committee members were regularly informed by the Commission and the Italian G7 Presidency on the progress towards the package of EU legal acts related to securing additional funding for Ukraine until end-year in the form of loans. In this context, an emphasis was put on launching the Extraordinary Revenue Acceleration (ERA) loans initiative to further finance Ukraine's budgetary and reconstruction needs. The Committee continued discussions on financial market developments and financial stability risks, with its members finding that economic prospects have improved and EU's banking sector performance remains stable. Issues discussed in the Committee also include trends in globalisation, main challenges and the need for a holistic and strategic approach in relations with international partners. The new collective quantitative target for climate change financing was also discussed, including the need to involve private investors, of which multilateral development banks, in providing climate transition finance. The possibility for developing countries to participate through voluntary contributions was also among the topics discussed.

Committee members were regularly informed by the Commission on developments in relation to Capital Markets Union legislative initiatives along with the continued political support from all countries to create integrated European capital markets. Topics discussed involved also increased competitiveness of the EU banking sector, including the implications of international Basel III standards and the imposition of extraordinary taxes on the competitiveness of EU banks. The Committee continued its work on preparing international meetings through discussions on a possible EU approach in response to the deepening geopolitical fragmentation, the EU's role in the reforms of the international financial architecture, potential additional subsidies for the International Monetary Fund's Poverty Reduction and Growth Trust and other EU strategic priorities.

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

In 2024 as well, BNB experts actively assisted within the remit of the central bank the representatives of the Ministry of Finance in negotiating legislative proposals in the Financial Services and the Banking Union Working Party to the Council of the EU.

Progress was made on the package for reviewing the bank crisis management and deposit insurance (CMDI) framework.[99] The EC legislative proposals focusing on medium-sized and smaller credit institutions have the following objectives: preserving financial stability and protecting taxpayers' money; safeguarding the real economy from the consequences of bank insolvency; better protection of depositors. A draft directive on certain aspects of the minimum requirement for own funds and eligible liabilities was approved, and the Directive entered into force in May 2024.[100] On the remaining three proposals for EU legal acts, the European Parliament adopted its position at first reading in April 2024, and the EU Council agreed on a mandate for negotiations with the European Parliament in June 2024. BNB representatives actively participated in negotiations on draft legal acts within the EU Council's Financial Services and the Banking Union Working Party.

Negotiations continued in 2024 on the three proposals for regulations incorporated into the so-called single currency package. The proposal on the legal tender status of euro banknotes and euro coins[101] aims to safeguard the role of cash and ensure its wide acceptance and easy access for the citizens and businesses. The other two proposals for regulations[102] set out the legal framework for a possible new digital form of the euro, which the ECB will issue in the future in addition to euro banknotes and coins, with a progress report being presented by the Presidency of the EU Council in June 2024. BNB representatives participated constructively and provided assistance to the Ministry of Finance in negotiations on draft legal acts within the EU Council's Working Party on Financial Services and the Banking Union.

Negotiations were conducted on the legislative proposals presented in June 2023 in the area of payment services.[103] Proposed new rules aim to further improve consumer protection and competition in electronic payments, as well as to allow consumers to share their data securely so that they can obtain a wider range of better and cheaper

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

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

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

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

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

financial products and services. BNB representatives actively participated in discussions on the legislative measures.

The banking legislative package[104] intended to introduce international standards of the Basel Committee on Banking Supervision(Basel III) into EU law was finally endorsed by the EU Council on 30 May 2024 and published in the Official Journal of the EU.[105] Proposed amendments in which BNB representatives participated through their expertise aimed at increasing the banking sector's resilience to potential economic shocks, improving supervision and strengthening sector's risk management capacity. In addition to transposing the Basel III standards, the new rules harmonised minimum requirements for licensing of third-country branches and for supervising their activities in the EU.

In 2024, discussions were concluded with BNB experts' participation on the 2022 proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 260/2012 and (EU) 2021/1230 as regards instant credit transfers in euro.[106] The Regulation was finally approved and published in the Official Journal of the EU.[107] This legal act establishes common rules and requirements for the execution of instant credit transfers in euro with the aim of making these payments universally accessible, increasing trust in instant payments and creating an integrated market for such transfers.

A progress was made on a proposal for a regulation that aims to rationalise licensing and registration of EU companies, in particular smaller benchmark administrators and users, and alleviate their administrative burden.[108] BNB representatives assisted the Ministry of Finance on central bank issues related to the discussed legislative proposal in the Financial Services and the Banking Union Working Party of the EU Council. In December 2024, the Council of the EU and the European Parliament reached a provisional agreement on the legislative proposal. The European Parliament adopted its first-reading position on the draft EU legal act in April 2024, and a provisional agreement thereon was reached by the Council of the EU and the European Parliament in December 2024.

[104] The package is comprised of three legislative proposals:
– Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending Directive 2014/59/EU, COM (2021) 663 final, 27.10.2021;
– Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor, COM/2021/664 final, COM (2021) 664 final, 27.10.2021;
– Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 and Directive 2014/59/EU as regards the prudential treatment of global systemically important institution groups with a multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities, COM (2021) 665 final, 27.10.2021.

[105] 1. Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches and environmental, social and governance risks (OJ L, 2024/1619, 19.6.2024); 2. Regulation (EU) 2024/1623 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (OJ L, 2024/1623, 19.6.2024); 3. Regulation (EU) 2022/2036 of the European Parliament and of the Council of 19 October 2022 amending Regulation (EU) No 575/2013 and Directive 2014/59/EU as regards the prudential treatment of global systemically important institutions with a multiple-point-of-entry resolution strategy and methods for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities (OJ L 275/1, 25.10.2022).

[106] Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 260/2012 and (EU) 2021/1230 as regards instant credit transfers in euro, COM (2022) 546 final, 26.10.2022.

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

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

In 2024, negotiations continued on a legislative framework on certain reporting requirements in the field of financial services and investment support.[109] BNB representatives took part in discussions on the legislative proposal within the Council's Working Party on Financial Services and the Banking Union, with an agreement being reached on the Council's negotiating mandate with the European Parliament. In December 2024, the two institutions reached a preliminary agreement on the legislative proposal. It updates the existing rules on data exchange between the European supervisory authorities and other financial sector bodies in order to reduce the administrative burden for EU financial sector supervisors and to avoid duplication of reporting requirements.

In 2024, discussions on the package of legislative proposals to strengthen EU rules on measures against money laundering and financing of terrorism were completed.[110] In May, the Council of the EU finally approved the legislative package and the complementary proposal for a Directive as regards the access of competent authorities to centralised bank account registers.[111] In June, the legislative acts were published in the Official Journal of the EU.[112] These measures harmonise and broaden the scope of the rules and improve the organisation of national anti-money laundering systems and operational arrangements of financial intelligence units and supervisors. The Regulation establishing the new Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) at EU level contributes to the application of harmonised rules in this area. Two BNB Deputy Governors were appointed as representatives with voting rights and an alternate in the Supervisory Composition of the General Board of the new Authority.

The Bank continued its intensive work on harmonising national legislation with European requirements.

The BNB traditionally participates in annual conferences of central bank governors of Francophonie countries. The Forum, which was set up at the initiative of the Banque de France, brings together around 40 central banks and provides an opportunity to discuss issues of mutual interest among central banks. A member of the BNB Governing Council took part at a Francophonie conference organised by the Belgian and French central banks at the end of May. It discussed a wide range of issues related to central bank challenges in view of geo-economic fragmentation, ongoing developments, prospects and risks for monetary policy, addressing climate-related and cyber security risks.

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

[110] The package is comprised of the following legislative proposals:
– Proposal for a Regulation of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, COM (2021) 420 final, 20.7.2021;
– Proposal for a Regulation of the European Parliament and of the Council establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism and amending Regulations (EU) No 1093/2010, (EU) 1094/2010 and (EU) 1095/2010, COM (2021) 421 final, 20.07.2021;
– Proposal for a Regulation of the European Parliament and of the Council on information accompanying transfers of funds and certain crypto-assets (recast), COM (2021) 422 final, 20.7.2021;
– Proposal for a Directive of the European Parliament and of the Council on the mechanisms to be put in place by the Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and repealing Directive (EU) 2015/849, COM (2021) 423 final, 20.7.2021.

[111] Proposal for a Directive of the European Parliament and of the Council amending Directive (EU) 2019/1153 of the European Parliament and of the Council as regards access by competent authorities to centralised bank account registries through the single access point, COM (2021) 429 final, 20.7.2021.

[112] 1. Regulation (EU) 2024/1620 of the European Parliament and of the Council of 31 May 2024 establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 (OJ L, 2024/1620, 19.6.2024); 2. Regulation (EU) 2024/1624 of the European Parliament and of the Council of 31 May 2024 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (OJ L 2024/1624, 19.6.2024); 3. Directive (EU) 2024/1640 of the European Parliament and of the Council of 31 May 2024 on the mechanisms to be put in place by Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Directive (EU) 2019/1937, and amending and repealing Directive (EU) 2015/849 (OJ L, 2024/1640, 19.6.2024); 4. Directive (EU) 2024/1654 of the European Parliament and of the Council of 31 May 2024 amending Directive (EU) 2019/1153 as regards access by competent authorities to centralised bank account registries through the interconnection system and technical measures to facilitate the use of transaction records (OJ L, 2024/1654, 19.6.2024).

The BNB is a member of the European Association for Banking and Financial History (EABH), and the Governor is a member of the Board of Patrons. In June 2024, a BNB Governing Council member took part in the international financial history conference in Hungary on *Hyperinflation* organised by the European Association for Banking and Financial History and the central bank of Hungary. The conference provides an opportunity for discussions among central banks, private sector and academic representatives.

BNB representatives took part in a joint working group to the Ministry of Finance on drafting the Law on the Introduction of the Euro in the Republic of Bulgaria, laying down all principles, rules and procedures for introducing the single European currency in Bulgaria.

Bank experts contributed to the drafting of the Amendments to the Law on Credit Institutions, regulating changes in the national legal framework for prudential supervision arising from the adoption of the euro as legal tender and the ensuing role of the BNB in the Single Supervisory Mechanism.

Bank experts took part in the drafting of a Law amending the Law on Payment Services and Payment Systems, stemming from the need to adapt the national legal framework governing payment supervision and provision of payment services to the measures laid down in the National Plan for the Introduction of the Euro in the Republic of Bulgaria. The Law also introduces requirements laid down in Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024 amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro in order to secure the provision of euro instant credit transfers in an efficient and competitive manner.

BNB experts contributed also to drafting Amendments to the Law on the Recovery and Resolution of Credit Institutions and Investment Firms. They reflect Regulation (EU) 2022/2036 amending Regulation (EU) No 575/2013 and Directive 2014/59/EU as regards the prudential treatment of global systemically important institutions with a multiple-point-of-entry resolution strategy and methods for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities, as well as amendments intended to introduce in national legislation Directive (EU) 2024/1174 amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities. The final provisions of the draft law proposed amendments to the Law on Bank Bankruptcy as regards the required measures for implementing a judgment of the European Court of Human Rights (ECHR) and the Road Map for the implementation of the conviction decisions handed down against the Republic of Bulgaria by the ECHR, adopted by Decision of the Council of Ministers No 586/06.08.2021, and the need to revoke certain outlying and unsecured powers of the Minister of Finance in bankruptcy proceedings of a bank.

At the Council of Ministers' Council for European Affairs, the BNB helped formulate Bulgarian standpoints on key economic governance and financial sector areas.

In 2024, BNB representatives in the EBA and EC standing committees and working groups participated in discussions on: liquidity management and crisis preparedness of banks; updating of technical standards for approving of the internal models under CRD VI; the progress on specifying and supplementing the SREP Guidelines and changes in ESG risks, market risks and interest rate risk in bank portfolios; updating the SREP Guidelines, the internal model approval process, data quality and compliance with the validation rules for supervisory reporting; upcoming annual exercises on supervisory benchmarking, transparency and supervisory disclosure in 2025; the fight against money laundering and terrorist financing.

IX. International Relations

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

The Bulgarian National Bank holds equity in the Bank for International Settlements (BIS). The BNB Governor sat on BIS central bank governors' regular meetings: a major forum for cooperation and debate on the issues of world economic developments and prospects, and international financial markets. At the Annual General Shareholder Meeting in late June 2024, it was decided to pay regular and extraordinary dividend to shareholders for 2024. As a result, the BNB received a dividend of EUR 3,626,708 on its 8,000 shares.

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

In June 2024, the BNB contributed USD 10,000 to support the activity of the Group of Thirty.

The BNB traditionally participates in annual conferences of central bank governors of French-speaking countries. The Forum, which was set up at the initiative of the Banque de France, brings together around 40 central banks and provides an opportunity to discuss issues of mutual interest among central banks. A member of the BNB Governing Council took part in a Conference of Central Bank Governors of French-speaking countries, organised by the Belgian and French central banks at the end of May. It discussed a wide range of issues related to central bank challenges in view of geo-economic fragmentation, ongoing developments, prospects and risks for monetary policy, addressing climate-related and cyber security risks.

The BNB is a member of the European Association for Banking and Financial History (EABH), and the Governor is a member of the Board of Patrons. In June 2024, a BNB Governing Council member took part in the international conference on financial history in Hungary on hyperinflation organised by the European Association for Banking and Financial History and the central bank of Hungary. This conference provides an opportunity for discussions among central banks, private sector and academic representatives.

The BNB is among the six central banks which in 1991, in Budapest established the Group of Banking Supervisors from Central and Eastern Europe to the Basel Committee on Banking Supervision (BSCEE). The group was set up as an open-ended organisation and aims to promote cooperative relations between its members and to represent them in the Basel Committee. Currently, it is composed of the competent supervisory authorities of 25 competent supervisory authorities of 24 countries. BNB experts participated in discussions at the BSCEE Annual Conference in Budapest in May 2024. Over the reporting period, the BNB continued to participate as a partner in the three-year programme for further strengthening of the central banks and supervisory authorities in the Western Balkans – candidates and potential candidates for EU membership, which started in 2022. The programme is funded by the EU and is run together with the Deutsche Bundesbank and other central banks of the European System of Central Banks.

The memorandum of cooperation between the BNB and the Central Bank of the Republic of Türkiye held a one-day expert meeting in November to exchange experience and share good practices on issues related to human resource management.

In the context of bilateral cooperation in 2024, requests were received from other central banks and information was provided on various central banking topics.

X. Statistics

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

The BNB collects, processes, analyses and disseminates official monetary[113] and interest statistics[114], external sector statistics[115], quarterly financial accounts statistics for all institutional sectors[116], statistics of non-bank financial institutions, including leasing companies and investment funds[117], specialised lenders, insurance and reinsurance undertakings[118] and pension funds.[119]

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

In 2024, the Bank continued to collect, compile and disseminate up-to-date statistical data *via* its website and by regular communications with the ECB, Eurostat, the ESRB, the IMF, the BIS, the OECD and other international and national institutions. Over the period, the amount of prepared statistical series was retained compared with 2023.

In 2024, all statistical data were published on the BNB website as scheduled.

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

In view of the amendments to ECB Guidelines on the Register of Institutions and Affiliates Data (RIAD), in 2024 BNB statistical databases continued to be developed and improved, including individual reference information: the Register of domestic economic agents and the Bulgarian securities database. Along with analytical options at national level, these databases allow the BNB to fulfil its commitments to the ESCB in managing the data for Bulgaria in the Register of Institutions and Affiliates Database and the Centralised Securities Database (CSDB).[120]

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

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

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

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

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

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

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

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

In 2024, the Bank continued volunteering to help ESCB national central banks identify and supplement RIAD reference information on resident institutional units as parties to credit relations under the AnaCredit project (Analytical credit datasets, AnaCredit)[121] on granular credit and credit risk data. Besides information on credit institutions and other participants in the credit process for the purposes of AnaCredit, the BNB maintains in the RIAD register up-to-date reference information on financial vehicle corporations, investment funds and their management companies, payment service providers and payment system operators, insurance and reinsurance companies, pension funds, as well as holding companies and head offices and issuers of securities. The BNB actively participated in the ECB Securities Holdings Statistics project (SHS)[122] which is important for both gathering various statistical data and financial stability analyses.

In 2024, work continued on the development of the BNB Integrated Information System, which ensures optimisation and integration of information flows for the purposes of statistics and CCR functioning, supervisory and credit institutions' resolution reporting, cash operations, and technical support of Eurosystem's monetary policy implementation and other processes related to the euro adoption in the Republic of Bulgaria. In 2024, the system's single entry point was developed. The reporting forms and processes for providing information to the Register of Persons, Institutions and Affiliates and for AnaCredit were tested in cooperation with the Working Group, the Association of Banks in Bulgaria and the banks. Work started also with financial institutions under Article 3a of the LCI, payment institutions and electronic money institutions extending credit in accordance with Article 21 of the LPSPS, which operate on the territory of the Republic of Bulgaria, and investors granting project loans through a crowdfunding service provider. The development and improvement of the other statistical information systems, the Integrated Statistical Information System and the Information System for Monetary and Interest Rate Statistics, are progressing. They automate management, improve the reliability and high quality of statistical information the BNB receives, processes and disseminates, and greatly reduce the administrative burden on individuals and legal entities by offering electronic submission of statistical reports and declarations.

The BNB follows the principles of the Public Commitment on European Statistics by the European System of Central Banks, based on the fundamental principles of UN official statistics. Along with regular procedures for data validation, the Bank participated actively in preparing ESCB and European Statistical System reports on data quality assessments measuring compliance with the principles of central bank statistical products and national statistical institutes through set indicators: accessibility and clarity, punctuality, reliability, comparability, and coherence. The published reports ensure transparency and allow for a comparative analysis of the quality of these statistical products for all EU Member States, since early June 2024, and the ECB published an annual report on the quality of the BNB compiled statistical data on the balance of payments and the international investment position[123]. The BNB as coordinator for Bulgaria also adheres to the requirements of the IMF Data Quality Assessment Framework, part of the Special Data Dissemination Standard Plus (SDDS Plus) which Bulgaria has joined.

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

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

[123] *Euro area and national balance of payments and international investment position statistics, Quality Report 2023, ECB June 2024*.

In the field of statistics, the BNB continued cooperating with the NSI and the Ministry of Finance, national and international statistical authorities and central banks. At the end of March 2024, a Memorandum of Cooperation was signed between the NSI, the BNB and the MF in developing, producing and disseminating data in the field of government finance statistics for cooperation and coordination purposes, while complying with the principles of the European Statistics Code of Practice.

In March 2024, the BNB also participated in the second mission of the OECD in Bulgaria. At the meeting, a detailed review was carried out of the main sources of information and specificities in compiling data on balance of payments statistics, services and national financial accounts statistics by institutional sector, monetary and interest rate statistics. During the reporting period work continued on the action plan in cooperation with the NSI experts. Concurrently, BNB representatives were also included in the Working Group on Foreign Investment Statistics to the OECD Investment Committee, in March 2024, a meeting was held between BNB and OECD representatives on the review of direct investment data compilation. In June 2024, a NSI and BNB expert delegation chaired by the NSI President took part in the 21th meeting of the Committee on Statistics and Statistical Policy in the headquarters of the OECD in Paris, where the official hearing was also held within the framework of the review of Bulgaria's accession to the OECD. At the end of October 2024, during the meeting of the Working Group on Foreign Investment Statistics at the OECD Investment Committee, a presentation was made to the participants on the methodological practice of Bulgaria in compiling data on direct investments in the country and abroad, and the final report was submitted by the OECD upon the review of data compilation.

At the beginning of June 2024, a mission of Eurostat representatives to Bulgaria on sources of information and methods for compiling data on international trade in services was also held. At the end of the year, a two-day meeting with ECB, Eurostat, BNB and NSI representatives took place in Bulgaria to analyse the quality of compiled statistics on balance of payments, international investment position, annual and quarterly financial accounts, which are the basis of the macroeconomic imbalances procedure.

In 2024, as a result of the joint work between the BNB and the NSI, a benchmark revision was carried out to ensure maximum consistency and improve the quality of data in and between relevant statistical areas (balance of payments, international investment position, external debt, quarterly and annual financial accounts). At the end of 2024, the BNB Governing Council adopted amendments to BNB Ordinance No 17 on the Monetary and Interest Rate Statistics and Financial Account Statistics and BNB Ordinance No 27 on the Balance of Payments Statistics, International Investment Position and Securities Statistics, which are due to enter into force on the date of adoption of the euro in Bulgaria. The statistical legal framework was thus aligned with those of the euro area Member States.

XI. The Fiscal Agent and State Depository Function

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

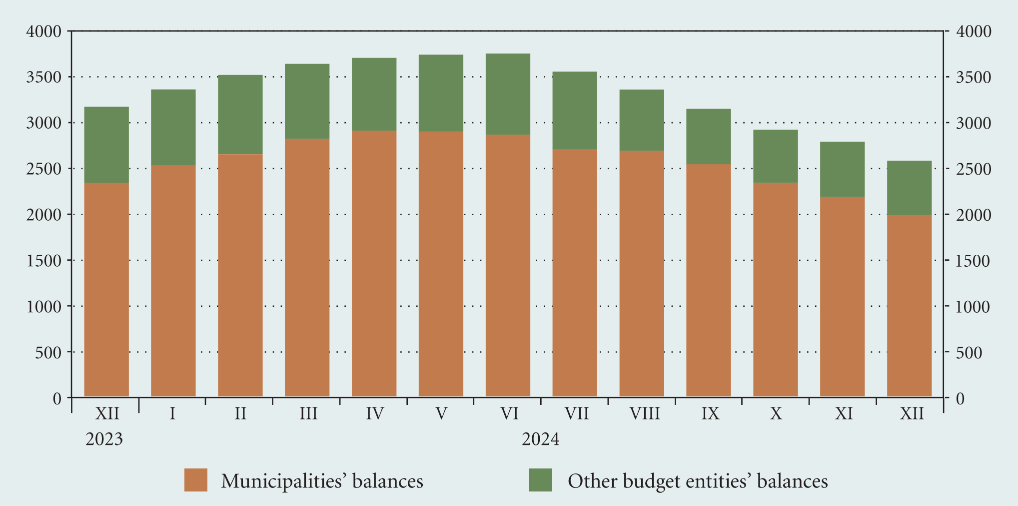
Revenue raised in 2024 from system participants under the Tariff of Fees and Commissions Charged on Processing Government Securities Transactions and from the MF under Article 43 of the LBNB was BGN 2477.3 thousand against BGN 1547.8 thousand for the same period of the previous year.

Information Service

Providing state budget information under the MF contract involved issuing 3477 summarised standard statements on budget entity operations and balances at the BNB and Bulgarian banks *via* the IOBFR system. Summarised information sets the overall balance of budget entities' accounts (including municipalities) at BGN 11,676.4 million[124], down 12.5 per cent compared to 31 December 2023. At end-2024, 78.0 per cent (BGN 9103.8 million) was in BNB accounts and the rest (BGN 2572.6 million) with 15 domestic banks.

Budget Entities' Accounts with Domestic Banks (BNB Excluded)

(BGN million)



Source: BNB.

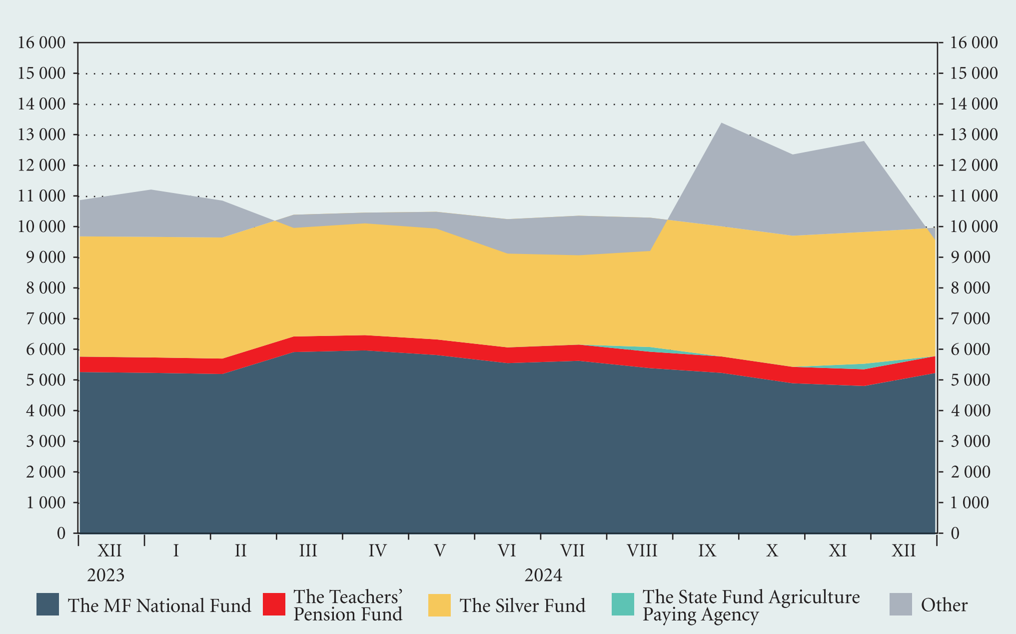
Compared to 2023, budget entities' account balances outside the central bank dropped by 18.4 per cent from end-2023, of which 75.1 per cent at six banks.

[124]Foreign currency account balances are recalculated in levs at the BNB exchange rate on 31 December 2024.

Approximately 81.8 per cent of total budget funds at the BNB and other domestic banks formed the fiscal reserve's[125] liquidity portion[126]: BGN 9555.9 million on 31 December 2024. Of this, BGN 9955,3 million was allocated to earmarked funds: the State Fund for Guaranteeing the Stability of the State Pension System (the Silver Fund), the MF National Fund, the State Fund Agriculture – Paying Agency, and the Teachers' Pension Fund.

Structure of Bank Account Balances within the Fiscal Reserve Scope in 2024

(BGN million)



Source: BNB.

In 2024, a new contract between the BNB and the MF was concluded on state budget information service to optimise the reported information.

Servicing Government Securities Trading

The MF issuing policy in 2024 involved eight auctions for domestic government securities *via* the GSAS system. Two lev-denominated government securities issues were offered, of which one medium-term issue with an original maturity of three years at 3.00 per cent of annual interest and one long-term issue with an original maturity of six years and 3.25 per cent of annual interest rate.

The total nominal value of government securities offered for sale was BGN 1700 million. The auction bids for a sale of government securities amounted to BGN 2871.0 million, sent with 71.5 per cent of all bids sent by banks (BGN 2052.6 million) and BGN 818.4 million by non-bank institutions. Government bond sales volume was BGN 1700 million, or 100 per cent of the scheduled volume. Banks (including primary dealers[127] of government securities) bought approximately 63.7 per cent of all sold government bonds. The average annual yield attained at the government bond auctions was 3.31 per cent for three-years issues and 3.63 per cent for six-years issues.

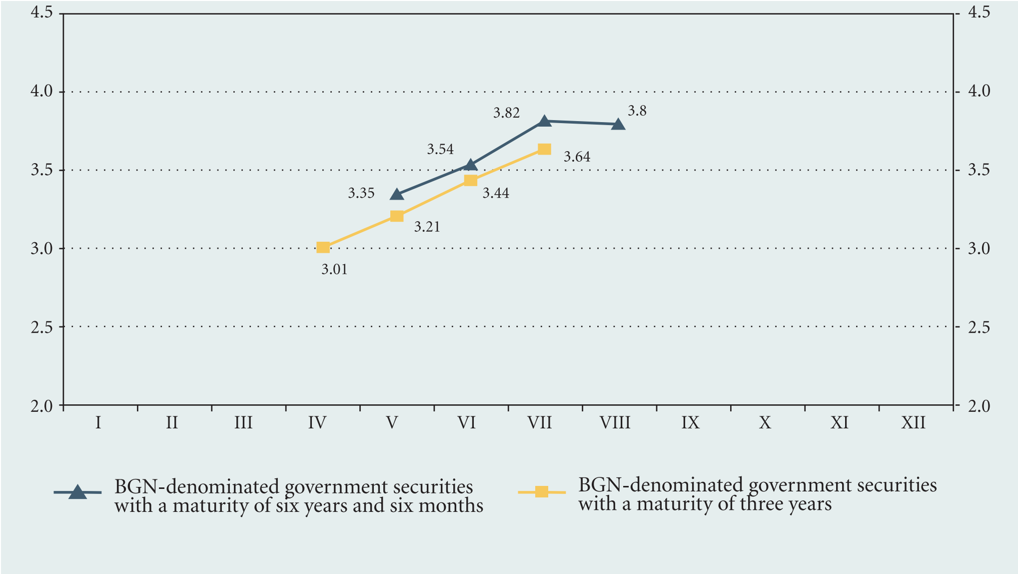
[125] According to the Law on Public Finance Additional Provisions § 1, item 41.

[126] Including the balances of all Bulgarian budget entities' bank accounts, excluding municipalities and their budget spending units and excluding holdings reported on letter of credit and technical accounts.

[127] Over the reporting period primary dealers selected under Ordinance No 15 of the MF and BNB numbered 8.

Average Annual Yield Attained at Domestic Government Securities Auctions in 2024

(per cent)

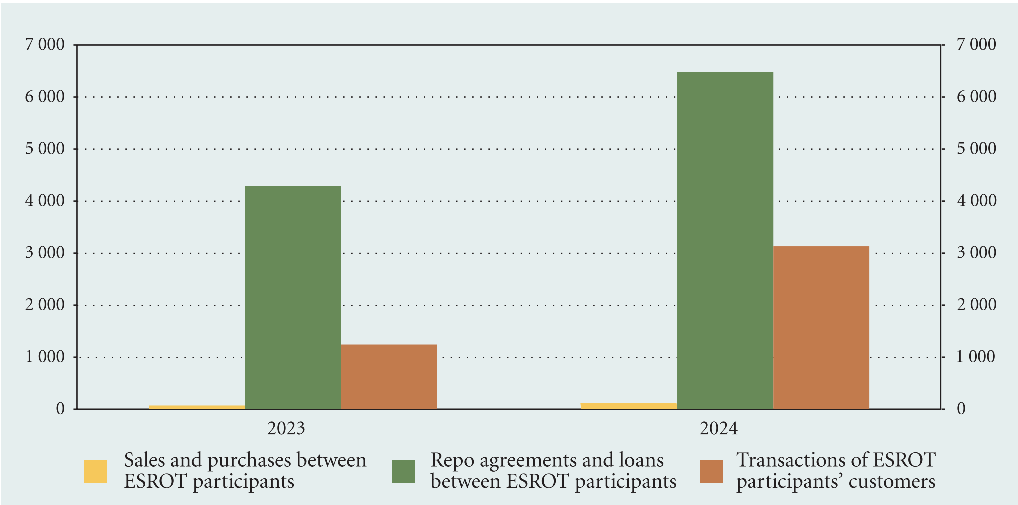


Source: BNB.

The ESROT system registered corporate event payments on behalf and for the account of the issuer to a total amount of BGN 509.6 million [128] up BGN 42.7 million (9.1 per cent) on the corresponding period of 2023. Of 31 December 2024, the 16 circulating MF issues had an overall nominal value of BGN 11,935.4 million[129] or 12.4 per cent more than in December 2023. Bond currency structure did not change, with BGN-denominated issues redeemable in levs with having the largest share at 96.2 per cent, followed by EUR-denominated issues redeemable in euro at 3.8 per cent. The maturity structure under went no change compared to end-2023, with medium- and long-term government bond issues in circulation comprising 44.7 per cent and 55.3 per cent.

Volume of Transactions in Tradable Government Securities in 2023 and 2024

(BGN million)



Source: BNB.

[128] The lev equivalent of payments on foreign currency denominated government securities issues was calculated at the BNB rate on the date of payment.

[129] The lev equivalence of government securities issues denominated in foreign currency is calculated on the basis of the BNB exchange rate valid for 31 December 2024.

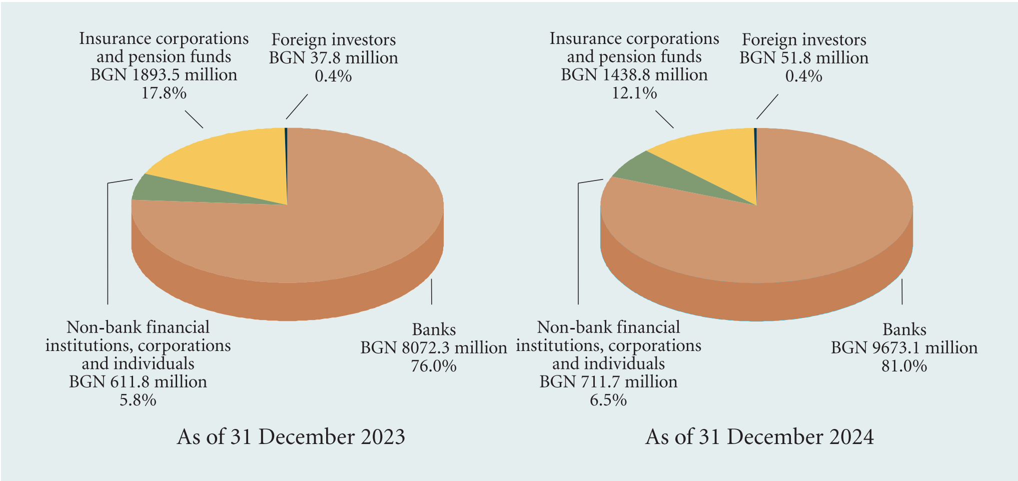
In 2024, the total nominal value of government securities transactions registered in ESROT was BGN 96,547.6 million, up 74.8 per cent on 2023.

Repos had the largest share at 66.9 per cent, including one-day ones (51.6 per cent), mostly in lev-denominated government securities. Bond sales and purchases amounted to BGN 1032.8 million. Of this, transactions between ESROT participant banks came to BGN 328.6 million. The volume of transactions between ESROT participants and customers was BGN 29,623.3 million, and that between participants' customers [130]was BGN 1312.4 million.

Reflecting government securities trade, secondary government bond market liquidity ratio[131] was 8.1 for 2024 against 5.3 in the previous year. ESROT participants encountered no problems and provided government bonds and cash in levs and euro for the delivery *versus* payment (DvP) settlement of government securities transactions, with the averaged settlement ratio[132] reaching 100 per cent.

Over the review period, ESROT blocking and unblocking operations in domestic government securities related to special pledges for securing funds in budget entities' bank accounts under the Law on Public Finance and the Law on Special Pledges totalled BGN 29,643.4 million, from BGN 25,578.9 million for 2023.

Holders of Government Securities Issued in the Domestic Market



Notes: According to BNB and ESROT participants data. The lev equivalence of government securities issues denominated in foreign currency is calculated on the basis of the BNB exchange rate valid for the last business day of the relevant period.

Source: BNB.

At the end of 2024, investments in government securities increased in bank portfolios *vis-à-vis* the end of 2023 (by BGN 1600.8 million), those of non-bank financial institutions, corporations and individuals (by BGN 159.9 million), and of foreign investors (by BGN 14.0 million), while insurance corporations and pension funds' portfolios decreased by BGN 454.7 million. This changed the share of individual government bond holder categories as of 31 December 2024 to: 81.0 per cent with banks; 12.1 per cent with insurance corporations and pension funds, 6.5 per cent with non-bank financial institutions, corporations and individuals, and 0.4 per cent with foreign investors, from 76.0, 17.8, 5.8 and 0.4 per cent respectively as of 31 December 2023.

[130] The ESROT system registered no transactions between customers of the same participant.

[131] The liquidity ratio is the ratio between the volume of secondary market government bond transactions concluded over a year and the volume of circulating government securities by that year's end.

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

Over the review period, the ESROT offered 100.0 per cent availability,[133] with no call for contingency rules for interaction between systems operated by the BNB.

As of 31 December 2024, there were 563 accounts in the government securities settlement system under BNB Ordinance No 31 on Government Securities Settlement. Of them, 16 were for government securities of the issuer (the MF), 229 for participants' own government securities portfolios, 139 for encumbered bonds, and 179 for participants' customers. Account nominals tallied with the amount of tradeable issues in circulation at BGN 11,935.4 million.[134]

As regards the activities related to the accession of Bulgaria to the euro area, in 2024 in accordance with the Eurosystem's standard procedures, the eligibility of the government securities registration and settlement system operated by the Government Securities Depository at the BNB for the purposes of Eurosystem' credit operations and collateral management was assessed. At the end of the year, the basic functional requirements to the accession of the Republic of Bulgaria to the euro area were successfully implemented in the ESROT electronic system for registering and servicing government securities trade.

[133] The ratio of time when the system is operational to scheduled operating time.

[134] The lev equivalence of government securities issues denominated in foreign currency is calculated on the basis of the BNB exchange rate valid for 31 December 2024.

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

The Central Credit Register

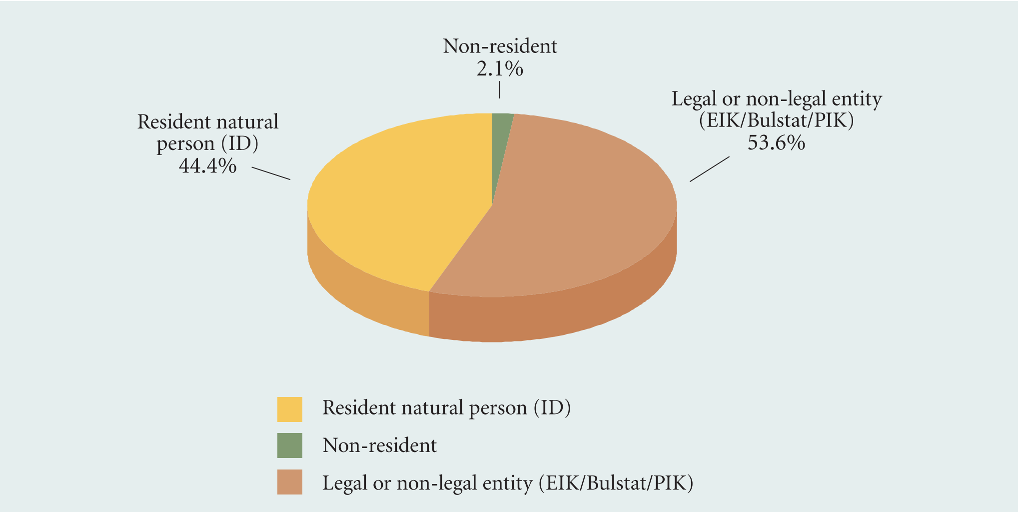
The BNB keeps an information system (IS) on customer debt to banks, financial institutions, payment institutions and electronic money institutions extending loans under Article 21 of the Law on Payment Services and Payment Systems, as well as to investors granting project loans through a crowdfunding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

As of 31 December 2024, 263 institutions under Article 56, paragraph 1 of the LCI submitted information to the CCR, of which 25 banks, 235 financial institutions, one payment institution and two electronic money institutions. Eighteen new financial institutions and an electronic money institution were included and three financial institutions and a payment institution were excluded from the CCR information system. In 2024, there were technological processes in the CCR information system on migrating reporting entities' credit portfolios in view of their transformation through merger/takeover.

As of 31 December 2024, the CCR listed 6985 thousand of loans, against 6642 thousand a year earlier, with their balance sheet exposure coming to BGN 131,025 million (BGN 117,416 million as of 31 December 2023).

Balance Sheet Exposure Breakdown by Loans to Natural Persons and Legal Entities as of 31 December 2024

(number)



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

Source: BNB.

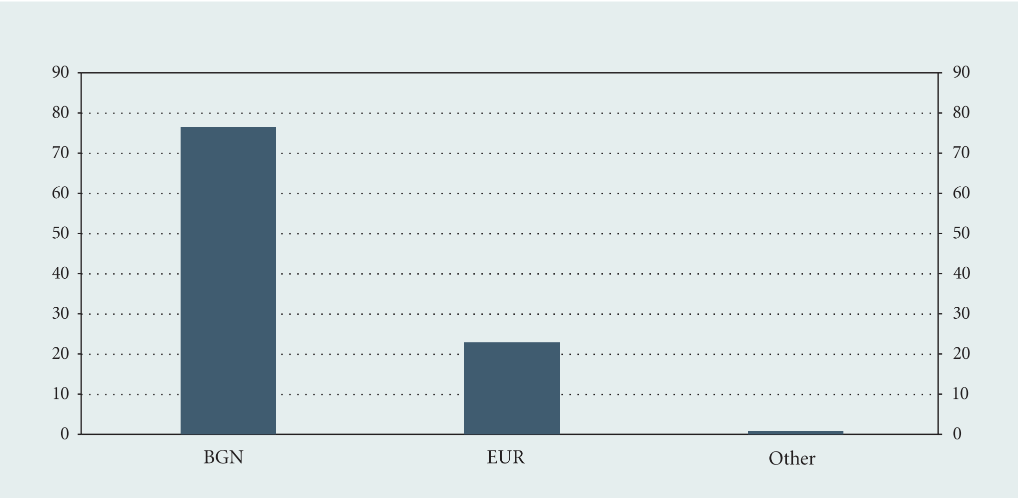
Borrowers numbered 2606 thousand, of whom 2437 thousand individuals, 109 thousand legal entities, 59 thousand non-residents not registered at Bulgarian addresses or BULSTAT/PIK coded, and 1 thousand self-employed persons practising liberal professions or crafts. As of 31 December 2024, 443 thousand co-borrowers of 427 thousand loans and 111 thousand guarantors of 278 thousand loans were recorded, compared to 402 thousand co-borrowers of 408 thousand loans and 116 thousand guarantors of 270 thousand loans.

As of 31 December 2024, loans to natural persons and legal entities are allocated according to their balance sheet exposure, as follows: natural persons – 44.4 per cent, legal entities – 53.5 per cent and non-residents – 2.1 per cent.

By currency and balance sheet exposure, as of 31 December 2024, lev-denominated loans accounted for the largest share at 76.4 per cent, followed by euro-denominated at 22.9 per cent and in other currencies at 0.7 per cent.

Loan Balance Sheet Exposure Breakdown by Currency as of 31 December 2024

(number)



Source: BNB.

As of 31 December 2024, according to the agreed repayment terms and the balance sheet exposure of credit liabilities, the proportion of debt repayable over three years was the highest at 87.3 per cent.

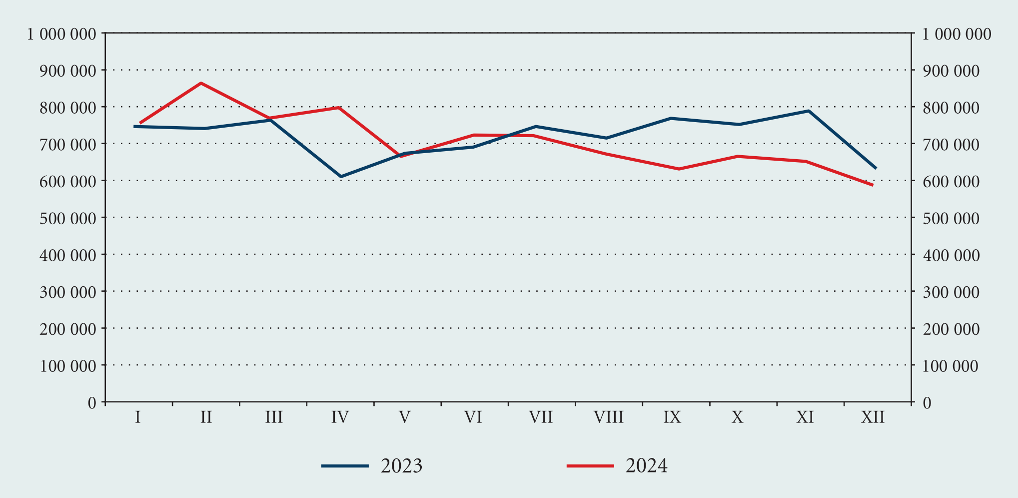
As of 31 December 2024, borrowers with outstanding loans of up to BGN 5 thousand occupied the largest share of the borrowers – natural persons (51.8 per cent), unlike legal entities whose debts were between BGN 5 thousand and BGN 50 thousand (29.8 per cent).

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

As of 31 December 2024, 8620 thousand of searches were made in the CCR IS by the institutions and bodies with the right of access under Article 56, paragraphs 1 and 3 of the LCI. The average number of searches *per* month was 718 thousand (8798 thousand as of 31 December 2023, with an average monthly number of 733 thousand).

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

(number)



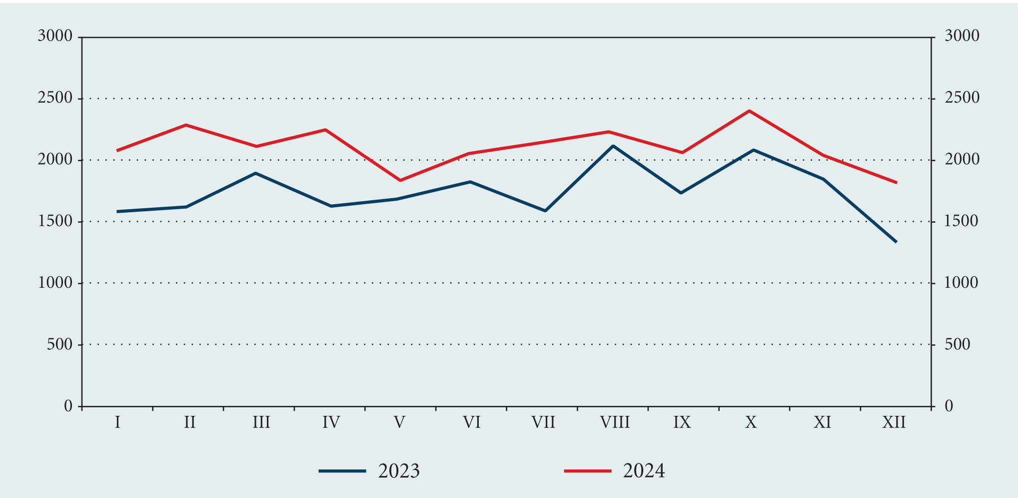
Source: BNB.

BNB Ordinance No 22 on the Central Credit Register grants natural persons (including for probate purposes) and legal entities access to debt information. There were 25,119 paper applications for CCR statements in 2024: 24,418 by natural persons (of whom 5160 foreign citizens, or 20.5 per cent of all natural persons), 666 by legal entities, and 35 under Article 21a of Ordinance No 22 on the CCR for obtaining information under Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016. In 2023, there were 20,842 applications for CCR statements on paper: 19,969 by natural persons and 844 by legal entities.

CCR statements for 2024 issued within the statutory deadline for providing information from the Register are as follows: within four working hours – 6645, up to 24 hours – 10,901, up to seven working days – 2750 and within 14 days (free of charge) – 4823. Statements issued within four hours and 24 hours occupied 70 per cent of the total.

Monthly CCR Searches Based on Paper Applications by Natural Persons and Legal Entities

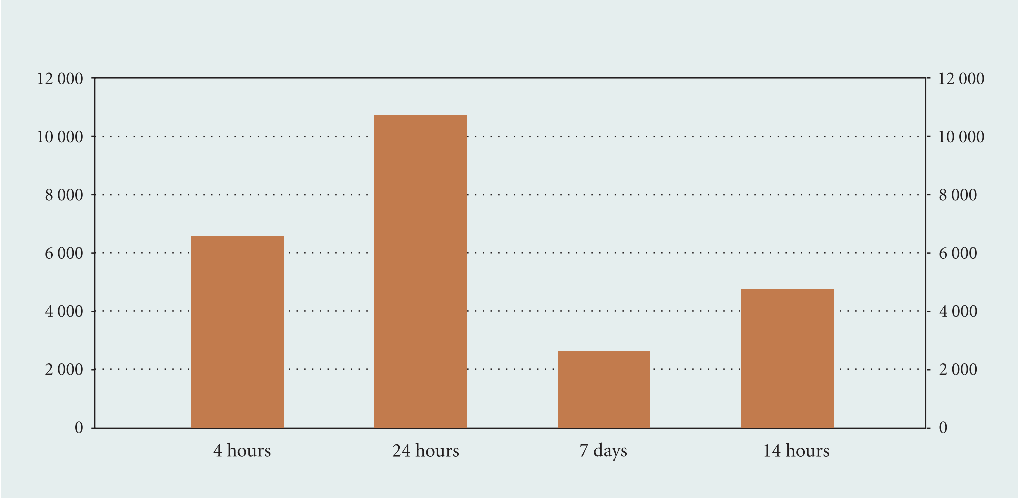
(number)



Source: BNB.

Paper Statements According to the Statutory Deadline for Providing CCR IS Information for 2024

(number)



Source: BNB.

The BNB provides CCR electronic services to natural persons holding a qualified certificate for electronic signatures issued by a certification service provider under the Electronic Document and Certification Services Law. Fees charged for electronic services accounted for 50 per cent of those submitted on paper. As of 31 December 2024, there were 7279 electronic applications for CCR statements by natural persons (4835 electronic applications as of 31 December 2023). As a result of amendments to statutory requirements for the Register operation and IT developments, the CCR continuously improves and develops, with new functionalities being introduced to the CCR information system. In this context, ongoing research and requests are conducted to gain experience from other ESCB credit registers in order to keep the information up to date.

The Register development uses the best EU policies and practices in establishing and operating credit registers.

Regular workshops are held with representatives of banks, financial institutions, payment institutions and electronic money institutions, bodies and institutions entitled to access the Register to optimise the process of filing and providing information to/from the CCR. Amendments to the legal framework of the CCR and necessary technological changes related to the operation of the information system have been coordinated with the Association of Banks in Bulgaria and with institutions submitting and receiving information.

The CCR cooperates with the World Bank under the Business Ready (B-READY) project, with the ECB, the IMF, and other international bodies providing periodical information for research, statistical analyses and annual studies.

Representatives of the CCR take part in working meetings with other interested parties under a OECD project on the strategic development and improvement of instruments for the prevention and counteraction of corruption, as well as in an inter-service task force on the self-assessment of the Republic of Bulgaria associated with the implementation of the Ten Global Principles for Fighting Tax Crime as recommended by the OECD.

The Register of Bank Accounts and Safe Deposit Boxes

The BNB maintains an electronic information system on bank and international bank account numbers (IBAN) kept by banks, payment institutions and electronic money institutions, holders and attorneys, beneficial owners of the account holders, data on account preservation orders, bank deposit box holders and attorneys. BNB Ordinance No 12 on the Register of Bank Accounts and Safe Deposit Boxes (RBASDB) establishes the operation, scope, terms, procedure and timeliness of information flows to and from the Register. Information on bank and payment accounts and safe deposit box hires is provided in real time, with the institutions specified in Article 3 of Ordinance No 12 on the RBASDB submitting data to the BNB at least once a week within a maximum period of five business days under Article 7. Information in the RBASDB is kept five years from the date of closure of an account, respectively five years from the date of termination of a safe deposit box contract.

As of 31 December 2024, 37 institutions under Article 3 of Ordinance No 12 on the RBASDB submitted information to the Register, of which 26 banks, including the BNB, two payment institutions and nine electronic money institutions. In 2024, there were technological processes in the RBASDB information system for transferring reporting entities' account and safe deposit boxes records in view of their transformation through merger/takeover.

As of 31 December 2024, the Register logged 15.20 million of active bank accounts (14.87 million as of 31 December 2023), 990.68 thousand of payment accounts (BGN 850.80 thousand as of 31 December 2023) kept by payment institutions and electronic money institutions and 33.90 thousand of safe deposit box hires (34.93 thousand as of 31 December 2023), including records of 2.83 million of new accounts and 2.29 million of closed accounts.

In 2024, the RBASDB information system held records of 728.72 thousand of account preservation orders and 564.07 thousand of accounts with rescinded preservation orders, against 681.90 thousand placed and 587 thousand rescinded preservation orders as of 31 December 2023.[135]

Holders of Bank and Payment Accounts in the RBASDB as of 31 December 2024

(thousand)

Source: BNB.

[135] Pursuant to § 4 of the transitional and final provisions of the Ordinance on Amendment of Ordinance No 12 of the BNB of 2016 on the RBASDB (published Darjaven Vestnik, issue 49 of 2017), data on preservation orders are submitted to the RBASDB from 1 March 2018.

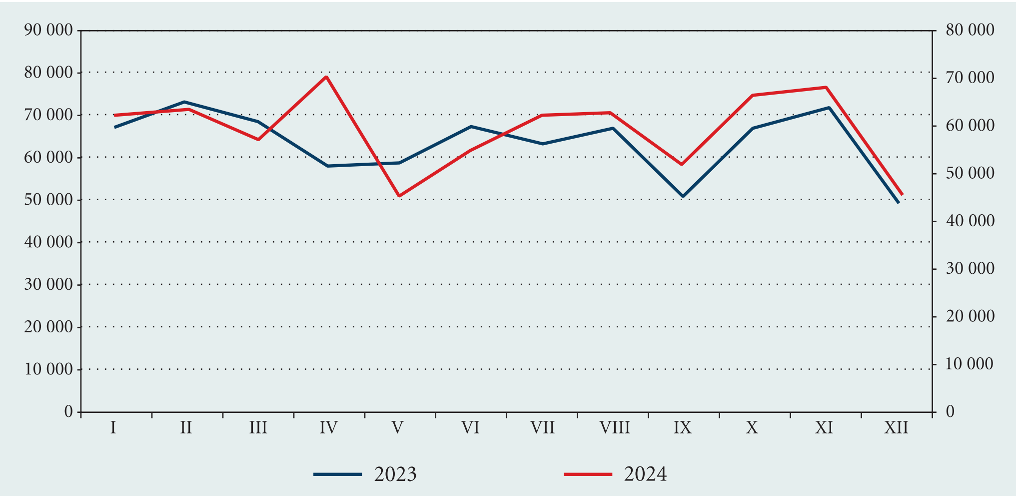
As of 31 December 2024, the RBASDB holders of bank and payment accounts were 14.63 million of resident and 535.21 thousand of non-resident natural persons and 924.35 thousand of resident and 7.40 thousand of non-resident legal entities.

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

As of 31 December 2024, bodies and institutions entitled to access to the RBASDB under the LCI Article 56a, paragraph 3 conducted searches on 805,633 individuals, with the average monthly number of searches reaching 67,136 (from 766,814 searches as of 31 December 2023 and an average monthly number of 63,901). In 2024, electronic searches were 798,128, or 99 per cent of all searches in the Register for the year, including 306 for a beneficial owner of a titleholder. In 2023, there were 760,660 electronic searches.

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

(number)



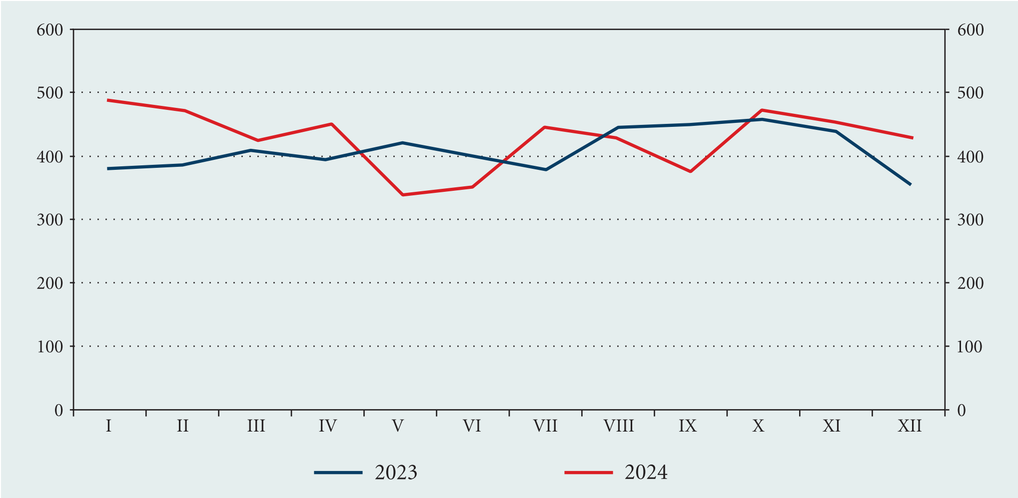
Source: BNB.

BNB Ordinance No 12 on the RBASDB grants natural persons (including for probate purposes) and legal entities access to information on available bank and payment accounts preservation orders, account holders and safe deposit box hires. In 2024, there were 5127 paper applications for RBASDB statements: 4919 by natural persons and 208 by legal entities. 2023 saw 4921 applications for RBASDB statements, of which 4747 by natural persons and 174 by legal entities. From 2022, the BNB provides statements to natural persons under Article 12a of Ordinance No 12 on the RBASDB for obtaining information pursuant to Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016.[136]

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

Monthly RBASDB Searches Based on Paper Applications by Natural Persons and Legal Entities

(number)



Source: BNB.

The BNB provides electronic RBASDB services to natural persons holding a qualified electronic signature certificate issued by a certification service provider under the Electronic Document and Certification Services Law. Fees charged for electronic services accounted for 50 per cent of those submitted on paper. As of 31 December 2024, a total of 1232 electronic statements of information available in the RBASDB were submitted to natural persons (against 567 as of 31 December 2023).

Submitted data into the Register Information System correspond to the compulsory set of information as set out in Article 32a(3) of Directive (EU) 2015/849[137], with additional information also being collected under paragraph 4, which allows to identify in due time any individual or legal entity. A new Directive (EU) 2024/1640[138] was adopted in 2024 and according to Article 16(3), the scope of information in the Register will be extended to include data on virtual IBAN, securities accounts and crypto-assets.

The work of the Register is constantly developing and improving to enhance the quality and reliability of the information collected and maintained. Regular workshops are held with representatives of banks, payment institutions and electronic money institutions, bodies and institutions entitled to the Register access to optimise the processes of filing and providing information to/from the BNB. Amendments to the legal framework of the RBASDB and necessary technological changes related to the operation of the information system have been coordinated with the Association of Banks in Bulgaria and with institutions submitting and receiving information.

The RBASDB development uses the best EU practices in creating and operating bank account registers.

[137] Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.

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

The provisions of Directive (EU) 2024/1654[139] require interconnection of bank account registers through a single access point in the EU (BARIS) through which competent authorities will be able to quickly access centralised registers of bank accounts of other Member States. A roadmap was prepared for the implementation of the BARIS system, describing its planning and start-up stages, design, submission of documents and instructions to the Member States, building a test environment and entrance portal, testing with all Member States, validations and deployments.

RBASDB's representatives take part in working meetings with other interested parties on building interconnections of bank account registers in the EU and on the OECD project on a strategic development and improvement of instruments for the prevention and counteraction of corruption, as well as in a joint task force on the self-assessment of the Republic of Bulgaria regarding the implementation of the Ten Global Principles for Fighting Tax Crime under the OECD recommendation.

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

XIII. Research

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

Specialised research under the BNB Research Plan supported Bank operations by analysing specific economic processes and issues and improving available BNB's forecasting and modelling tools. Implementing the BNB Research Plan for 2023–2024, studies were focused on topics related to the macroeconomic effects of decreasing population, factors behind the dynamics of volumes and interest rates on consumer and housing loans, applying different approaches for evaluating public debt sustainability, as well as studies on inertia of inflation in Bulgaria.

Honing and improving BNB macroeconomic models continued in 2024, with the BNB's tool for assessing the macroeconomic effects of simulating economic shocks in the internal and external environment being updated and further developed. The basic macroeconometric model of the BNB was further upgraded in order to provide a more accurate assessment of potential macroeconomic effects of a change in banks' minimum reserves rate. Forecasting and modelling tools of dynamics of non-performing loans under the baseline and adverse macroeconomic scenarios, used for stress testing of the banking system were further developed.

Part of the results from BNB analytical and forecasting activities were published in the Bank's quarterly editions *Economic Review and Marcroeconomic Forecast*. The Economic Review presents information about Bulgaria's economic development, analyses of the balance of payments flow dynamics, monetary aggregates, their link with the development of the real economy, and their bearing on price stability. External developments directly affecting the Bulgarian economy are also analysed. The publication contains quantitative assessments of anticipated short-term developments in a set of key macroeconomic indicators. In issue 3/2024, a topical research was published on 'European Union's Revised Economic Governance Framework and Its Potential Implications for Bulgaria's Fiscal Policy'. The BNB quarterly *Macroeconomic Forecast* provides annual projections of the major macroeconomic indicators for Bulgaria in the current and next two years.

Over the review period, the BNB continued to develop its capacity and tools for performing additional analytical and research tasks that will arise from its joining the Eurosystem. To ensure an optimal transition from the BNB operation under a currency board to a full participation in the Eurosystem's monetary policy-making after Bulgaria's accession to the euro area and to comply with Article19 of the new Law on the BNB in connection with Article127(2) of the TFEU, the BNB Directorate responsible for economic research and forecasting became directly subordinate to the BNB Governor. It's functions were extended by adding specific responsibilities for Eurosystem's monetary policy-making, including analytical preparations for the Governor's participation in ECB Governing Council meetings on euro area monetary policy issues, as well as the activities to be carried out by Directorate's staff in participating in the ESCB Monetary Policy Committee and its working groups. As a result, within the newly established Monetary Policy Division to the Directorate, work continued on building the analytical capacity and tools for carrying out analyses of the implementation of objectives of the ECB's monetary policy and its effect on the euro area economy. In addition, further econometric forecasting models of a set of economic and financial variables begat to be developed during the reporting period, which will be provided on a regular basis as required by the ECB upon accession of the BNB to the Eurosystem.

XIV. Human Resource Management

In 2024, the main priorities in human resource management at the BNB focused on provision of competitive working conditions and a favourable working environment for the effective implementation of the Bank's objectives, functions and tasks. The activities focused on attracting and recruiting appropriate candidates, as well as on training and retaining staff by providing career and professional development opportunities and applying an incentive pay system. In view of continued labour shortages in Bulgaria, it was crucial for the BNB to be actively represented and positioned as a leading employer in the fields of finance and economy. To simplify the administrative recruitment procedures and increase interest in vacancies, internal rules were amended, and steps were taken to expand the presentation of the proposed career programmes. A variety of platforms were used to advertise vacancies, while the Bank continued to develop its cooperation with university career centres in order to reach a wide range of graduates and recently graduated young professionals interested in central banking activities. In 2024, the BNB participated in seven career counselling and development forums for students and young professionals, where attendees were provided with detailed information about the Bank's recruitment processes and working conditions, as well as about its internship, fellowship and guest researcher programmes. To attract young talents interested in central banking and bank supervision, BNB experts presented to students in practice the application of scientific studies.

In 2024, 26 job advertisements were published by the BNB, some of them containing an offer for more than one vacant position. The BNB onboarded 54 newcomers, two of whom covering for long-term absences. Thirty-nine employees left, of whom 14 due to retirement. Over the review period, staff turnover was 4 per cent, down by 1 percentage point compared to the previous year. At the end of the year, employees numbered was 957.

In the staff educational attainment structure, the share of employees with tetriary educations was 79.3 per cent, 0.8 percentage points higher than in 2023. The number of employees who have obtained PhD degree was 38 (34 in 2023). In the structure of staff by category, specialists held the largest share at 63.1 per cent, followed by management (18.5 per cent) and support staff (18.4 per cent). No significant changes occurred in the age structure. Employees aged above 51 retained the largest share (46.4 per cent) in the age structure, followed by the 41–50 year old (30.9 per cent) and 31–40 year old (17.8 per cent). The lowest share was that of employees aged up to 30 (4.9 per cent). The gender distribution of the workforce remained virtually unchanged, with women accounting for 62.8 per cent and men for 37.2 per cent at the end of 2024.

The salary setting policy continued to build on ensuring competitive pay levels, providing opportunities to attract and retain highly skilled and motivated employees, given the country’s current labour market characteristics and trends. Remuneration was based on the established principle of performance linking, taking into account each employee’s contribution to the implement tax on of Bank’s tasks and goals. Other factors in determining remuneration included the professional and career progression of employees.

Training and qualification opportunities continued to be major incentives for the comprehensive and efficient entry and inclusion of employees in the BNB corporate culture and for strengthening confidence in the institution's policies and activities related to professional development, work motivation and long-term careers. The approved annual schedule offered employees a wide range of training and qualification-boosting programmes, *i.e.* professional courses and seminars in Bulgaria and abroad, professionally oriented certification programmes, language courses, information technology training, and courses for specific responsibilities.

New employees engaged in induction training familiarising them with the Bank's corporate culture, topical tasks, internal rules, and general administrative procedures. In line with requirements in regulatory acts on information security, changes were made in the processes of induction and training of personnel to guarantee necessary qualifications and appropriate knowledge and skills. As part of the induction training, newly recruited employees received initial training on the corporate security policy of information systems and the types of cyber threats. By participating in an online educational game, the staff had the opportunity to learn about the mission and activities of the ESCB and SSM, as well as with current pan-European initiatives.

In 2024, a number of internal trainings related to mastering new functionalities in the Register of Bank Accounts and Safe Deposit Boxes, control of unregulated checks in the Central Credit Register, familiarisation with the rules and procedures for personal data protection, anti-money laundering and anti-terrorist financing measures were initiated. The topics of the trainings conducted in Bulgaria included: trends in money laundering and terrorist financing risk assessments; the upcoming regulation of artificial intelligence and its applications in the financial sector; the cyber security; implementation of the Whistleblowers Protection Law; new internal audit standards, including organisational culture and ethics; amendments to legislation on labour relations; special protection of employees; employer's requirements to prevention of discrimination and harassment in the workplace; labour force characteristics in the future and skills that employees should possess. The main topics of the international courses and seminars attended by the BNB staff were banking supervision, financial stability, prudential regulations and resolution of credit institutions, as well as payment and settlement systems, statistics economic modelling and forecasting, etc. Foreign language training was held mainly in-person, focusing on participation in English language courses, with the objective of maintaining the previously achieved levels of proficiency, participating in specific lexical courses and further developing conversational and communication skills. IT training priorities included annual training to boost skills and awareness of network and information security and specialised IT training for staff whose functions and tasks are related to the global interbank payment system.

Over the reporting period, twelve staff members participated in university programmes to enhance their in-service education. Six BNB employees took part in three professionally oriented certification programmes focusing on financial analyses, and audit on information systems menagement. Employees who have obtained certificates, had the opportunity to maintain their professional qualifications by maintaining membership in certifying organisations, extended certificate validity, participation in discussions and access to specialised scientific materials.

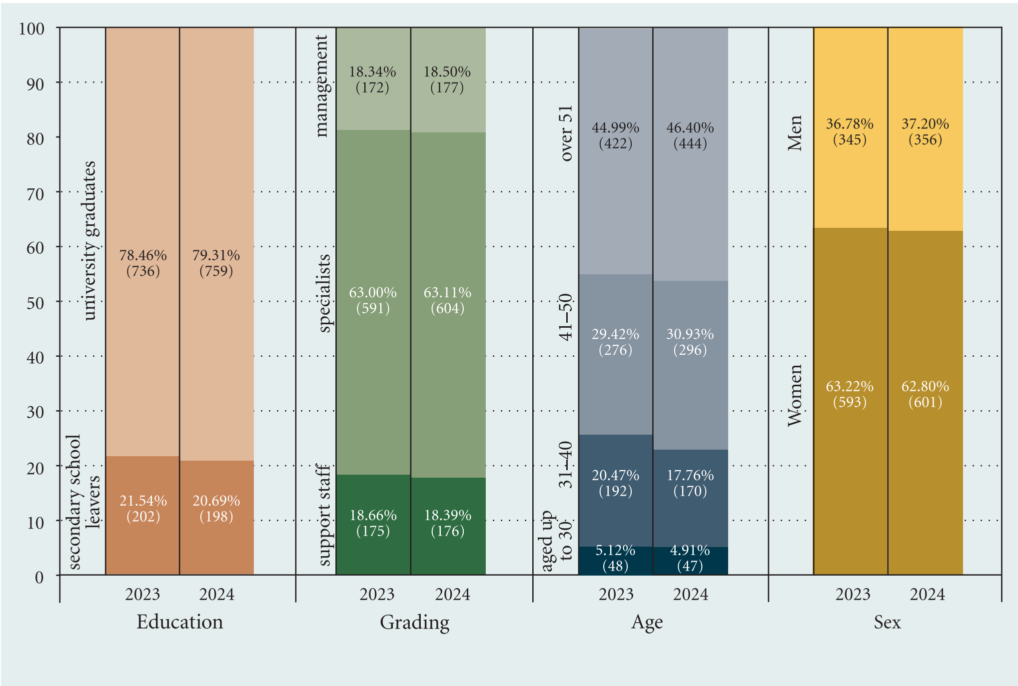
Internal and international mobility forms provided further opportunities for professional training, career development and exchange of expertise. Nine staff members moved to other business areas in the Bank. Seven BNB employees worked in European banking and supervisory institutions on short-term assignments.

Ensuring health and safety at work remained among the priority areas of human resource management. To maintain an up-to-date level of health and safety knowledge and skills, training of the staff responsible for their implementation was organised. In accordance with regulatory requirements, electrical safety training was conducted for the personnel involved in technical operation and day-to-day servicing of BNB energy security.

The BNB continued to support and encourage students and young professionals to acquire in-depth academic training and carry out research activities. Thirteen applicants enquired into the annual postgraduate scholarship programme: four for doctors, and nine for masters degrees. After the competition, the candidates' achievements were evaluated, based on which the BNB Governing Council decided to award one doctor's degree and one masters' degree scholarship. As usual, the BNB's internship programme started in June and 17 students were accepted for participation. Among the topics covered by the interns were macroeconomic analyses and projections, asset management, payment systems, payments and digital currencies, business model research, BNB collaboration with the Single Supervisory Mechanism, *etc*. In the autumn of 2024, a Memorandum of Cooperation was signed between the BNB and the University of National and World Economy to provide graduates' career and realisation guidance and support the training quality through participation in public lectures, discussions and other initiatives of mutual interest.

Staff Structure as of 31 December of the Respective Year

(per cent, number)



Source: BNB.

XV. BNB Internal Audit

BNB internal audit conforms to the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics of Internal Auditors, ESCB Internal Auditor Committee Rules and Internal Auditor Rules approved by the BNB Governing Council.

In 2024, there were twelve audits: ten under the annual Internal Audit Directorate Programme approved by the BNB Governing Council and two under the ESCB Internal Auditors Committee Programme.

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

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

Audits Performed under the Annual Internal Audit Directorate Programme

BNB Functions	Audits
Implementation of monetary policy and asset management	Risk analysis and control in the management of gross international reserves
Internal institutional legal, fiscal and administrative functions	Personal data protection management
Information and communication technologies	Information system The Register of Bank Accounts and Safe Deposit Boxes
Planning, control, and organisation	Drafting, implementing, reporting and control of the BNB budget
Financial Accounting and Financial Statements	BNB Consolidated Financial Statements as of 30 June 2024
Information and communication technologies	Verification of the compliance with the requirements of statutory regulations and adopted cybersecurity standards
Information and communication technologies	BNB Cash Reporting, Control and Management System
Human resource management and social policy	Review of the procedure regulating relationships and remuneration of the governing bodies and employees of the BNB in accordance with Article 12, paragraph 9 and Article 23, paragraph 3 of the Law on the BNB
Banknotes and coins	Protection of banknotes and coins against counterfeiting
Internal audit	Follow-up on recommendations from past audits

Source: BNB.

Audits Performed under the ESCB Annual Internal Auditors Committee Programme

BNB Functions	Audits
Internal audit	Follow-up on recommendations from past audits under the ESCB Annual Internal Auditors Committee Programme
Supervision and financial stability	Information management with a focus on market sensitive supervisory information

Source: BNB.

In 2024, the BNB Chief Auditor organised and coordinated Internal Audit Directorate work with the BNB External Auditor, and provided assistance to the audit team from the Bulgarian National Audit Office.

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

Internal Audit Directorate experts participated in professional training courses aimed at timely familiarisation with the latest guidelines and good practices. Training courses were tailored to the needs and requirements for qualification enhancement, knowledge and skills of the auditors and had a beneficial effect in performing audit tasks.

XVI. Legal Integration of the Bulgarian National Bank into the Eurosystem

On 1 February 2024, the National Assembly adopted a new Law on the Bulgarian National Bank[140] which will fully replace the current Law on the Bulgarian National Bank from the date specified in a Decision of the Council of the European Union on the adoption of the euro by the Republic of Bulgaria.[141]

The new Law aims to ensure the legal integration of the Bulgarian National Bank into the Eurosystem upon the adoption of the euro as the national currency. The accession of the Republic of Bulgaria to the euro area is a legally regulated final phase of euro-integration processes within the framework of the Economic and Monetary Union, with Bulgaria participating in this Union as a Member State with a derogation until the accession to the euro area.[142]

The new Law on the BNB reflects all legal inconsistencies reported in the previous Convergence Reports of the ECB and EC.[143] The institutional and financial independence of the BNB and the personal independence of its governing bodies are ensured. Compliance with the prohibition of monetary financing and privileged access are guaranteed.

A basic approach adopted in creating the new legal framework is the application of a legislative technique which avoids the reproduction of directly applicable provisions of Union law but includes references to them, where appropriate. Reproduction into national law of a provision of Union law directly applicable in the legal order of the Member State may create uncertainty both as to the legal nature and the origin of the applicable provisions and as to the date of their entry into force. This would not align with the principle of uniform application and interpretation of Union law throughout the Union.

The new Law on the BNB sets out the two fundamental principles upon which each national central bank in the ESCB is founded, *i.e.* independence and accountability.

The principle of institutional independence, as set out in Article 6 of the Law, is in line with Article 130 of the TFEU and Article 7 of the Statute of the ESCB and the ECB. This principle prohibits a national central bank and members of its decision-making bodies from seeking or taking instructions from EU institutions or bodies, from any government of a Member State or from any other body. In addition, it prohibits EU institutions, bodies, offices or agencies, and the governments of the Member States from seeking to influence the members of the NCBs' decision-making bodies whose decisions may affect the fulfilment of the NCBs' ESCB-related tasks.

[140] Published in the Darjaven Vestnik, issue 13 of 13 February 2024.

[141] Published in the Darjaven Vestnik, issue 46 of 10 June 1997; last amended, Darjaven Vestnik, issue 29 of 2024.

[142] In June 2018, the Minister of Finance and the BNB Governor sent a joint letter of intent on accession of the Bulgarian lev to the ERM II, after implementation of unilateral preliminary commitments, including Bulgaria's participation in the Single Supervisory Mechanism by establishing close cooperation with the European Central Bank within the meaning of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions. On 24 June 2020, the ECB Governing Council adopted a decision on establishing close cooperation with the BNB within the Single Supervisory Mechanism, starting from 1 October 2020. By joining the SSM, the Republic of Bulgaria also joined the Single Resolution Mechanism. On 10 July 2020, finance ministers of the euro area Member States, the President of the ECB, together with the finance ministers and central bank governors of Denmark and Bulgaria took an unanimous decision to include the Bulgarian lev in the ERM II.

[143] According to Article 140 of the Treaty on the Functioning of the European Union, at least once every two years or at the request of an EU Member State with a derogation.

With regard to the accountability principle, Article 7 provides that the Bulgarian National Bank shall report its activities to the National Assembly, without prejudice to Article 284(3) of the TFEU and to Article 15 of the Statute of the ESCB and the ECB. The new Law on the BNB extends the deadline for submitting the BNB budget implementation report to the National Assembly from 30 April to 30 June of the following year in order to allow sufficient time for its preparation after the preparation of the relevant ECB financial statements.

With regard to the structure and governance of the central bank, the new Law on the BNB reproduces the provisions of the existing Law on the BNB. BNB Governing Council's powers are further refined in line with the applicable European legal framework. The BNB Governor exercises the overall management of the Bank, participates in setting the monetary policy of the European Union in accordance with Article 127(2) of the TFEU, and represents the Bank at home and abroad, without prejudice to Article 6 of the Statute of the ESCB and the ECB.

Three main departments within the Bank are retained: the Issue Department, the Banking Department and the Banking Supervision Department, their functions being regulated in the Law.

Issue Department's functions, in view of transition towards a new regime of monetary policy (and the exit from the currency board) include implementation of the monetary policy of the ECB, currency circulation and management of reserve assets of the Bulgarian National Bank. The Issue Department will be responsible only for the implementation of the ECB monetary policy, but has no role in its formulation to the extent that it is a matter of competences of the ECB Governing Council, of which the Governor of the BNB will be a member after the introduction of the euro in Bulgaria.

The Banking Supervision Department retains its function of supervising the banking system. As regards this function, there is no change compared to the legislation in force. This circumstance reflects Bulgaria's accession to the Single Supervisory Mechanism in 2020.

The Banking Department continues to be responsible for the oversight of payment system operators, payment service providers and electronic money issuers, as well as for performing the function of emergency liquidity assistance to banks, replacing the former lender of last resort function.

As regards the oversight of payment service providers, there will be no substantial change to the extent that all applicable European requirements are already implemented in the national legal framework. Nor is the banking resolution function subject to a change given Bulgaria's participation in the Single Resolution Mechanism since 2020.[144]

The new Law also takes into account the need for changes regarding classified information (including amendments to the Law on the Protection of Classified Information), limiting the scope of information that constitutes classified information, given that information relating to euro banknotes and coins, including protection measures, delivery and transportation arrangements, is subject to regulation in EU law and cannot be regarded as information of the BNB or the Republic of Bulgaria.

The new Law on the BNB provides additional requirements to be met by persons in order to be recruited as BNB employees. A person may not be a BNB employee if he: is a Member of the National Assembly or a municipal councillor, holds any governing or

[144] The Single Resolution Mechanism is the second key component, or 'pillar', of the banking union which govern the conduct of banking sector policies at the euro area level. It is based on a common European regulatory and institutional framework. Within the SRM, resolution functions are divided between the SRB and national resolution authorities, as provided for in Article 7 of Regulation (EU) No 806/2014.

control function at national level in a political party, is a sole proprietor, general partner in a commercial company, manager, trade proxy, trade representative, procurator, trade agent, liquidator, or assignee in bankruptcy, member of a management or control body of a commercial company or a cooperative, as well as a person in liaison with a supervised entity.

The new Law sets out the status of the euro as the currency, determines the design of the national side of circulating euro coins, the procedure for issuing and withdrawing from circulation, the exchange and reproduction of euro banknotes and coins. The Law provides that according to Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro,[145] the currency of the Republic of Bulgaria shall be the euro. The currency unit shall be one euro. One euro is divided into one hundred cents. In accordance with European Union law, the Bulgarian National Bank may issue euro coins in circulation (circulating), commemorative and collector euro coins of precious metals and copper. Euro collector coins issued by the BNB are legal tender only on the territory of the Republic of Bulgaria.

Subject to European Union law requirements, the BNB determines the design of the national side of circulating and commemorative euro coins it issues, as well as the design, face value and specifications of euro collector coins it issues.

The Bulgarian National Bank will, in accordance with the provisions of European Union law, ensure and supervise the printing of euro banknotes and the minting of euro circulating, commemorative and collector coins in the country, and the protection and storage of euro banknotes and coins not put into circulation, as well as the preservation and destruction of euro banknotes and coins unfit for circulation.

The new Law also regulates the main task of the central bank to participate in formulating and implementing the monetary policy of the Eurosystem, including the application of all relevant instruments in accordance with the requirements of the TFEU and the Statute of the ESCB and the ECB. According to the European legislative framework, any national legislative provisions relating to the monetary policy should recognise that the EU's monetary policy is to be carried out through the Eurosystem. To this end, the new Law on the BNB stipulates that the Bulgarian National Bank may perform monetary functions and operations provided for in Chapter Four of the Statute of the European System of Central Banks and of the European Central Bank.

The new Law also regulates the management of BNB's reserve assets (not related to the Eurosystem's monetary policy). The approach set out in the current Law on the BNB was used as a basis to explicitly define the types of assets and instruments in which the Bank may invest its reserves. Compared to the current framework, credit quality assessments of certain instruments are extended: instead of instruments rated with the two highest ratings by two internationally recognised credit rating agencies, it is envisaged that instruments rated with the three highest ratings of two internationally recognised credit rating agencies will be accepted. The aim is to expand investment opportunities by adding instruments allowing for higher returns, while taking on a slightly higher credit risk.

The Law also lays down the possibility for the BNB to manage foreign assets – those of the ECB, while observing the applicable provisions of EU law, of central banks outside the Eurosystem or international organisations (as provided for in ECB acts), as well as of state institutions and bodies, municipalities and other resident entities and funds established by law.

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[145] OJ L 139, 11.5.1998, p. 1.

A separate chapter in the new Law on the BNB focuses on the statistical activities of the central bank. Thus, the Law recognises their importance for the functioning of the BNB and for providing accurate and complete statistical information to the public. The introduction of the euro as an official monetary unit will cause changes in the collection, processing and dissemination of official statistical information compiled by the BNB.

Relationships with the state provided for in the new Law are sustained. The BNB will continue to act as the fiscal agent and depository of the state on the basis of concluded contracts at market conditions and prices of the services. As the fiscal agent and depository of the state, the Bulgarian National Bank: provides bank service of the accounts and payments included in the single account system, on behalf the Ministry of Finance and for the account of the central budget; collects and provides to the Ministry of Finance regular information on budget entities' bank accounts in the country and securing them by eligible assets pursuant to Article 152 of the Law on Public Finance; acts as an agent for the government and government guaranteed debts by conducting government securities auctions and by registering government securities issues, servicing and settlement of government securities transactions; may perform other activities agreed with the Minister of Finance.

The new Law on the BNB was subject to review and assessment by European institutions in their 2024 regular convergence reports, which expressed a positive assessment of its compliance with the TFEU and the Statute of the ESCB and the ECB, as well as of the fulfilment of statutory requirements applicable to a national central bank becoming an integral part of the Eurosystem.

In addition, it is important to note that after the end of the reporting year, the new Law on the BNB was amended by the Law on the State Budget[146] of the Republic of Bulgaria for 2025. Amendments were intended to reflect the recommendations made in the 2024 Convergence Reports on appointment of a caretaker government provided for in the 2023 amendments to the Constitution of Bulgaria. According to these amendments, if the Governor or a Deputy Governor has expressed explicit consent to be appointed Acting Prime Minister under Article 99, paragraph 5 of the Bulgarian Constitution, he shall resign from his post at the central bank. These amendments comply with Article 130 of the TFEU and Article 14.2 of the Statute, ensuring compliance with the principles of institutional and personal central bank independence.

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

Following the adoption of the new Law, work continued over the review period on drafting ordinances, part of the regulatory framework necessary to support new BNB functions arising from joining the Eurosystem.

In preparing to perform its functions as a Eurosystem central bank, the BNB Governing Council adopted Ordinance No 6 of 9 January 2025 on Provision of Emergency Liquidity Assistance[147]. It defines the terms, collateral and procedure under which, upon accession of the Republic of Bulgaria to the euro area, the BNB will be able to provide emergency liquidity support to a solvent bank outside the scope of the Eurosystem's monetary policy operations. Amendments to BNB Ordinance No 17 of 29 March 2018

[146] Published in the Darjaven Vestnik, issue 26 of 27 March 2025.
[147] Published in the Darjaven Vestnik, issue 8 of 28 January 2025, in force from the date of enforcement of the Law on the Bulgarian National Bank (published in the Darjaven Vestnik, issue 13 of 2024).

on the Monetary and Interest Rate Statistics and Financial Accounts Statistics[148], and to BNB Ordinance No 27 of 13 March 2014 on the Balance of Payments Statistics, International Investment Position and Securities Statistics[149] were also adopted. Ordinance on the control over quality of euro banknotes and euro coins in cash circulation and Ordinance on the establishment and regulation of the Bulgarian National Bank's legal relationships with monetary policy counterparties were also drafted and approved at first reading. Their final adoption is pending along with an Ordinance on the format and contents of the BNB balance sheet.

[148] Published in the Darjaven Vestnik, issue 108 of 27 December 2024.
[149] Published in the Darjaven Vestnik, issue 108 of 27 December 2024.

XVII. BNB Budget Implementation for 2024

The Governing Council adopted the BNB budget by Resolution No 565 of 21 December 2023. The report on the Bank's budget implementation comprises two sections pursuant to the Governing Council Internal Rules on Drafting, Implementing, and Reporting the BNB Budget: BNB Operating Expenditure and Investment Programme. The Bank adheres to environmental protection requirements in this operation.

BNB Operating Expenditure

In 2024, the BNB spent BGN 147,979 thousand on operating expenses, or 42.3 per cent of the relevant section's approved annual budget.

Currency circulation cost BGN 27,398 thousand, or 14.8 per cent of approved annual budget for this item and 18.5 per cent of Bank's operating expenditure budgeted for the reporting period. The expenditure includes new banknotes cost of BGN 5637 thousand and minting expenses of BGN 20,819 thousand, of which BGN 9618 thousand on circulating coins. The BNB Governing Council 2024 Commemorative Coin Programme cost BGN 11,201 thousand. Expenses on currency processing came to BGN 127 thousand and on machine spares and servicing BGN 51 thousand. New banknote and coin design accounted for BGN 66 thousand. Premise rentals for Bank issue and cash operations cost BGN 697 thousand.

The Bank spent BGN 42,851 thousand on *materials, services and depreciation*: 58.6 per cent of approved annual budget under this item and 29.0 per cent of Bank's operating expenditure over the review period.

Materials cost BGN 2276 thousand: 55.8 per cent of budget and 1.5 per cent of operating expenditure. Inventory costs (BGN 1414 thousand) and vehicle fuel and spares (BGN 315 thousand) occupied the largest share in this group. The Bank spent BGN 276 thousand on office consumables and BGN 176 thousand on hygiene materials. Expenses on other materials were BGN 74 thousand.

External services costs were BGN 23,708 thousand, or 62.1 per cent of annual item budget and 16.0 per cent of all Bank operating expenditure over the reporting period. Software maintenance subscriptions at BGN 5411 thousand, Bloomberg, Reuters, and other systems at BGN 1748 thousand, and BORICA AD subscriptions at BGN 1263 thousand held the highest share in this group. Equipment maintenance subscriptions cost BGN 1956 thousand. Property and refuse collection levies cost BGN 1544 thousand and mail, telephone and telex, BGN 1268 thousand. Electric bills were BGN 1306 thousand and heating and water cost BGN 323 thousand. Security and fire protection contracts cost BGN 4792 thousand. Major building maintenance came to BGN 2408 thousand. Judicial protection and other legal services were BGN 482 thousand and health and safety at work and special clothing BGN 251 thousand. The Bank spent BGN 190 thousand on consultancy services. Property insurance expenses were BGN 87 thousand. Mandatory TARGET modules cost below BGN 1000 as the ECB decided that non-euro area central banks should not pay for these services.

Depreciation for 2024 cost BGN 16,867 thousand, or 54.6 per cent of the approved annual budget and 11.4 per cent of total BNB operating expenditure during the reporting period.

Payroll, including social and healthcare expenses, came to BGN 69,284 thousand, or 91.2 per cent of approved budget and 46.8 per cent of Bank's total operating expenditure. The BNB reported BGN 3910 thousand of current retirement obligations and unused paid leave under IAS 19 Employee Benefits.

Social expenditure was BGN 2858 thousand: 81.9 per cent of approved annual budget and 1.9 per cent of Bank's operating expenditure for 2024.

Other *administrative expenditure* was BGN 1807 thousand: 38.8 per cent of budgeted funds and 1.2 per cent of total operating expenditure. Inland travel worth BGN 113 thousand involved mainly regional cash centre logistics and checks. Foreign travel unrelated to BNB participation in the ESCB and other EU bodies cost BGN 410 thousand. The annual BNB Staff Education and Professional Training Programme came to BGN 954 thousand. Bank employees took part in professional courses and seminars held in Bulgaria and abroad, organised by EU central banks and international financial institutions, some of which were carried out in an on-line format. They participated in distant learning and foreign language courses.

The BNB spent BGN 3781 thousand on *ESCB participation*: 52.6 per cent of approved budget and 2.6 per cent of Bank's total operating expenditure over the review period. The annual fee for European Banking Authority membership was BGN 2050 thousand. BNB representatives sat on ESCB committee meetings and working groups and other EU bodies, which cost BGN 748 thousand. The sum of BGN 314 thousand was paid for the maintenance of CORENET, BGN 150 thousand for the contribution to the ESSB Centralised Securities Database on the ESCB (CSDB), BGN 129 thousand for the annual fee for BNB's participation as a member of the Eurosystem Procurement Coordination Office (EPCO), BGN 116 thousand for the maintenance of the Securities Holdings Database (SHSDB), BGN 86 thousand for the Register of Institutions and Affiliates Data (RIAD) and AnaCredit; BGN 33 thousand for the contribution to the Register of Institutions and Affiliates Data (RIAD) for previous periods; BGN 27 thousand for the maintenance of DARWIN licences; BGN 27 thousand for the ECB's Statistical Data Warehouse (SDW); BGN 23 thousand for the annual maintenance fee for the Identity and Access Management (IAM); BGN 15 thousand for the payment of the ECB's pro rata share of the supervisory data on LSIs; BGN 5 thousand in total for the Epsilon Project, for the annual maintenance fee for the ECSB Mail/Secure ESCB (SEE) service and the ESCB PKI (Public Key Infrastructure) payment.

The BNB Investment Programme

The Bank spent BGN 28,813 thousand on its investment programme for 2024, or 31.6 per cent of annual budget.

Over the review period, BGN 23 thousand went to finance new construction, refurbishment and modernisation: 1.0 per cent of approved budget under this item and 0.1 per cent of investment programme expenditure.

Machine and equipment, vehicle, and other equipment investment cost BGN 18,681 thousand: 39.6 per cent of budget and 64.8 per cent of investment programme expenditure.

Cash operations equipment cost BGN 16,694 thousand. Security equipment amounted to BGN 380 thousand. Escort vehicles with specialised police equipment for transport of valuables and freight cost BGN 1540 thousand.

On other equipment, BGN 67 thousand were spent (a switchboard for a new premise in the BNB cash centre in Sofia, air conditioners, vacuum cleaners, fan convectors, a water heater and other equipment).

Information and communication system development cost BGN 10,105 thousand: 24.2 per cent of approved annual budget and 35.1 per cent of all investment programme expenses during the reporting period.

Software expenditure was BGN 2683 thousand, including BGN 1245 thousand on licence purchases and BGN 1438 thousand on upgrades of the existing systems.

Hardware cost BGN 7423 thousand, mainly for updating and expanding existing systems and for purchasing computer and communications equipment.

Investment spending on ESCB membership was BGN 4 thousand.

BNB budget implementation and utilised funds under both sections were continuously monitored.

The implementation of the investment programme involved public tendering, contractor selection, and project implementation. Some procurement procedures were completed at the end of the reporting period, and payments on launched contracts will be made in 2025. The reporting period saw overperformance of the budget under the Section II Investment Programme compared to the previous year.

BNB Budget Implementation as of 31 December 2024

Indicators	Report 31 December 2024 (BGN thousand)	Budget 2024 (BGN thousand)	Implementation (per cent)
Section I. Operating expenditure	**147 979**	**350 008**	**42.3**
Currency circulation expenditure	27 398	185 541	14.8
Materials, services, and depreciation expenditure	42 851	73 142	58.6
Staff expenditure	69 284	75 999	91.2
Social expenditure	2 858	3 489	81.9
Other administrative expenditure	1 807	4 652	38.8
BNB expenditure related to ESCB membership	3 781	7 185	52.6
Section II. Investment programme	**28 813**	**91 269**	**31.6**
Construction, refurbishment, and modernisation expenditure	23	2 282	1.0
Expenditure on machines, equipment, vehicles, and other equipment	18 681	47 209	39.6
BNB information systems expenditure	10 105	41 747	24.2
BNB expenditure on ESCB membership	4	31	12.9

Source: BNB.

Over the reporting period, the BNB continued to actively work on issues related to the euro adoption as legal tender in the Republic of Bulgaria, with this expenditure having an indirect effect on the overall implementation of the 2024 Bank budget.

Due to the changed date of the euro adoption as legal tender, a portion of expenses planned in the 2024 BNB budget for the currency circulation and IT system development was reprogrammed and included in the 2025 BNB budget.

XVIII. BNB Consolidated Financial Statements as of 31 December 2024

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Ernst & Young Audit OOD
Polygraphia Office Center
47A Tsarigradsko Shose Blvd., floor 4
1124 Sofia, Bulgaria

Tel: +359 2 81 77 100
Fax: +359 2 81 77 111
ey.com

Independent auditor's report

To the Management Board

Of Bulgarian National Bank

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Bulgarian National Bank and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bulgarian National Bank and its subsidiaries (the Group) as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Bulgarian National Bank and its subsidiaries (the Group) in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act (IFAASRA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAASRA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the consolidated management report, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Translation in English of the official Auditor's report issued in Bulgarian.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and presentation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bulgarian National Bank and its subsidiaries' (the Group's) ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bulgarian National Bank and its subsidiaries (the Group) or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bulgarian National Bank and its subsidiaries' (the Group's) internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bulgarian National Bank and its subsidiaries' (Group's) ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bulgarian National Bank and its subsidiaries (the Group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves true and fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Consolidated Financial Statements and Auditor's Report Thereon* section, in relation to the consolidated management report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines on New and Expanded Auditor's Reports and Auditor's Communication of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information included in the consolidated management report referring to the financial year for which the consolidated financial statements have been prepared is consistent with those consolidated financial statements.
b) The consolidated management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and the Law on the Bulgarian National Bank.

Audit Firm Ernst & Young Audit OOD with registration number 108:

Nikolay Garnev

Legal Representative and

Registered Auditor in charge of the audit

Sonia Zarkova

Proxy of the General Manager Nikolay Garnev and

Registered Auditor in charge of the audit

Sofia, Bulgaria

17 April 2025

Translation in English of the official Auditor's report issued in Bulgarian.

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

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

The financial statements of the Bulgarian National Bank approved by its Governing Council are prepared in accordance with the IFRS Accounting Standards adopted by the EU.

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

Dimitar Radev
Governor of the Bulgarian National Bank

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2024

(BGN'000)

	Note	2024	2023
Interest income	7	2 291 024	1 868 769
Interest expense	7	(525 485)	(523 035)
Net interest income		**1 765 539**	**1 345 734**
Fees and commission income		48 323	39 191
Fee and commission expense		(5 953)	(5 121)
Net fee and commission income		**42 370**	**34 070**
Net gains from financial assets and liabilities reported at fair value in the profit or loss	8	1 751 158	541 807
Other operating Income	9	73 419	61 502
Total income from banking operations		**3 632 486**	**1 983 113**
Administrative expenses	10	(179 396)	(167 218)
Profit/(loss) for the period		**3 453 090**	**1 815 895**
Other comprehensive income			
Other comprehensive income that can be reclassified into profit or loss at a future point in time		-	-
Other comprehensive income that cannot be reclassified into profit or loss at a future point in time		-	*10 352*
Other comprehensive income, total		**-**	**10 352**
Total comprehensive income for the period		**3 453 090**	**1 826 247**
(Loss)/profit attributable to:			
Equity holder of the Bank		3 452 922	1 815 670
Non-controlling interest		168	225
Profit/(loss) for the period		**3 453 090**	**1 815 895**
Total comprehensive income attributable to:			
Equity holder of the Bank		3 452 204	1 826 052
Non-controlling interest		(486)	195
Total comprehensive income for the period		**3 451 718**	**1 826 247**

The accompanying notes on pages 140 to 176 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position as of 31 December 2024

(BGN'000)

	Note	2024	2023
ASSETS			
Cash and deposits in foreign currency	11	41 842 645	37 181 812
Gold, instruments in gold, and other precious metals	12	6 519 273	4 848 005
Financial assets at fair value through profit or loss	13	33 723 502	39 793 187
Financial assets at fair value in other comprehensive income	14	2 260 173	2 184 218
Tangible assets	15	188 595	176 121
Intangible assets	16	12 553	14 815
Other Assets	17	119 126	72 475
Total assets		**84 665 867**	**84 270 633**
LIABILITIES			
Banknotes and coins in circulation	18	31 078 055	29 462 056
Liabilities to banks and other financial institutions	19	27 845 384	30 403 721
Liabilities to government institutions and other borrowings	20	9 733 914	11 071 114
Borrowings against Bulgaria's participation in international financial institutions	21	5 588 608	5 412 128
Other liabilities	22	789 889	1 083 120
Total liabilities		**75 035 850**	**77 432 139**
EQUITY			
Capital	23	20 000	20 000
Reserves	23	9 606 760	6 814 751
Non-controlling interest	24	3 257	3 743
Total equity		**9 630 017**	**6 838 494**
Total liabilities and equity		**84 665 867**	**84 270 633**

The accompanying notes on pages 140 to 176 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows for the Year Ended 31 December 2024

(BGN'000)

	Note	2024	2023
OPERATING ACTIVITIES			
Net profit		3 453 090	1 815 895
Adjustments			
Dividend income	9	(13 595)	(10 224)
Depreciation	15, 16	22 788	19 375
Loss on disposal of tangible assets		336	13 618
(Profit) on financial assets and liabilities arising from market movements		(1 717 980)	(640 476)
(Profit) of associates		(3 752)	(2 634)
Other adjustments		2 849	13 499
Net cash flow from operating activities before changes in operating assets and liabilities		**1 743 736**	**1 209 053**
Change in operating assets			
(Increase) in gold, instruments in gold and other precious metals		(1 160)	(2 309)
Decrease/(increase) in financial assets at fair value through profit or loss		6 217 418	(27 859 679)
(Increase) in other assets		(44 198)	(1 181)
Change in operating liabilities			
Increase in banknotes and coins in circulation		1 615 999	2 036 683
Increase/(decrease) in due to banks and other financial institutions		(2 558 337)	3 612 326
(Decrease) in due to government institutions and other liabilities		(1 337 200)	(606 641)
(Decrease)/increase in other liabilities		(293 231)	79 165
(Net cash outflow)/net cash inflow from operating activities		**5 343 027**	**(21 532 583)**
INVESTMENT ACTIVITIES			
Acquisition of tangible and intangible assets		(33 336)	(37 502)
Dividends received		13 595	10 224
(Net cash outflow)/net cash inflow from investing activities		**(19 741)**	**(27 278)**
FINANCING ACTIVITIES			
Payments to the state budget		(660 000)	-
(Net cash outflow) used in financing activities		**(660 000)**	-
Net increase/(net decrease) in cash and cash equivalents		**4 663 286**	**(21 559 861)**
Cash and cash equivalents at beginning of period		**37 211 795**	**58 771 656**
Cash and cash equivalents at end of period	11, 17	**41 875 081**	**37 211 795**
Cash flows from interest and dividends			
Interest received		1 911 520	1 448 481
Interest paid		(504 968)	(500 560)

The accompanying notes on pages 140 to 176 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2024

(BGN'000)

	Capital	Revaluation of non-monetary assets	Special and other reserves	Total equity	Non-controlling interest	Total equity
Balance as at 1 January 2023	**20 000**	**145 736**	**4 843 113**	**5 008 849**	**3 548**	**5 012 397**
Profit for the period	-	-	1 815 670	1 815 670	225	**1 815 895**
Other comprehensive income:						
other income	-	*(1 008)*	*11 390*	*10 382*	*(30)*	***10 352***
Other comprehensive income, total	-	(1 008)	11 390	10 382	(30)	**10 352**
Total comprehensive income for the period	-	(1 008)	1 827 060	1 826 052	195	**1 826 247**
Contributions by and distributions to owners:						
contribution to the budget of the Republic of Bulgaria	-	-	-	-	-	-
dividend paid by subsidiaries to minority shareholders	-	-	*(150)*	*(150)*	-	*(150)*
Transactions with owners, total	-	-	(150)	(150)	-	**(150)**
Balance as at 31 December 2023	**20 000**	**144 728**	**6 670 023**	**6 834 751**	**3 743**	**6 838 494**
Balance as at 1 January 2024	**20 000**	**144 728**	**6 670 023**	**6 834 751**	**3 743**	**6 838 494**
Profit for the period	-	-	3 452 922	3 452 922	168	**3 453 090**
Other comprehensive income:						
other income	-	*489*	*(1,207)*	*(718)*	*(654)*	***(1 372)***
Other comprehensive income, total	-	489	(1,207)	(718)	(654)	**(1 372)**
Total comprehensive income for the period	-	489	3 451 715	3 452 204	(486)	**3 451 718**
Contributions by and distributions to owners:						
contribution to the budget of the Republic of Bulgaria	-	-	(660 000)	(660 000)	-	(660,000)
dividend paid by subsidiaries to minority shareholders	-	-	*(195)*	*(195)*	-	*(195)*
Transactions with owners, total	-	-	(660 195)	(660 195)	-	**(660 195)**
Balance as at 31 December 2024	**20 000**	**145 217**	**9 461 543**	**9 626 760**	**3 257**	**9 630 017**

The accompanying notes on pages 140 to 176 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Statute and Principal Activities

The Bulgarian National Bank (the 'Bank, the BNB') is 100 per cent owned by the Bulgarian state and is the central bank of the Republic of Bulgaria. The operation of the Bank is governed by the Law on the Bulgarian National Bank (LBNB), which has been effective since 10 June 1997.

Under this Law, the principal activities of the Bank may be summarised as:

- Maintaining price stability through ensuring national currency stability;
- Exclusive right to issue banknotes and coins in Bulgaria;
- Regulation and supervision of other banks' activities in the country with a view to banking system stability maintenance;
- Establishment and operation of efficient payment systems;
- Regulation and supervision of the activity of payment system operators, payment service providers and electronic money issuers in Bulgaria;
- The Bank shall not extend credit and guarantees in any form whatsoever, including through purchase of debt instruments, to the Council of Ministers, municipalities, as well as to other government and municipal institutions, organisations and public sector enterprises;
- The Bank may not provide credit to banks except in the case of liquidity risk threatening to affect the stability of the banking system;
- The Bank may not deal in debt instruments issued by the Bulgarian government and municipalities, as well as by Bulgarian government and municipal institutions, organizations and public sector entities;
- The Bank may not issue Bulgarian levs in excess of the Bulgarian lev equivalent of the gross international reserves;
- The Bank acts as the fiscal agent and depository for the state.

With effect from the date on which the ECB decision[150] on establishing close cooperation becomes applicable, *i.e.* 27 July 2020, the Banks Resolution Fund (BRF) is managed by the BNB. The decisions on the BRF management are taken by the BNB Governing Council.

The Governing Council of the BNB approved the Consolidated Financial Statements for the year ended 31 December 2024, set out on pages 140 to 176, on 17 April 2025.

2. Applicable Standards

The consolidated financial statements of the Bulgarian National Bank are prepared in accordance with IFRS Accounting Standards as adopted by the European Union. The IFRS accounting standard framework adopted by the EU is essentially the national accounting base of International Accounting Standards (IAS) adopted by the EU, as regulated by the Law on Accountancy and defined in item 8 of its Additional Provisions.

3. Basis of Preparation

The consolidated financial statements are presented in Bulgarian lev rounded to the nearest thousand (BGN'000), which is the functional currency of the Bank. They are prepared on a historical cost basis, except for the items, disclosed in the table on the next page, which are measured on an alternative basis as at each reporting date:

[150] Decision (EU) 2020/1015 of 24 June 2020 of the European Central Bank on the establishment of close cooperation between the European Central Bank and Българска народна банка (Bulgarian National Bank) (ECB/2020/30) within the meaning of Article 2, item 1 of Council Regulation (EU) No 1024/2013.

Items	Measurement basis
Derivative financial instruments	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value
Financial assets at fair value in other comprehensive income	Fair value
Tangible non-current assets	Revalued amount, which is the asset's fair value at the revaluation date less subsequent depreciation and impairment loss
Defined benefit liability	Present value of the defined benefit liability

Use of estimates and judgements

In preparing these consolidated financial statements, the Bank has made judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, incomes and expenses, and the disclosure of contingent receivables and payables as at the financial statements date. These estimates, judgements and assumptions are based on data available as at the date of the consolidated financial statements; therefore actual future results may differ from these estimates.

The estimates and main assumptions are revised on an ongoing basis and are recognised prospectively.

Judgements

The Bank has estimated and classified cash in circulation as a financial liability (ref. note 18).

Assumptions and estimation uncertainties

Measurements of the present value of long-term obligations to retiring staff (following a defined benefit plan) use certified actuarial calculations based on mortality assumptions, rate of staff turnover, future level of salaries and discount factor. These assumptions may lead to adjustments in the next financial year; the management, however, considers them to be reasonable and appropriate for the Bank (ref. note 10).

Bank assumptions and estimates are based on the existing parameters and available information at the time of preparation of the financial statements. Existing circumstances and assumptions about future developments may change due to market changes or circumstances beyond Bank's control. Such changes are reflected in assumptions when they occur.

Determination of expected credit losses on financial assets with a low credit risk

Instruments with a low credit risk are those for which the risk of default is low, the capacity of a counterparty to perform its contract obligations in a short term is stable and long-term negative changes in economic conditions are unlikely to change the capacity to repay obligations. For its short-term receivables from banks and debt instruments reported at amortised value or at fair value in 'other comprehensive income', the Bank accepts at the reporting date that the possibility of default is unlikely, so it determines for them 12-month credit losses. In case that the low credit risk criteria are no longer true in subsequent reporting periods, the Bank conducts an analysis of the changes in credit risk compared to the initial recognition to assess the need for an adjustment instrument on losses over the life of the instrument. Definition of instruments as such with a low credit risk requires judgement. In developing this judgement, the Bank uses all reasonable and supportable information accessible to it.

Determination of expected credit losses on deposit receivables

As reported in ref. note 6(b) Credit Risk, the Bank has developed a Policy to Assessing Changes in Credit Quality and Determining Expected Credit Losses on Financial Instruments. The Bank classifies its risky assets into three risk phases depending on changes in credit risk after initial recognition of the asset and, accordingly, assesses the expected credit losses on the basis of a 12-month probability of default if there is no changed credit quality (phase 1) and based on the probability of default for the expected lifetime of the instrument (phase 2 and phase 3) where there is a significant increase in credit risk. When determining how much the credit risk is increased compared to the initial recognition of the asset, the Bank uses all reasonable and supportable information that is available, including for future periods.

Loss on non-performance is a judgement for damages that the Bank would suffer in the event of default. It is based on the difference between the contractual cash flows and the cash flows that the Bank expects to receive. Significant judgement is needed in determining the time and amount of expected cash flows. The management uses judgements based on historical experience of losses on assets with an inherent credit risk and on objective circumstances of impairment similar to those in the portfolio in calculating future cash flows.

In determining the amount of expected credit losses, the Bank uses forward-looking information on expected future changes in certain economic conditions and indicators, as well as assumptions about how changes in these indicators would affect the probability of default.

The 'probability of default' parameter is key for calculating the amount of expected credit losses and reflects the probability that the counterparty will not fulfil its contractual obligations on a certain time horizon. The Bank has developed internal models to determine the probability of default on loans, based mainly on historical information for the period for which such is available. The assessment of correlation between historical indicators of default and projected economic indicators is a significant approximate estimate. Bank's historical experience in credit losses and expectations of economic conditions may also not be representative of real losses in the future.

Fair value of financial instruments

When fair values of financial assets and liabilities in the statement of financial position cannot be obtained from active markets, they are determined by using various valuation methods, which include the use of mathematical models. Basic data for these models are derived from indicators that are observed in financial markets where possible. Otherwise, assumptions about establishing the fair value are made. Assumptions take into account factors related to liquidity, volatility of longer-term derivatives and discount rates, early payments and default assumptions related to asset-backed securities.

Some of the Bank's accounting policies and disclosures require fair value measurements of financial and non-financial assets and liabilities. For information on fair value measurements, see note 6(e) and note 15.

4. Basis of Consolidation

Subsidiaries

Subsidiaries are the entities controlled by the Bank. Control over an entity exists when the Bank is exposed to or has rights over the variable return from its participation in that entity, and is able to influence that return through its powers. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The share in the net assets of the Bank's subsidiaries, which corresponds to the minority shareholders' proportionate share, is disclosed separately from 'Capital and reserves' under the 'Non-controlling interest' item.

The Bulgarian National Bank holds a majority of the BNB Printing Works and Bulgarian Mint EAD. The accounts prepared for the group contain the accounts of the parent company and subsidiaries. The BNB consolidated report eliminates all receivables and payables, incomes and expenses, as well as intragroup balances and transactions, including sales.

Associates

Associates are those entities in which the Bank has significant influence, but which are neither subsidiary enterprise, nor joint venture. Investments in associates are accounted in the Bank's consolidated financial statements using the equity method as an amount corresponding to the Bank's share in the associates' own funds as of the end of the reporting period. The Bank's share of associates' net result subsequent to acquisition is disclosed in 'profit or loss' as investment income/expenses and is added to/subtracted from the carrying value of the investment.

The BNB participation in other associated companies is accounted for at the price of acquisition. The Bank consolidates on an annual basis the accounts of associated companies in which its share is 20 per cent or more than 20 per cent on the basis of the equity method.

Transactions eliminated on consolidation

All receivables and payables, incomes and expenses, as well as intragroup profits, resulting from inter-company transactions within the group, are eliminated, except where these are immaterial.

5. Summarised Information on Accounting Policies Applied

a) Income recognition

Interest income and expenses are recognised on an accrual basis in accordance with the Bank's interest rate policy and in accordance with concluded agreements with international financial institutions and customers of the Bank. Interest income and expense are recognised in the statement of comprehensive income. Interest income and expense also include the amortisation of the discount and premium calculated on the basis of the effective interest rate.

Interest income on foreign securities held in the BNB portfolio includes interest rates on interest coupons of securities issues.

Interest income on deposits includes interest income on deposits in foreign currency and in gold.

Income from and expenses on fees and commissions from financial services of the Bank are recognised in the income statement of the Bank at the moment of provision of the respective service.

In accordance with IFRS 15, revenue from contracts with clients is recognised when the Bank has fulfilled its performance obligations by transferring the promised services to the client. Revenue is recognised at an amount reflecting the consideration expected to be received in return. No changes in the valuation and recognition of fees and commissions have occurred since the entry into force of IFRS 15.

Other financial income and expenses include income and expenses from sales and changes in the fair value of financial assets and liabilities in the profit or loss.

Interest income and expenses are recognised in the 'profit or loss' using the effective interest rate method. The effective interest rate is the rate which precisely discounts the estimated future cash payments and income over the term of the financial asset or liability to the carrying amount of the asset or liability. The effective interest rate is determined on the initial recognition of the financial asset or liability and does not change thereafter.

The calculation of the effective interest rate includes all commissions, received or paid, as well as discounts and premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs directly attributable to the acquisition, issue or derecognition of a financial asset or liability.

Interest income and expense, presented in the statement of profit or loss, include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis;
- interest on securities reported at fair value through profit or loss and on financial assets reported at fair value through other comprehensive income calculated on an effective interest rate basis.

Dividend income is recognised when the Bank establishes the right to receive a dividend.

Fee revenue is deferred and recognised in each of the separate financial periods.

All gains and losses arising from a changes in the fair value of financial instruments reported at fair value through profit and loss are recognized in the statement of comprehensive income.

Revenue from a grant related to depreciable assets is recognised as income for future periods upon receipt of the grant and subsequently recognised in the statement of comprehensive income over the relevant periods, systematically over the useful life of assets and proportionate to the depreciation charge for the same assets. Expenses related to depreciable assets incurred during the current period are deferred over the useful life of the assets.

Revenue from a grant related to non-depreciable assets is recognised as income for future periods upon receipt of the grant and is then recognised in the statement of comprehensive income for the periods in which the relevant expenses are accounted for.

Foreign currency differences arising from held for sale investments are recognised in profit or loss.

Net gains/losses from financial assets and liabilities at fair value through profit or loss include net gains from operations in securities, net gains from operations in foreign currency, net revaluation gains on securities, net gains from gold revaluation, net gains from revaluation of futures, and net gains from revaluation of assets and liabilities denominated in foreign currencies.

b) Recognition of assets and liabilities

All assets and liabilities of the Bank are measured at the initial acquisition cost or at fair value. Subsequent revaluations are carried out with different types of assets and liabilities being revaluated over different periods to determine their fair value. Adjustments to the accounting registers, and relevant records for recognition in the asset revaluation surplus are recorded in compliance with the IFRS Accounting Standards adopted by the EU. Where it is not possible to measure the fair value, the historical acquisition cost is used less impairment losses.

International Financial Reporting Standards adopted by the EU do not require presentation of assets in a specified balance sheet format and may be designated as underlying assets (tangible fixed assets, intangible fixed assets, inventories, investment property, asset acquisition loans, and impairment of assets) and assets that are classified as financial instruments.

c) Financial instruments

The Bank can recognise a financial asset or liability in its balance sheet only in cases where it becomes a party to the contractual provisions of financial instruments used. The Bank derecognises a financial asset:

- when it loses control over the contractual rights to the financial asset and transfers substantially all the risks and rewards of ownership;
- when the obligation stated in the contract is repaid or cancelled or expired.

i) Classification

The classification is critical to the measurement of financial instruments and how the Bank reflects that measurement in the financial statements.

For the purposes of subsequent measuring of financial assets, the BNB uses the following business models:

- financial assets held to collect contractual cash flows;
- financial assets held to collect contractual cash flows and for sale.
- financial assets held for trading and financial assets designated at initial recognition as at fair value through profit or loss.

The evaluation whether cash flows of debt instruments consist only of the principal and interest is based on the facts and circumstances of the initial recognition of assets. The Bank classifies the financial assets depending on the business model for managing a particular class of financial assets and the nature of the contractual cash flows of the financial asset.

The business model of the financial assets held to collect the contractual cash flows includes all current accounts of the Bank with foreign correspondents, and the cash flows under the model used for these assets represent only principal and interest payments. These financial assets are measured at amortised cost.

The Bank classifies the financial assets on initial recognition depending on the business model for managing a particular class of financial assets and the nature of the contractual cash flows of the financial asset.

Financial liabilities are accounted at fair value or at amortised cost, except for the treatment of differences arising from changes in own credit risk for financial instruments designated to account for fair value in profit or loss. Under IFRS 9, these differences are recognised in other comprehensive income without subsequent reclassification in the statement of comprehensive income. As of the date of present statements, the Bank does not account financial liabilities in this category.

ii) Recognition

The Bank recognises trading financial assets and investments, the Bank's loans and receivables, and financial liabilities at amortised cost from the settlement date. All other financial assets and financial liabilities are recognised when the Bank becomes a party to financial instrument contracts.

Financial assets and liabilities are recognised in off-balance-sheet accounts from the trade date to the date of their settlement and are recorded in the BNB statement of financial position at the settlement date (value date). The initial recognition is at acquisition cost, *i.e.* the fair price paid on acquisition. Transaction costs are included in the acquisition cost of all assets and liabilities. From that moment on, any changes in their fair value are recognised by the Bank as income or expense.

iii) Amortised cost measurement

Assets measured at amortised cost are initially recognised at acquisition cost, then measured at amortised cost, which is the initial measurement of the asset adjusted for the amortised premium or discount using the effective interest rate method and adjusted to expected credit losses for each asset calculated based on the methodology adopted by the BNB Governing Council. Premium and discount are amortised for each individual item and is recognised in the Bank's income statement. Interest is calculated and recognised on a daily basis in the Bank's statement of comprehensive income.

iv) Fair value measurement in other comprehensive income

The Bank measures its debt instruments at fair value in other comprehensive income where both conditions are satisfied:

- the financial asset is held within a business model for the purposes of collecting contractual cash flows and for its sale; and
- according to the contractual terms of the financial asset, on specified dates they give rise to cash flows representing only payments of principal or interest.

In respect of financial assets accounted for in other comprehensive income, the interest income, foreign exchange revaluations and impairment losses or their recovery are recognised in profit or loss and calculated in a similar manner as financial assets measured at amortised cost. Other changes in the fair value of these financial assets are recognised in other comprehensive income. Upon their derecognition, the cumulative change in the fair value recognised in other comprehensive income is included in profit or loss.

v) Measurement of financial assets designated as such at fair value in other comprehensive income (equity instruments)

The Bank has irrevocably classified in this category its equity investments (not traded on the stock exchange) designated at fair value through other comprehensive income because they qualify as equity under IAS 32 Financial Instruments: Presentation and are not held for trading purposes. Classification is determined on an individual instrument basis.

Gains and losses from these financial assets are never recognised in the profit or loss of the Bank. Dividends are recognised as other operating income in the income statement when the right to payment is established.

Equity instruments designated as such at fair value through other comprehensive income are not subject to an impairment test.

vi) Fair value measurement and disclosure principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market and, if no such market is available in the most advantageous and accessible market on the measurement date. The fair value of a liability reflects the effect of non-performance risk.

Whenever possible, the Bank measures the fair value of an instrument using quoted prices in an active market of that instrument. A market is considered as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If no quoted price in an active market is available, the Bank uses the most relevant observable inputs and makes minimum use of unobservable data. The aim of using a valuation technique is to estimate the price that would be obtained in an orderly transaction between market participants. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in determining a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, *i.e.* the fair value of the consideration given or received. When the Bank finds a difference between the fair value at initial recognition and the transaction price, and the fair value is neither evidenced by quoted price in an active market for identical assets or liabilities, nor based on a valuation technique based only on data from observable markets, then the financial instrument is initially recognised at fair value adjusted with the difference between the fair value at initial recognition and the transaction price. This difference is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Bank recognises assets and long positions at a bid price and liabilities and short positions at an ask price when assets or liabilities measured at fair value have a bid and an ask price.

Where the Bank has positions in a group of financial assets and financial liabilities, it is exposed to market risks and a credit risk. The Bank, on the basis of its net exposure to such risks, measures them on the basis of a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure. These portfolio-level adjustments are allocated to the individual assets and liabilities that make the group of financial assets and financial liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

Where the Bank has positions with offsetting risks, mid-market prices are used to measure them and a bid or ask price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as: liquidity risk or model uncertainties, to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to the receipt of the contractual cash flows from the financial asset in the transaction in which substantially all risks and rewards of ownership of the financial asset are transferred.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or when the cash flows of financial liability are expired.

The Bank enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or the substantial risks and rewards of the transferred assets or a part of them. If a part of or all substantial risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

Transfers of assets with retention of a part of or all substantial risks and rewards are, for instance, securities lending or repurchase agreements.

In transactions where the Bank neither retains nor transfers all substantial risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain the control of that asset. The rights and obligations retained in the transfer are recognised separately as assets and as liabilities, respectively. In transactions where control of the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which the Bank is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised in the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

viii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Bank has a legal right to offset the recognised amounts and intends to settle the asset or the liability on a net basis. Accounting for assets, net of adjustments, is not considered to be offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions such as in the Bank's trading operations.

ix) Impairment of assets

At each reporting date, the Bank analyses impairment of Financial assets classified as Financial assets at fair value in other comprehensive income and Financial assets at amortised cost, using the impairment categories in accordance with IFRS 9:

- The Bank calculates the expected credit losses on the basis of a 12-month probability of default where there is no a significant increase in the credit risk compared to the initial recognition. Probability of default is the management's estimate of the likelihood of a debtor/credit borrower defaulting on its financial obligation over a given time period, reflected through the measured/calculated impairment;
- The Bank calculates expected credit losses for the residual lifetime of the financial asset where reasonable and supportable information is available that refers more to future events. The increase in the credit risk from initial recognition rises significantly before the financial instrument becomes past due. In the case of a loss expected by the management, the impairment represents the share of exposure/asset lost.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses from assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted by the original effective interest rate of the asset. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through unwinding of the discount, but on the amortised cost. When a subsequent event reduces the impairment loss, the reduction in the impairment loss is reversed, through profit or loss.

Impairment losses on held-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in equity to profit or loss. The cumulative loss that is transferred from equity and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired debt security increases, and the increase can be objectively linked to an event that occurred after the impairment loss had been recognised in profit or loss, then the impairment loss is reversed and the reversed amount is recognised in profit and loss.

x) Financial assets and liabilities held to collect contractual cash flows and for sale

Financial assets and liabilities held to collect contractual cash flows and for sale are recognised initially at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in the fair value are recognised as net income from trading operations in profit or loss.

xi) Financial assets held within a business model whose objective is to hold financial assets to collect contractual cash flows

Financial assets held within a business model whose objective is to hold financial assets to collect contractual cash flows are initially recognised at acquisition cost and subsequently are carried at amortised cost which is the initial asset valuation adjusted for the amortised premium or discount using the effective interest rate method. Premium or discount is amortised for each individual item and is recognised in the Bank's statement of comprehensive income. Interest is calculated and recognised on a daily basis in the Bank's statement of comprehensive income.

d) Gold and other precious metals

The BNB as a central bank maintains particular volumes of gold as part of Bulgaria's international reserves. In compliance with the requirements of the Law on the BNB, the Bank may take any necessary action in connection with the acquisition, possession and sale of gross international reserves, including monetary gold. Consequently, monetary gold as part of international reserves may be immediately used by the BNB without further constraints which determines it as a monetary asset. Pursuant to the requirements of the 'General Provisions for Defining the Valuation Basis in the Financial Statements' to the IFRS, s well as in the absence of a specific IFRS to determine the treatment of such a transaction, the Bank defines the recognition and valuation of the monetary gold as an asset reported at fair value through profit or loss as the most reliable and appropriate base for a subsequent valuation of this financial asset. Gold and other precious metals are measured at market value based on the London Bullion Market fixing in euro at the reporting date.

Monetary gold

Gold in standard form (monetary gold) is initially recognised at acquisition cost. Monetary gold and other gold instruments are valued daily at the latest market value posted on the wholesale gold market in London, the UK. Unrealised gains and losses from revaluation of monetary gold and other gold instruments of the Bank are recognised in the income statement.

e) Equity investments

For the purposes of measuring the equity investments subsequent to initial recognition, they are classified as held-for-trading financial assets and measured at fair value in other comprehensive income.

Details of investments held by the Bank are set out in note 14.

f) Property, plant, equipment and intangible assets

The policy pursued by the Bank is to present land, buildings and other groups of fixed tangible assets in the statements of financial position at revalued amount as per the alternative approach allowed in IAS 16 Property, Plant and Equipment. The Bank recognises an intangible asset if it meets the criteria for recognition under International Financial Reporting Standards. Intangible assets are presented in the statement of financial position at acquisition cost, including paid duties, non-recoverable taxes, as well as direct costs of preparing the asset for its intended use, less accumulated amortisation and impairment losses.

Land and buildings are measured at revalued amount which is regularly assessed by professionally qualified valuers. The revaluation of property is done asset by asset, and any accumulated depreciation at the revaluation date is derecognised against the gross carrying amount of the asset, and the net amount restated to the revalued amount of the asset. When the value of assets increases as a result of revaluation, the increase is reflected directly in other comprehensive income. When the value of assets decreases as a result of revaluation, the decrease is recognised by decreasing the revaluation reserve in equity, and in case of a shortage, the difference is recognised as an expense in the statement of comprehensive income.

i) Subsequent costs

The separately accounted for costs incurred to replace a component of an item of property, plant and equipment are capitalised. All other subsequent costs are capitalised only when future economic benefits embodied in the item of property, plant and equipment will flow to the Bank. All other costs are recognised in 'profit or loss' as incurred.

ii) Depreciation and amortisation

The depreciation/amortisation shall be carried out from the day of initial asset recognition according to the straight-line method for the expected useful life. Land is not depreciated. The Governing Council of the BNB approves the annual depreciation rates presented below:

(per cent)

Assets	
Buildings	2–4
Plant & equipment	3-15
Computers	30–33.3
Fixtures and fittings	15-20
Motor vehicles	8-25
Intangible assets	20-25

Expenses incurred for the acquisition of property, plant, equipment and intangible assets are not depreciated until they are brought into use.

iii) Recoverable amount of assets

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

iv) Reversals of impairment of non-financial assets

Impairment losses of tangible fixed assets are reversed when a change occurs in the estimates used to determine the recoverable amount and may be reversed only up to that carrying amount of the asset at which it would be assessed after deducting any accumulated amortisation if impairment losses were not recognised.

v) Derecognition and sales

An item of property, plant or equipment is derecognised from the Bank's balance sheet at the time of its sale or when the asset is definitively disposed of and no other economic benefits are expected. Gains or losses arising from derecognition or disposal of tangible fixed assets are determined as the difference between the sale proceeds and the carrying amount of the asset and are recognised as income or expense in the statement of comprehensive income. Tangible fixed assets withdrawn from active use and held for sale are reported at their carrying amount at the date when the asset is retired from active use.

vi) Inventories

Inventories are assets held by the Bank that will be used in the core business, in the process of providing services. Inventories are reported in the Bank's balance sheet at a historical price that includes the sum of all purchase costs and costs associated with their delivery to their current location and condition. Purchase costs include a purchase price at invoice, import duties, non-refundable taxes and excise duties. Delivery costs include shipping and handling costs. Write-off of inventories is carried out using the weighted average method.

In the event of a fall in market prices, in the case of physical damage to inventories, when the products are aged, the value of inventories is adjusted, *i.e.* they are valued at the lower net realisable value.

At the end of the reporting period, the net realisable value of inventories is valued, and if it is lower than the supply, the difference is related to current expenses. For each subsequent reporting period, a new estimate of net realisable value is made. If during the relevant reporting period, there are conditions for an increase in the value of the inventory, its recovery is up to the amount that it had before the decrease. This reversal of the book value is accounted for as an increase in inventories and as other current income.

g) Foreign exchange

Gains and losses arising in foreign currencies are translated to BGN at the official rates of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the official exchange rate of the Bank on that day. Foreign currency gains and losses resulting from the revaluation of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Outstanding forward contracts in foreign currency are marked to market. Gains and losses on revaluation of outstanding forward contracts are recognised in profit or loss.

The exchange rates of the major foreign currencies as of 31 December 2024 and 31 December 2023 are, as follows:

Currency	31 December 2024	31 December 2023
US dollar	1: BGN 1.88260	1: BGN 1.76998
Euro	1: BGN 1.95583	1: BGN 1.95583
Special Drawing Rights	1: BGN 2.45516	1: BGN 2.37545
Gold	1 troy ounce: BGN 4905.69	1 troy ounce: BGN 3648.48

h) Taxation

The Bank is not subject to income tax from its core activities. Income tax from subsidiaries for the period comprises current tax and deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the period, using the effective tax rate or the current one at the reporting date. Deferred tax is derived using the balance sheet liability method on all temporary differences between the amounts used for taxation purposes and the carrying amounts of assets and liabilities.

The deferred tax is calculated using tax rates which are expected to be applied for the period of asset realisation or liability settlement. The effect of changes in the tax rates on the deferred tax is recorded in the statement of comprehensive income up to the amount already charged or reported directly as other comprehensive income.

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which the unused tax losses or tax credit can be utilised. The deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

i) Provisions

Provisions related to ongoing legal cases or other obligations are reported when the Bank has assumed a legal or constructive obligation as a result of some past events, the repayment of which is likely to be associated with lost economic benefits, and where a reliable assessment can be made of the amount of the obligation. Provisions are charged only when the Bank is able to reliably determine the size of future outgoing cash flows. Expenses on provisions are presented in the income statement, net of the amount of expenses reimbursed. When the effect of time differences in the value of money is material, provisions are discounted, and the increase in the provision resulting from the passage of time is presented as a financial expense.

j) **Profit distribution policy of the Bank**

The Bank's policy of distribution of profit from banking operations is defined in the Law on the BNB. Internal rules for preparation of financial statements and accounting policies were adopted upon a resolution of the Governing Council, effective from 1 January 2007, which are in compliance with Article 36, paragraphs 1 and 2 of the Law on the BNB. According to these rules, the Bank allocates to special reserves unrealised net gains and losses arising from revaluation of assets and liabilities denominated in foreign currency or gold. According to the requirements of Article 8, paragraph 2 of the Law on the BNB, the Bank sets aside 25 per cent of the excess of its annual revenue over its annual expenditure into a Reserve Fund. According to Article 8, paragraph 3 of the Law on the BNB, after the allocation to the Reserve Fund, the Bank may allocate reserves to cover market risk losses and other reserves upon a decision of the Governing Council. Subsequent to the allocation of reserves as required by the Law on the BNB, the Bank stipulates the remainder to be paid into the State Budget. The distribution of excess of revenue over expenditure is set out in note 23.

k) **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, current accounts and time deposits with maturities of less than three months (set out in notes 11 and 17).

l) **Employee benefits**

The Bank has the obligation to pay certain amounts to each employee who retires in accordance with the requirements of Article 222, § 3 of the Labour Code in Bulgaria. According to these Labour Code requirements, on termination of the employment contract of an employee who has become entitled to retirement, the employer is obliged to pay him/her compensation amounting to twice his/her gross monthly salary. If, at the date of retirement, the employee has been employed by the Bank for ten or more years, the amount of the compensation is six gross monthly salaries. As at the date of the statement of financial position, the Bank's management estimates the approximate amount of the potential expenditures for all employees based on an actuarial report using the projected unit credit method.

The estimated amount of the obligation and the main assumptions, on the base of which the estimation of the obligation has been made, are disclosed in note 10.

Termination benefits

Termination benefits are recognised as an expense when the Bank is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer of voluntary redundancy and it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under a short-term cash bonus or profit-sharing plans if the Bank has a present constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably. The Bank recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

m) **Leases**

The Bank applies the practical relief as provided for by the standard and has elected to account for short-term leases of plant and equipment (leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and applies the lease of low-value assets recognition exemption to leases of office furniture that is considered to be of low value. Lease payments for short-term leases of low-value assets are recognised as expenses on a linear basis over the term of the lease.

For each new contract, the Bank is required to assess whether the contract is a lease or contains lease components. In the event of a change in the terms and conditions of a lease, the Bank makes a new assessment to establish whether the contract is a lease or contains lease components.

n) **Amendments to Accounting Policies and Disclosures**

Standards/amendments that have entered into force and have been adopted by the European Union

The accounting policies applied by the Bank are consistent and in line with those of the previous financial year, except for the following IFRS accounting standards, adopted by the EU and amendments to IFRS Accounting Standards adopted by the EU, which were adopted by the Bank as of 1 January 2024:

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2024 and are applied retrospectively. The amendments aim to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. These amendments clarify: the meaning of right to defer settlement of a liability; the requirement that such a right exists at the end of the reporting period; that management's intentions do not affect classification of liabilities as current or non-current; that choices by a counterparty, that result in settlement by transfer of the entity's own equity instruments, do not affect the classification of liabilities as current or non-current. The amendments also state that only the conditions that an entity must comply with at or before the reporting date will affect the classification of liabilities. Additional disclosures are also required for non-current liabilities arising from loan commitments subject to conditions to be met within 12 months after the reporting period.

The amendments have not materially affected the Bank's accounting policies.

Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback transaction

The amendments are effective for annual periods beginning on or after 1 January 2024. The amendments are intended to improve the requirements that the seller-lessee uses in measuring the lease liability arising in a sale-and-leaseback transaction under IFRS 16 by not changing the accounting for leases unrelated to this transaction. According to the amendments, the seller-lessee determines the 'lease payments' or 'adjusted lease payments' in such a way that it does not recognise any gain or loss related to the right of use that it retains. The application of these requirements does not prevent the seller-lessee from recognising in profit or loss any gain or loss related to the partial or total termination of the lease. The amendments are applied retrospectively to sale and leaseback transactions entered into after the date of the initial application that is the beginning of the annual reporting period in which the entity applied IFRS 16 for the first time.

As of 31 December 2024, the amendments are not applicable to the Bank.

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments – Disclosures: – Supplier Finance Arrangements (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2024 and complement the requirements already included in IFRS accounting standards adopted by the EU and require entities to disclose terms and conditions of supplier finance arrangements. Furthermore, the entities are required to disclose at the beginning and at the end of the reporting period the carrying amounts of financial liabilities under the supplier finance arrangements and the line items in which those liabilities are presented; as well as the carrying amounts of financial liabilities and the line items for which finance providers have already settled the corresponding trade payable. Furthermore, entities should disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. The amendments also require entities to disclose at the beginning and at the end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments adopted by the EU on 15 May 2024 and published in the Official Journal of the EU on 16 May 2024 have not materially affected the Bank's accounting policies.

Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendments narrow the scope of initial recognition exemption and provide further clarity on the initial recognition exemptions in line with IAS 12. The amendments specify how entities should account for deferred tax relating to assets and liabilities arising from a single transaction, such as leases or decommissioning obligations. The amendments clarify that, where the payments governing a liability are recognised for tax purposes, it is a matter of assessment, in the light of the applicable tax law, whether those deductions may relate to the liability recognised for tax purposes or to the related asset. As amended, initial recognition exemptions no longer apply to transactions that give rise to equal taxable and deductible temporary differences. It is only applicable if recognition of a lease asset and lease liability (or decommissioning obligation and component of an asset subject to decommissioning) gives rise to taxable and deductible temporary differences that are not equal.

The amendments, effective for reporting periods beginning on or after 1 January 2023, were adopted by the EU on 11 August 2022 and published in the Official Journal of the EU on 12 August 2022. The amendments do not affect the Bank's financial statements.

Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

The amendments apply immediately upon their publication, but certain disclosure requirements apply at a later stage. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released the Pillar Two Model Rules to ensure that large multinational enterprises would be subject to a 15 per cent minimum tax rate. On 23 May 2023, the IASB issued International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to accounting for deferred taxes resulting from the jurisdictional application of Pillar Two model rules.

For the periods in which the legislation under the Pillar Two has been endorsed (in a nutshell), but has not yet taken effect, the amendments require the disclosure of some or reasonably measurable information that helps users of the financial statements to understand an entity's exposure arising from income taxes under the Pillar Two. In order to comply with these requirements, the entity is required to disclose qualitative and quantitative information on its exposure to Pillar Two income taxes at the end of the reporting period. Disclosure of a current tax expense related to Pillar Two income taxes and disclosures relating to periods prior to the entry into force of the legislation are mandatory for annual reporting periods beginning on or after 1 January 2023 but are not required for interim periods ending on or before 31 December 2023.

The amendments do not affect the Bank's financial statements.

Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2025, with earlier application permitted. The amendments clarify how the entity has to assess whether a currency is exchangeable and how to determine the spot exchange rate when exchangeability is lacking. A currency is deemed exchangeable into another currency when an entity is able to obtain the other currency within a time frame allowing for a normal administrative delay and through a market or exchange mechanism in which the exchange transaction would create enforceable rights and obligations. If a currency could not be exchangeable into another currency, an entity should estimate the spot exchange rate at the measurement date. The objective of an entity in estimating the spot exchange rate is to reflect the rate that would have applied to an orderly exchange transaction at the measurement date between market participants in the prevailing economic conditions. The amendments note that an entity may use an observable exchange rate without adjustment or any other estimation technique. The amendments were adopted by the EU on 12 November 2024 and published in the Official Journal of the EU on 13 November 2024. The management has assessed that these amendments would not materially affect Bank's financial statements.

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure – Classification and Measurement of Financial Instruments (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2026. Earlier application of the amendments regarding classification of financial assets and related disclosures is permitted, while allowing for application of the other amendments at a later date. The amendments clarify that a financial liability is derecognised on the 'settlement date', when the liability is extinguished, cancelled, expired or otherwise qualifies for derecognition. They introduce a choice of accounting policy for derecognising financial liabilities settled through electronic payment systems before the settlement date, if certain conditions are met. In addition, the amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance (ESG)-linked features and other similar contingent features.

The amendments also clarify the treatment of assets with non-recourse features and contractually linked instruments and introduce additional disclosures under IFRS 7 concerning financial assets and liabilities of a contingent nature (including those with ESG-linked features) and equity instruments classified at fair value through other comprehensive income. The amendments have not yet been endorsed by the EU. The Bank will assess effects of the amendments on its accounting policies.

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures –Nature-dependent electricity contracts (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2026, with earlier application permitted. The amendments include clarifying the application of the 'own-use' requirements permitting hedge accounting if the contracts covered by the amendments are used as hedging tools and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The clarifications on the 'own-use' requirements have to be applied retrospectively, and guidance permitting hedge accounting has to be applied prospectively to new hedge relationships defined on or after the date of initial application. The amendments have not yet been endorsed by the EU. The Bank will assess effects of the amendments on its accounting policies.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 introduces new requirements for presentation in the statement of profit or loss. It requires an entity to classify all income and expenses in the statement of profit or loss in one of the following five categories: the operating category; the investing category; the financing category; the income taxes category; the discontinued operations category. These categories are supplemented by requirements for providing totals and subtotals of 'operating profit or loss', 'profit or loss before financing and income taxes', and 'profit or loss''. The standard also requires disclosure of management-defined performance indicators and includes new requirements for aggregation and disaggregation of financial information on the basis of identified 'roles' of primary financial statements and explanatory notes. In addition, there are subsequent amendments to other accounting standards. IFRS 18 will become effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. Retrospective application is required both in annual and interim financial statements. The standard has not been yet endorsed by the EU. In the next reporting periods, the Bank will analyse the requirements of the newly published standard and assess its effect on its financial position or performance.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 permits subsidiaries without public accountability to apply reduced disclosure requirements if their parent (final or interim) prepares consolidated financial statements available for public use in accordance with IFRS accounting standards. At the same time, these subsidiaries continue to apply the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that choose to apply IFRS 19 are not required to apply the disclosure requirements in other IFRS accounting standards. IFRS 19 will become effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The standard has not been yet endorsed by the EU. The Bank will analyse the changes to the related disclosures.

Annual Improvements to IFRS Accounting Standards – Volume 11.

IASB's annual improvement process considers clarifications and amendments to IFRSs that are not urgent but necessary. In July 2024, the IASB published the Annual Improvements to IFRSs – Volume 11. The entity has to apply these amendments for annual reporting periods beginning on or after 1 January 2026. The Annual Improvements to IFRS Accounting Standards – Volume 11 include amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7. These amendments aim to clarify the wording and correct minor unintended consequences, oversights or conflicts between requirements in the standards. The amendments have not been yet endorsed by the EU. The Bank will analyse the effects of the annual improvements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of these amendments indefinitely, pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Bank will analyse and assess the impact of the amendments on its financial position or performance.

6. Financial Risk Management Policy Disclosure

a) Introduction and overview

Introduction to the financial risk management policy

The Bank is exposed to the following types of risk in relation to the financial instruments operations:

- credit risk;
- liquidity risk;
- market risk;
- operational risk.

This note provides information on the Bank's goals, exposures to each of the above types of risk and the policies and processes for risk measurement and management.

General provisions of risk management

In the process of management of the gross international reserves, the Bank aims to achieve high security and liquidity of the assets, first, and then to maximise returns in the situation of the current global financial markets. Its investment strategy depends mainly on the specific functions of the Bank operating under a currency board arrangement and in full compliance with the requirements of the Law on the BNB.

The major portion of BNB's international reserves is invested in assets of comparatively low credit risk, such as discount and coupon securities issued by highly rated issuers (governments, government agencies or supranational financial institutions), and short-term foreign currency or gold deposits placed with first-rate foreign banks. The remaining portion is held in SDRs on BNB accounts with the IMF and in monetary gold kept in the Bank's vaults.

A specialised international reserves risk management unit is responsible for preparing and submitting for approval a draft of strategic asset structuring, setting up benchmark for the international reserves and investment management limits. On a quarterly basis, an overall review is made of the changes in the market conditions, the amount and structure of international reserves, and if required, the investment limits and model portfolios (benchmarks) are updated. The monitoring of underlying limits, rules, and procedures is undertaken on a daily basis. Reports are regularly prepared for both the needs of international reserves operating management and providing updated information to the Bank's management.

All approved financial instruments and asset classes, in which the BNB may invest, are specified in internal documents. The documents define the main portfolios and the respective model portfolios (benchmarks), all limits for credit, interest rate, currency and operational risk, and give a list of the foreign financial institutions which are counterparties of the Bank.

The international reserves management is governed by a business procedure and rules of behaviour regulating the performance of the functions and tasks of the main structural units involved in the process.

b) **Credit risk**

The BNB is exposed to credit risk through its trading operations and investment activities and in cases where it acts as an intermediary on behalf of the government or other public institutions. The Bank assumes credit risk also in operations of purchases and sales of foreign currency with banks. In general, this credit risk is associated with the probability of insolvency of a BNB's counterparty or an insolvency of an issuer, in whose debt instruments the Bank has invested its own funds. The credit risk in managing BNB's gross international reserves is assessed in line with the requirements in Article 28, paragraph 3 of the Law on the BNB. According to these requirements, the BNB may invest international reserves in debt instruments issued by foreign governments, central banks, other foreign financial institutions or international financial organisations whose debts are rated with one of the top two grades by two internationally recognised credit rating agencies and are payable in freely convertible currency in line with an internally developed methodology as per the requirements of Article 28 of the LBNB.

According to these requirements, the approved types of financial instruments for investment of funds in managing the international reserves are as follows:

- investment programmes with central banks;
- automatic borrowing/lending of securities with the main depository;
- tri-party repo agreements with specially designated counterparties of the BNB carried out through the Bank's main depository as a third party;
- deposits in foreign currency (time deposits and funds on current accounts) with BNB counterparties, including central banks or supranational financial institutions;
- deposits in gold (time deposits and funds on current accounts) with BNB counterparties, including central banks or supranational financial institutions;
- commercial securities (of up to one year term to maturity), issued by governments or government guaranteed institutions, supranational financial institutions, specialised financial agencies, banks, and other financial institutions;
- bonds issued by governments or government guaranteed institutions, supranational financial institutions, specialised financial agencies, banks and other financial institutions – issuers of covered bonds. All bonds must be with a one-off payment of their face value on the maturity date and without any embedded option;
- purchases and sales of foreign currency with a value date of up to two business days;
- purchases and sales of banknotes in foreign currency (euro) and their subsequent storage with investment goals and for purposes of performance of the currency board functions.

Two basic types of limits are set which are calculated on the basis of the market value of foreign currency reserves: i) a maximum or minimum limit on the weight of each asset class in the Issue Department balance sheet, and ii) an individual maximum acceptable exposure of the BNB to a country, including an individual exposure to an issuer/counterparty (concentration limit).

In 2024, the BNB continued to pursue a conservative policy in terms of credit risk management in the investment of gross international reserves, ensuring a high degree of safety and liquidity of reserves. The increased political risk arising from early parliamentary elections in France at the end of June and tensions in Korea in early December led to pre-emptive reduction of investments in certain asset classes, as well as in exposures to some issuers and BNB counterparties.

To achieve its main objective of very high international reserve liquidity and security, the BNB continues investing the main share of assets into euro area core country government bonds and government guaranteed debt, and into short-term deposits with first class foreign central or commercial banks.

By end-2024, the exposure to credit risk remained limited, and approximately 65 per cent of international reserves were invested into assets with the highest AAA long-term credit rating.

c) **Liquidity risk**

Liquidity risk arises in the funding of the Bank's core activities and in the management of positions. It is primarily manifested in two aspects: the first aspect is the risk for the Bank of being unable to meet its obligations when due and the second aspect comprises the risk for the BNB of being unable to sell an asset in international markets at a fair value within an appropriate time frame in compliance with the respective market conventions.

The BNB is striving to maintain a balance between the maturity of attracted funds and that of assets by means of investments in financial instruments of a different maturity structure. The instruments for attracting Bank funds, which are provided to customers on the liability side, are mainly deposit/investment accounts and settlement accounts.

The Bank maintains a minimum level of liquidity by type of currency on a daily basis to ensure all BNB payments in foreign currency. To better manage the risk arising from liquidation of positions in financial instruments, the latter are grouped by liquidity rank subject to the level of difficulty (*i.e.* discount from the fair value), at which they could be sold in the market. Liquidity limits on BNB's exposures are set for the different types of financial instruments based on the liquidity ranks.

As part of the overall liquidity risk management strategy, the Bank maintains a liquidity portfolio denominated in euro and assets denominated in other currencies for the purposes of meeting its cash inflows and outflows.

The Bank's financial assets and liabilities, analysed by residual term to maturity from the date of the statement of financial position to the date of any subsequent agreement or contractual maturity are, as follows:

(BGN'000)

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Undefined maturity	Total
As of 31 December 2024							
Financial assets							
Cash and deposits in foreign currency	41 847 060	-	-	-	-	(4 415)	41 842 645
incl. provisions for expected credit losses under IFRS 9	-	-	-	-	-	*(4 415)*	*(4 415)*
Gold, instruments in gold, and other precious metals	6 519 273	-	-	-	-	-	6 519 273
incl. provisions for expected credit losses under IFRS 9	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss	3 549 871	6 017 154	8 956 425	15 183 884	16 168	-	33 723 502
Financial assets at fair value in other comprehensive income	240 916	-	-	-	-	2 019 257	2 260 173
Other assets	32 424	-	-	-	-	-	32 424
Total financial assets	**52 189 544**	**6 017 154**	**8 956 425**	**15 183 884**	**16 168**	**2 014 842**	**84 378 017**
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	31 078 055	31 078 055
Liabilities to banks and other financial institutions	27 845 384	-	-	-	-	-	27 845 384
Liabilities to government institutions and other borrowings	9 733 914	-	-	-	-	-	9 733 914
Borrowings against Bulgaria's participation in international financial institutions	-	-	-	-	-	5 588 608	5 588 608
Total financial liabilities	**37 579 298**	**-**	**-**	**-**	**-**	**36 666 663**	**74 245 961**
Asset–liability maturity mismatch	**14 610 246**	**6 017 154**	**8 956 425**	**15 183 884**	**16 168**	**(34 651 821)**	**10 132 056**
As of 31 December 2023							
Financial assets							
Cash and deposits in foreign currency	34 205 479	2 589 138	393 343	-	-	(6 148)	37 181 812
incl. provisions for expected credit losses under IFRS 9	-	-	-	-	-	*(6 148)*	*(6 148)*
Gold, instruments in gold, and other precious metals	4 848 884	-	-	-	-	(879)	4 848 005
incl. provisions for expected credit losses under IFRS 9	-	-	-	-	-	*(879)*	*(879)*
Financial assets at fair value through profit or loss	3 288 566	9 472 883	26 610 228	421 510	-	-	39 793 187
Financial assets at fair value in other comprehensive income	233 094	-	-	-	-	1 951 124	2 184 218
Other assets	29 973	-	-	-	-	-	29 973
Total financial assets	**42 605 996**	**12 062 021**	**27 003 571**	**421 510**	**-**	**1 944 097**	**84 037 195**
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	29 462 056	29 462 056
Liabilities to banks and other financial institutions	30 403 721	-	-	-	-	-	30 403 721
Liabilities to government institutions and other borrowings	11 071 114	-	-	-	-	-	11 071 114
Borrowings against Bulgaria's participation in international financial institutions	-	-	-	-	-	5 412 128	5 412 128
Total financial liabilities	**41 474 835**	**-**	**-**	**-**	**-**	**34 874 184**	**76 349 019**
Asset–liability maturity mismatch	**1 131 161**	**12 062 021**	**27 003 571**	**421 510**	**-**	**(32 930 087)**	**7 688 176**

The outstanding contractual discounted maturities of the Bank's financial liabilities are, as follows:

(BGN'000)

	Book value	Gross nominal outgoing cash flow	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over five years
As of 31 December 2024							
Banknotes and coins in circulation	31 078 055	31 078 055	-	-	-	-	31 078 055
Liabilities to banks and other financial institutions	27 845 384	27 845 384	27 845 384	-	-	-	-
Liabilities to government institutions and other borrowings	9 733 914	9 733 914	9 733 914	-	-	-	-
Borrowings against Bulgaria's participation in international financial institutions	5 588 608	5 588 608	-	-	-	-	5 588 608
	74 245 961	**74 245 961**	**37 579 298**	-	-	-	**36 666 663**
As of 31 December 2023							
Banknotes and coins in circulation	29 462 056	29 462 056	-	-	-	-	29 462 056
Liabilities to banks and other financial institutions	30 403 721	30 403 721	30 403 721	-	-	-	-
Liabilities to government institutions and other borrowings	11 071 114	11 071 114	11 071 114	-	-	-	-
Borrowings against Bulgaria's participation in international financial institutions	5 412 128	5 412 128	-	-	-	-	5 412 128
	76 349 019	**76 349 019**	**41 474 835**	-	-	-	**34 874 184**

d) Market risk

Market risk

All financial instruments are subject to market risk, *i.e.* the risk of impairment as a result of changes in the market conditions. The instruments are evaluated on a daily basis at fair market value which best reflects current financial market conditions for the respective type of financial instruments. The Bank manages its portfolios in response to changing market conditions and to changes in the liability structure of Issue Department balance sheet. Market risk exposure is managed in accordance with the risk limits specified in the document *Investment Limits and Benchmarks for the Management of the Gross International Reserves.*

The table below presents one important measure of market risk, *i.e.* Value at Risk (VaR). VaR is an indicator of the maximum loss over a certain period of time (holding period) and with a certain probability (called a confidence level or confidence interval). The VaR used in this report is based on a 95 per cent confidence level and a one-day holding period.

To calculate the total risk, currency risk and interest rate risk, the empiric distributions, derived from time series of 30 daily observations of total income, currency income and interest income of assets, respectively, have been used. The correlation between the currency and interest rate risk is also presented. For each of the parameters, the value as of the last date for the period, the average value for the whole period and the minimum and maximum values have been calculated.

(BGN'000)

	As of 31 December 2024	Average	Maximum	Minimum
Currency risk	(111 833)	(65 699)	(130 275)	(17 676)
Interest rate risk	(8 467)	(4 701)	(23,669)	2 819
Correlation (per cent)	0.58	0.18	0.69	(0.32)
Overall risk	**(118 889)**	**(60 880)**	**(130 322)**	**(3 143)**
	As of 31 December 2023	**Average**	**Maximum**	**Minimum**
Currency risk	(58 646)	(44 142)	(68 252)	(12 136)
Interest rate risk	2 494	947	(5 192)	2 722
Correlation (per cent)	(0.07)	0.16	0.80	(0.57)
Overall risk	**(53 681)**	**(39 421)**	**(67 589)**	**(6 524)**

Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations, which impact the prices of interest-earning assets (including investments) and interest-bearing liabilities. Modified duration is used as a key measurement for absolute interest rate risk. It measures the effect of the change in the market value of an asset (liability) in percentage points in response to a 1 basis point (1/100th of 1 per cent) change in the interest rate levels. In addition, portfolios' technical parameters, such as protuberance (convexity), duration in a fixed point of the yield curve, *etc.*, are monitored on a daily basis. For each portfolio held by the BNB, the interest rate risk is limited by a model portfolio (benchmark) and by the investment limits for a maximum deviation of the modified duration of the portfolio from that of the respective benchmark. The relative interest risk limit of investment portfolios has been set on the basis of the risk measure, *i.e.* the relative yield volatility measure.

Assets and liabilities with floating interest rates involve the risk of changes in the base which serves to determine the interest rates.

(BGN'000)

	Total	Floating rate instruments	Fixed rate instruments		
			Up to 1 month	From 1 to 3 months	Over 3 months
As of 31 December 2024					
Interest-earning assets					
Cash and deposits in foreign currency	41 285 869	24 041 546	17 244 323	-	-
Gold, instruments in gold, and other precious metals	-	-	-	-	-
Financial assets at fair value through profit or loss	33 254 159	454 967	3 502 366	5 950 249	23 346 577
Financial assets at fair value in other comprehensive income	240 916	-	240 916	-	-
Other interest-earning assets	32 424	23 424	9 000	-	-
Total	**74 813 368**	**24 519 937**	**20 996 605**	**5 950 249**	**23 346 577**
Interest-bearing liabilities					
Liabilities to banks and other financial institutions	27 845 384	-	27 845 384	-	-
Liabilities to government institutions and other borrowings	9 733 516	9 733 516	-	-	-
Borrowings against Bulgaria's participation in international financial institutions	3 608 935	3 608 935	-	-	-
Total	**41 187 835**	**13 342 451**	**27 845 384**	**-**	**-**
Interest-bearing asset/liability gap	**33 625 533**	**11 177 486**	**(6 848 779)**	**5 950 249**	**23 346 577**
As of 31 December 2023					
Interest-earning assets					
Cash and deposits in foreign currency	36 877 105	25 194 135	8 705 918	2 585 886	391 166
Gold, instruments in gold, and other precious metals	2 921 392	-	2 921 392	-	-
Financial assets at fair value through profit or loss	39 435 166	-	3 238 285	9 377 498	26 819 383
Financial assets at fair value in other comprehensive income	233 094	-	233 094	-	-
Other interest-earning assets	29 973	22 973	7 000	-	-
Total	**79 496 730**	**25 217 108**	**15 105 689**	**11 963 384**	**27 210 549**
Interest-bearing liabilities					
Liabilities to banks and other financial institutions	30 403 721	-	30 403 721	-	-
Liabilities to government institutions and other borrowings	7 760 248	7 760 248	-	-	-
Borrowings against Bulgaria's participation in international financial institutions	3 491 766	3 491 766	-	-	-
Total	**41 655 735**	**11 252 014**	**30 403 721**	**-**	**-**
Interest-bearing asset/liability gap	**37 840 995**	**13 965 094**	**(15 298 032)**	**11 963 384**	**27 210 549**

For managing the interest rate risk and the band of interest rate changes, the sensitivity of financial assets and liabilities to various standard and non-standard interest rate movement scenarios are monitored.

The standard scenarios include the following changes in yield curves: (i) a 100 basis points instant parallel increase; (ii) a 100 basis points instant parallel decrease; (iii) a 50 basis points parallel increase in the yield curves for a period of 12 months; and (iv) a 50 basis points parallel decrease in the yield curves also for a period of 12 months. The second two scenarios assume that the change in yields takes place at the beginning of the period, and over the one-year period the yield curve remains unchanged.

The analysis of the sensitivity of the Bank's assets (to first approximation) to changes in interest rates, assuming a constant spread of assets and liabilities and parallel shifts in the yield curves of the relevant assets, is as follows:

(BGN'000)

	100 basis points intra-day instant parallel increase	100 basis points intra-day instant parallel decrease	50 basis points parallel increase in the beginning of the period	50 basis points parallel decrease in the beginning of the period
As of 31 December 2024	(318 904)	318 904	1 899 294	1 595 055
As of 31 December 2023	(146 150)	146 150	2 936 654	2 385 034

Currency risk

For the Bank, a currency risk exists where there is a mismatch between the currency structure of assets and that of liabilities. The Bank is exposed to currency risk when entering into transactions in financial instruments denominated in foreign currencies other than the euro.

With the introduction of the currency board arrangement in Bulgaria and the fixing of the Bulgarian currency to the euro, the Bank's financial statements, prepared in Bulgarian levs, are affected by movements in the exchange rate of the lev against the currencies other than the euro.

To minimise currency risk, there is a limit to the mismatches between the currency structure of assets and that of liabilities. According to Article 31, paragraph 3 of the Law on the BNB, the total market value of assets in a foreign currency other than the euro, SDR and monetary gold may not deviate by more than +/-2 per cent from the market value of the liabilities denominated in these currencies.

(BGN'000)

	31 December 2024	31 December 2023
Assets		
Bulgarian lev and euro	70 454 262	73 757 247
US dollar	1 871 998	9 762
Japanese yen	11	13
Pound sterling	26	4
SDR	5 893 135	5 710 264
Gold	6 446 435	4 793 343
Other	-	-
	84 665 867	**84 270 633**
Liabilities, capital and reserves		
Bulgarian lev and euro	77 024 767	78 672 469
US dollar	1 875 968	10 026
Japanese yen	1	1
Pound sterling	-	-
SDR	5 765 079	5 588 085
Other	52	52
	84 665 867	**84 270 633**
Net position		
Bulgarian lev and euro	(6 570 505)	(4 915 222)
US dollar	(3 970)	(264)
Japanese yen	10	12
Pound sterling	26	4
SDR	128 056	122 179
Gold	6 446 435	4 793 343
Other	(52)	(52)

e) **Using accounting judgements and assumptions**

The Governing Council of the BNB discusses the development, selection and disclosure of information about the accounting policies and assumptions used, as well as their application.

These disclosures supplement the notes to the financial risk management.

Management's major priorities in the next few years will still be to maintain monetary and financial system stability in the country, keep the Bank's stable liquidity position and improve continuously Bank's valuation methods and techniques, international reserves management and control in international financial markets.

1) Determination of fair values

In note 5(c), item 4, the Bank has disclosed its accounting policy applied and principles used by it for fair value measurement and disclosure.

The determination of fair values of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques described in the accounting policy. For financial instruments that trade infrequently and whose price is not transparent, the fair value is less objective and requires an expert's judgement depending on liquidity, concentration, market factors uncertainty, pricing assumptions, and other risks affecting the particular instrument.

2) Valuation of financial instruments

The Bank measures the fair value of financial instruments using the following hierarchy of methods:

Level 1: a quoted market price or a closing price for positions for which there is a reliable market;

Level 2: valuation techniques based on observable market information about the yield curve. This category of methods is used to measure debt securities for which there is no reliable market.

- **Level 3**: valuation techniques, where inputs on financial assets and liabilities are not based on observable market data.

The fair values of financial assets and liabilities traded in international financial markets for which there is available market information are based on market quotations or closing market prices. The use of observable market prices and information reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. The availability of actual market prices and information varies depending on products and markets and changes because of specific events and the general conditions of financial markets. The Bank determines the fair values of all other financial instruments for which there are no current market quotes by using a valuation technique based on a net present value. The net present value is computed by means of market yield curves and credit spreads, where necessary, for the relevant instrument. The purpose of the valuation techniques is to determine a fair value which reflects the price of the financial instrument on the reporting date.

The Bank has established a control framework with respect to the measurement of fair values. The fair values of financial instruments controls are set by a specialised risk analysis and control unit. Specific controls include: checking the actual price information; regular reviews of current valuation models, and, if necessary, a development, approval and introduction of new valuation models; follow-up verification by means of an analysis and comparison of data from various information sources, *etc.*

The table below analyses financial instruments reported at fair value using valuation models. The data do not include equity instruments reported at acquisition cost (note 14).

(BGN'000)

	Level 1 Quoted market prices on active markets	Level 2 Valuation techniques (using market data)	Total
31 December 2024			
Cash and deposits in foreign currency	41 842 645	-	41 842 645
incl. provisions for expected credit losses under IFRS 9	*(4 415)*	-	*(4 415)*
Gold, instruments in gold, and other precious metals	6 519 273	-	6 519 273
incl. provisions for expected credit losses under IFRS 9	-	-	-
Financial assets at fair value through profit or loss	25 644 384	8 079 118	33 723 502
Total	**74 006 302**	**8 079 118**	**82 085 420**
31 December 2023			
Cash and deposits in foreign currency	37 181 812	-	37 181 812
incl. provisions for expected credit losses under IFRS 9	*(6 148)*	-	*(6 148)*
Gold, instruments in gold, and other precious metals	4 848 005	-	4 848 005
incl. provisions for expected credit losses under IFRS 9	*(879)*	-	*(879)*
Financial assets at fair value through profit and loss	19 839 157	19 954 030	39 793 187
Total	**61 868 974**	**19 954 030**	**81 823 004**

In 2024 and 2023, there were no movements to or from classified financial instruments in Level 2.

Financial instruments not measured at fair value, but by applying a level of the fair value hierarchy where a fair value measurement is categorised, are analysed as follows:

(BGN'000)

	Level 1 Quoted market prices on active markets	Level 2 Observable inputs other than quoted prices	Total
31 December 2024			
Liabilities to banks and other financial institutions	-	27 845 384	27 845 384
Liabilities to government institutions and other borrowings	-	9 733 914	9 733 914
Borrowings against Bulgaria's participation in international financial institutions	-	5 588 608	5 588 608
Total	-	**43 167 906**	**43 167 906**
31 December 2023			
Liabilities to banks and other financial institutions	-	30 403 721	30 403 721
Liabilities to government institutions and other borrowings	-	11 071 114	11 071 114
Borrowings against Bulgaria's participation in international financial institutions	-	5 412 128	5 412 128
Total	-	**46 886 963**	**46 886 963**

The management considers that the carrying amount of the financial instruments disclosed in the table above is reasonably close to their fair value as of the reporting date due to their short-term nature.

f) **Maturity structure of assets and liabilities**

The Bank's assets and liabilities, analysed by residual term to maturity from the date of the statement of financial position to the date of any subsequent agreement or contractual maturity, are as follows:

(BGN'000)

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Undefined maturity	Total
As of 31 December 2024							
Financial assets							
Cash and deposits in foreign currency	41 847 060	-	-	-	-	(4 415)	41 842 645
incl. provisions for expected credit losses under IFRS 9	-	-	-	-	-	*(4 415)*	*(4 415)*
Gold, instruments in gold, and other precious metals	6 519 273	-	-	-	-	-	6 519 273
incl. provisions for expected credit losses under IFRS 9	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss	3 549 871	6 017 154	8 956 425	15 183 884	16 168	-	33 723 502
Financial assets at fair value in other comprehensive income	240 916	-	-	-	-	2 019 257	2 260 173
Tangible non-current assets	-	-	-	-	-	188 595	188 595
Intangible assets	-	-	-	-	-	12 553	12 553
Other assets	32 424	-	-	-	-	86 702	119 126
Total financial assets	**52 189 544**	**6 017 154**	**8 956 425**	**15 183 884**	**16 168**	**2 302 692**	**84 665 867**
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	31 078 055	31 078 055
Liabilities to banks and other financial institutions	27 845 384	-	-	-	-	-	27 845 384
Liabilities to government institutions and other borrowings	9 733 914	-	-	-	-	-	9 733 914
Borrowings against Bulgaria's participation in international financial institutions	-	-	-	-	-	5 588 608	5 588 608
Other liabilities	-	-	-	-	-	789 889	789 889
Total financial liabilities	**37 579 298**	**-**	**-**	**-**	**-**	**37 456 552**	**75 035 850**
Asset–liability maturity mismatch	**14 610 246**	**6 017 154**	**8 956 425**	**15 183 884**	**16 168**	**(35 153 860)**	**9 630 017**
As of 31 December 2023							
Financial assets							
Cash and deposits in foreign currency	34 205 479	2 589 138	393 343	-	-	(6 148)	37 181 812
incl. provisions for expected credit losses under IFRS 9	-	-	-	-	-	*(6 148)*	*(6 148)*
Gold, instruments in gold, and other precious metals	4 848 884	-	-	-	-	(879)	4 848 005
incl. provisions for expected credit losses under IFRS 9	-	-	-	-	-	(879)	(879)
Financial assets at fair value through profit or loss	3 288 566	9 472 883	26 610 228	421 510	-	-	39 793 187
Financial assets at fair value in other comprehensive income	233 094	-	-	-	-	1 951 124	2 184 218
Tangible non-current assets	-	-	-	-	-	176 121	176 121
Intangible assets	-	-	-	-	-	14 815	14 815
Other assets	29 973	-	-	-	-	42 502	72 475
Total financial assets	**42 605 996**	**12 062 021**	**27 003 571**	**421 510**	**-**	**2 177 535**	**84 270 633**
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	29 462 056	29 462 056
Liabilities to banks and other financial institutions	30 403 721	-	-	-	-	-	30 403 721
Liabilities to government institutions and other borrowings	11 071 114	-	-	-	-	-	11 071 114
Borrowings against Bulgaria's participation in international financial institutions	-	-	-	-	-	5 412 128	5 412 128
Other liabilities	-	-	-	-	-	1 083 120	1 083 120
Total financial liabilities	**41 474 835**	**-**	**-**	**-**	**-**	**35 957 304**	**77 432 139**
Asset–liability maturity mismatch	**1 131 161**	**12 062 021**	**27 003 571**	**421 510**	**-**	**(33 779 769)**	**6 838 494**

7. Interest Income and Expenses

(BGN'000)

	31 December 2024	31 December 2023
Interest income		
– securities	1 273 255	900 360
– deposits	1 017 628	968 026
– other	141	383
	2 291 024	**1 868 769**
Interest expenses		
– deposits	525 331	523 035
– other	154	-
	525 485	**523 035**

In 2024, the deposit facility rate remained positive. At the end of the reporting period, following the ECB Governing Council's decision, effective from 18 December 2024, the rate on the deposit facility was reduced to 3.0 per cent for the fourth consecutive time.

As at 31 December 2024, as a result of these changes, interest income on current accounts and deposits includes interest income from deposits and current accounts with foreign correspondent banks resulting from the application of positive reference interest rates, amounting to BGN 1,017,628 thousand (31 December 2023: BGN 968,026 thousand).

The sum of BGN 21,333 thousand of interest paid on the technical account of the national system component TARGET2-BNB at the ECB (as of 31 December 2023: BGN 20,700 thousand) are included as a result of using positive reference interest rates.

Interest expenses on deposits and current accounts of BNB customers as a result of using positive reference interest rates amounted to BGN 525,331 thousand (31 December 2023: BGN 523,035 thousand).

8. Net Gains from Financial Assets and Liabilities at Fair Value through Profit or Loss

(BGN'000)

	31 December 2024	31 December 2023
Net (losses) from operations in securities	(71 300)	(20 961)
Net gains/(losses) from operations in foreign currency	679	(713)
Net revaluation gains on futures	13	328
Net revaluation gains on securities	147 733	133 475
Net revaluation gains/(losses) on foreign currency assets and liabilities	3 925	(2 258)
Net revaluation gains on gold	1 670 108	431 936
	1 751 158	**541 807**

Net gains/(losses) from financial assets and liabilities carried at fair value through profit or loss as of 31 December 2024 were largely attributable to revaluation of gold of BGN 1,670,108 thousand due to an increase in the market price of gold, from BGN 3648.48 *per* troy ounce as of 31 December 2023 to BGN 4905.69 as of 31 December 2024, or an increase by 34.46 per cent.

Net losses from operations in securities amounted to BGN 71,300 thousand.

The main factor behind this was the rapid and sizeable increase in the yields at which euro-denominated high credit quality bonds were traded, which led to a fast decline in their price.

The net effect from revaluation of securities resulting from all market movements over the review period was positive: BGN 147,733 thousand. It was also driven by the rise in yields to maturity.

9. Other Operating Income

(BGN'000)

	31 December 2024	31 December 2023
Income from subsidiaries	37 890	41 144
Income from associates	3 752	2 634
Income from sale of coins	17 062	6 343
Dividend income	13 595	10 224
Other income, net	1 120	1 157
	73 419	**61 502**

In 2024, the BNB received a dividend payment from BNB's participation in BNB Printing Works AD amounting to BGN 4335 thousand and in BORICA AD to BGN 2167 thousand. For the purposes of the consolidated financial statements, the dividends received from the BNB Printing Works AD and Bulgarian Mint EAD are eliminated.

In 2024, the BNB received a dividend payment of BGN 7093 thousand for its equity stake in the Bank for International Settlements (BIS).

Other net income includes financial income from subsidiaries of BGN 763 thousand.

10. General Administrative Expenses

(BGN'000)

	31 December 2024	31 December 2023
Staff expenditure	84 291	72 354
Administrative expenses	66 900	71 138
Depreciation	22 788	19 375
Other expenses	5 417	4 351
	179 396	**167 218**

The number of employees of the BNB and its subsidiaries is 1198 as of 31 December 2024 (31 December 2023: 1184), including the BNB staff of 957 (31 December 2023: 938).

Staff expenditure includes salaries, social and health insurance costs charged under the local legislation provisions as of 31 December 2024, and social activities costs, respectively, for the BNB: BGN 72,142 thousand (31 December 2023: BGN 61,758 thousand), for the BNB Printing Works AD: BGN 8825 thousand (31 December 2023: BGN 7591 thousand), and for the Bulgarian Mint EAD: BGN 3324 thousand (31 December 2023: BGN 3005 thousand).

Staff expenditure includes expenses for remunerations paid to the BNB Governing Council members of BGN 1573 thousand as of 31 December 2024 (31 December 2023: BGN 1749 thousand), presented, as follows:

(BGN'000)

	31 December 2024	31 December 2023
Total gross remuneration expenses*	1 573	1 749
including bonuses up to established threshold in accordance with Article 23, paragraph 3 of the LBNB by BNB Governing Council's resolution of 30 July 2015**	464	524
Expenses on BNB Governing Council members' retirement/ termination benefits	82	273
Total gross remuneration paid to the BNB Governing Council members	**1 655**	**2 022**

* Remunerations are before taxation.

** For more information, see the BNB Press Release of 30 July 2015: https://bnb.bg/AboutUs/PressOffice/POPressReleases/POPRDate/PR_20150730_1_EN

With the adoption of the BNB budget for 2024, the amount of monthly remunerations of the Governing Council members is set, as follows: Governor – BGN 23,036; Deputy Governors – BGN 19,745; other Governing Council members – BGN 6582.

Staff retirement liabilities calculated based on actuarial valuation and pursuant to IAS 19 'Employee Benefits' are presented, as follows:

(BGN'000)

	2024	2023
Defined benefit liabilities as of 1 January	**6 990**	**5 800**
Plan benefits paid	(452)	(379)
Current service costs	959	749
Interest expense	275	137
Actuarial loss arising from experience adjustment	617	799
Actuarial (gain)/loss arising from change in demographic assumptions	90	(3)
Actuarial (gain)/loss arising from change in financial assumptions	62	(116)
Actuarial loss recognised in expenses	5	3
Defined benefit liabilities as of 31 December	**8 546**	**6 990**

Costs recognised in profit or loss

(BGN'000)

	31 December 2024	31 December 2023
Current service costs	959	749
Interest expense	275	137
Actuarial losses	5	3
Total	**1 239**	**889**

Actuarial assumptions

The key actuarial assumptions as of the Financial Statements date are the following (weighted average):

(per cent)

	31 December 2024	31 December 2023
Discount interest rate as of 31 December	3.93	4.03
Future salary growth	9.00	9.00

(BGN'000)

Distribution of BNB staff liabilities (subsidiaries excluded) by residual term	31 December 2024	31 December 2023
Up to 1 year	1 379	1 041
From 1 to 3 years	803	733
From 3 to 5 years	832	667
From 5 to 10 years	1 610	1 200
Over 10 years	2 801	2 350
Total	**7 425**	**5 991**

Administrative expenses include the BNB's currency circulation expenses of BGN 27,398 thousand as of 31 December 2024 (31 December 2023: BGN 29,757 thousand) and international audit expenses of BGN 124 thousand (31 December 2023: BGN 110 thousand).

Administrative expenses include those related to the activities of the Banks Resolution Fund. The costs of BRF management arising from the function of the BNB as a resolution authority are financed by fees collected from credit institutions established in the Republic of Bulgaria and the branches of third-country credit institutions under Article 59a, paragraph 1 of the Law on the BNB in line with Article 8, paragraph 1 of the BNB Ordinance No 40 of 1 December 2020 (amended in October 2022) on Determining the Amount of Fees to Cover Administrative Costs of the Bulgarian National Bank Arising from Supervisory and Resolution Function. The total amount of fees to cover the administrative costs of the BNB arising from the function of the resolution of credit institutions was BGN 3679 thousand.

11. Cash and Deposits in Foreign Currency

(BGN'000)

	31 December 2024	31 December 2023
Cash in foreign currency	379 218	246 348
Current accounts in other banks	24 072 563	25 232 339
incl. provisions for expected credit losses under IFRS 9	*(1 646)*	*(3 431)*
Deposits in foreign currency	17 390 864	11 703 125
incl. provisions for expected credit losses under IFRS 9	*(2 769)*	*(2 717)*
	41 842 645	**37 181 812**

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

(BGN'000)

	31 December 2024	31 December 2023
Euro area residents		
In EUR	26 267 593	27 254 384
incl. provisions for expected credit losses under IFRS 9	*(3 122)*	*(5 430)*
In other currencies	948 704	-
incl. provisions for expected credit losses under IFRS 9	*(246)*	-
	27 216 297	**27 254 384**
Non-euro area residents		
In EUR	10 035 478	6 360 349
incl. provisions for expected credit losses under IFRS 9	*(908)*	*(718)*
In other currencies	4 590 870	3 567 079
incl. provisions for expected credit losses under IFRS 9	*(139)*	-
	14 626 348	**9 927 428**
	41 842 645	**37 181 812**

Time deposits in foreign currency with correspondents with counterparty's credit rating graded by at least two of the six internationally recognised credit rating agencies – Standard&Poor's, Fitch Ratings, Moody's, DBRS, R&I and JCRA – are disclosed below:

(BGN'000)

	Counterparty short-term credit rating	31 December 2024	31 December 2023
Investment graded deposits by the counterparty's credit rating	*A-1+:*	11 596 260	6 217 801
	incl. provisions for expected credit losses under IFRS 9	*(1 275)*	*(987)*
	A-1:	5 771 306	5 469 547
	incl. provisions for expected credit losses under IFRS 9	*(1 494)*	*(1 730)*
		17 367 566	**11 687 348**

The disclosure by credit rating does not include demand deposits with external managers.

The BNB maximum exposure to credit risk is equivalent to the book value of cash on current accounts and deposits.

12. Gold, Instruments in Gold, and Other Precious Metals

	31 December 2024		31 December 2023	
	’000 troy ounces	BGN’000	’000 troy ounces	BGN’000
Gold bullion in standard form	513	2 516 829	513	1 871 827
Gold deposits in standard form	801	3 929 606	801	2 920 636
incl. provisions for expected credit losses under IFRS 9		-		*(879)*
Gold in other form	14	70 520	15	53 178
Other precious metals		2 318		2 364
		6 519 273		**4 848 005**

Gold in standard form includes gold held for safekeeping with a depository and deposits. Deposits in gold are held with banks whose liabilities are rated with one of the two highest ratings given by two internationally recognised rating agencies.

Gold in other form includes commemorative gold coins of BGN 70,520 thousand.

Other precious metals include silver commemorative coins of BGN 55 thousand and platinum commemorative coins of BGN 2263 thousand.

13. Financial Assets at Fair Value through Profit and Loss

(BGN’000)

Securities at fair value through profit or loss	31 December 2024	31 December 2023
Foreign treasury bills, notes and bonds	33 723 502	39 793 187
Total	**33 723 502**	**39 793 187**

Securities comprise of both coupon and discount securities denominated in euro. The coupon interest of the EUR-denominated securities was 1.13 per cent as of 31 December 2024 (31 December 2023: 0.06 per cent).

The securities issued by foreign governments and other issuers or relevant issuers with credit rating graded by at least two of the six internationally recognised credit rating agencies – Standard&Poor’s, Fitch Ratings, Moody’s, DBRS, R&I and JCRA, are disclosed as follows:

(BGN’000)

	Issue/issuer credit rating	31 December 2024	31 December 2023
Investment graded securities by the issue/issuer credit rating	*AAA*	28 764 666	25 127 320
	AA+	332 854	8 443 622
	AA	4 033 570	5 715 576
	AA-	446 441	-
	A	145 971	506 669
		33 723 502	**39 793 187**

14. Financial Assets at Fair Value in Other Comprehensive Income

(BGN’000)

	31 December 2024	31 December 2023
Republic of Bulgaria’s quota in the IMF	2 200 560	2 129 116
Equity investments in international financial institutions	32 355	31 596
Investments in associates	27 258	23 506
	2 260 173	**2 184 218**

The Republic of Bulgaria’s quota in the IMF was SDR 896,300 thousand (31 December 2023: SDR 896,300 thousand). BGN 240,916 thousand of the Republic of Bulgaria's quota in the IMF represents the reserve tranche held with the IMF (31 December 2023: BGN 233,094 thousand). The IMF pays remuneration (interest) to those members that have a remunerated reserve tranche position at an average rate of 3.86 per cent (31 December 2023: 3.81 per cent).

Equity investments in international financial institutions include the equity investment in the Bank for International Settlements (BIS), and 25 per cent of the equity investment in the BIS is paid up. As of 31 December 2024, the current value of 10,000 thousand shares in SDR amounted to BGN 24,552 thousand, while as of 31 December 2023 it was BGN 23,755 thousand (ref. note 28). The capital subscribed, but not paid-in has an option to be paid in within three months upon a decision of the BIS Board of Governors.

Equity investments in international financial institutions do not exceed 10 per cent of the subscribed share capital of the respective institution.

Investments in international financial institutions also include BNB's participation in the ECB. As of 1 January 2007 (when the Republic of Bulgaria joined the EU), the Bulgarian National Bank has a share in the ECB capital. As of 31 December 2024, the amount of the BNB paid-up share in the ECB capital was EUR 3971.3 thousand or BGN 7767 thousand (31 December 2023: EUR 3991.2 thousand or BGN 7806 thousand).

Pursuant to Article 28 of the Statute of the ESCB and the ECB, only ESCB NCBs are entitled to participate in the ECB capital. Capital subscription follows the requirements and the key set forth in Article 29 of the Statute of the ESCB and ECB, *i.e.* the share of each NCB in the ECB capital is determined in percentage and corresponds to the share of the respective Member State in the EU's total population and GDP (in equal proportions). The percentage is adjusted every five years and whenever a new Member State joins the EU. The latest adjustment took place on 1 January 2024 and relates to the regular update carried out every five years. As of 31 December 2024, the BNB's capital share in the ECB subscribed capital was 0.9783 per cent (31 December 2023: 0.9832 per cent), which corresponds to EUR 105,901.1 thousand (31 December 2023: EUR 106,431.5 thousand).

As a non-euro area NCB, the BNB is required to pay up the minimum percentage of its subscribed capital in the ECB, which is pursuant to Article 47 of the Statute of the ESCB and of the ECB (as set out by the ECB General Council) and represents the BNB contribution to the ECB operational costs. From 29 December 2010, this percentage amounts to 3.75 per cent. Unlike euro area NCBs, the BNB is not entitled to the ECB's distributable profit, nor is it required to fund any loss of the ECB. Upon joining the euro area, the BNB will be required to pay up the remaining 96.25 per cent of its capital subscription to the ECB, which is EUR 101,929.8 thousand (31 December 2023: EUR 102,440.3 thousand).

In 2023, the fixed capital of Mint AD was increased from BGN 1260 thousand to BGN 20,000 thousand by issuing 18,740 new ordinary, registered voting shares with a nominal value of BGN 1000 *per* share. The increase was made through a cash contribution of BGN 9821 thousand and at the expense of a reserve set up in previous years.

The Bank exercises substantial influence on the financial and operational policies of the associated companies listed below, and its investments in domestic companies are as follows:

Associates	Shareholding, per cent	Principal activity
BORICA AD	36.11	Interbank card payments
Cash Services Company AD	25.00	Handling of sealed parcels of Bulgarian coins and banknotes transferred from the BNB and the banks

15. Tangible non-current assets

The fair value of land and buildings is categorised as Level-3 fair value based on the input data for the given assessment technique.

For the remaining asset classes – Plant and Machinery, Equipment, Vehicles, Fixtures and Fittings, the fair value is considered to be their present value on the Bank's balance sheet as most of them were bought in the last four years and their book value is close to their fair value.

When revaluating tangible fixed assets the Bank derecognises the accrued depreciation at the expense of the gross book value of the assets and their net value is recalculated against the revalued amount. As of 31 December 2024 the assets with a right of use were BGN 3 thousand (31 December 2023: BGN 15 thousand) regarding the purchase of a vehicle by the Bulgarian Mint EAD in 2020 under the financial lease conditions.

(BGN'000)

	Land and buildings	Plant and equipment	IT equipment	Office equipment	Right of use asset	Other equipment (including motor vehicles)	Assets under construction	Total
As of 1 January 2024	**202 363**	**132 271**	**51 793**	**9 653**	**62**	**8 251**	**3 570**	**407 963**
Additions	-	1 393	238	22	-	4	28 404	30 061
Disposals	-	(3 709)	(12 764)	(189)	-	(60)	(336)	(17 058)
Transfers	-	19 317	4 515	63	-	1 657	(25 552)	-
Revaluation	-	-	-	-	-	-	-	-
As of 31 December 2024	**202 363**	**149 272**	**43 782**	**9 549**	**62**	**9 852**	**6 086**	**420 966**
Depreciation and impairment loss	(87 754)	(80 441)	(47 687)	(8 576)	(47)	(7 337)	-	(231 842)
As of 1 January 2024								
Charge for the period	(5 700)	(7 467)	(3 579)	(116)	(12)	(377)	-	(17 251)
On disposals	-	3 709	12 764	189	-	60	-	16 722
Revaluation	-	-	-	-	-	-	-	-
As of 31 December 2024	**(93 454)**	**(84 199)**	**(38 502)**	**(8 503)**	**(59)**	**(7 654)**	**-**	**(232 371)**
Net book value as of 31 December 2024	**108 909**	**65 073**	**5 280**	**1 046**	**3**	**2 198**	**6 086**	**188 595**
Net book value as of 31 December 2023	**114 609**	**51 830**	**4 106**	**1 077**	**15**	**914**	**3 570**	**176 121**
As of 1 January 2023	199 452	109 639	55 893	9 763	62	8 116	15 814	398 739
Additions	-	21 647	17	12	-	2	6 423	28 101
Disposals	-	(302)	(4 777)	(195)	-	-	(13 603)	(18 877)
Transfers	**2 911**	**1 287**	**660**	**73**	-	**133**	**(5 064)**	-
Revaluation	-	-	-	-	-	-	-	-
As of 31 December 2023	202 363	132 271	51 793	9 653	62	8 251	3 570	407 963
Depreciation and impairment loss								
As of 1 January 2023	(82 057)	(75 394)	(48 580)	(8 645)	(34)	(7 018)	-	(221 728)
Charge for the period	(5 697)	(5 348)	(3 884)	(127)	(13)	(319)	-	(15 388)
On disposals	-	**301**	**4 777**	**196**	-	-	-	**5 274**
Revaluation	-	-	-	-	-	-	-	-
As of 31 December 2023	(87 754)	(80 441)	(47 687)	(8 576)	(47)	(7 337)	-	(231 842)
Net book value as of 31 December 2023	114 609	51 830	4 106	1 077	15	914	3 570	176 121

The carrying amount of fully amortised tangible fixed assets as of 31 December 2024 was BGN 68,345 thousand. (81,261 thousand as of 31 December 2023)

16. Intangible assets

(BGN'000)

	Software	Other intangible assets	Development costs	Total
As of 1 January 2024	72 853	164	236	73 253
Additions	2	15	3 258	3 275
Disposals	(1 818)	(13)	(415)	(2 246)
Transfers	3 393	-	(2 978)	415
As of 31 December 2024	74 430	166	101	74 697
Depreciation and impairment loss				
As of 1 January 2024	(58 283)	(155)	-	(58 438)
Charge for the period	(5 529)	(8)	-	(5 537)
On disposals	1 818	13	-	1 831
As of 31 December 2024	(61 994)	(150)	-	(62 144)
Net book value as of 31 December 2024	12 436	16	101	12 553
Net book value as of 31 December 2023	14 570	9	236	14 815

As of 31 December 2024, software includes licenses purchased by the BNB to the total amount of BGN 1717 thousand (31 December 2023: BGN 3417 thousand), and software products to the amount of BGN 1262 thousand (BGN 7155 thousand as of 31 December 2023).

(BGN'000)

	Software	Other intangible assets	Development costs	Total
As of 1 January 2023	**64 891**	**168**	**1 408**	**66 467**
Additions	-	-	9 401	9 401
Disposals	(2 611)	(4)	-	(2 615)
Transfers	10 573	-	(10 573)	-
As of 31 December 2023	**72 853**	**164**	**236**	**73 253**
Depreciation and impairment loss				
As of 1 January 2023	**(56 898)**	**(154)**	**-**	**(57 052)**
Charge for the period	(3 982)	(5)	-	(3 987)
On disposals	2 597	4	-	2 601
As of 31 December 2023	**(58 283)**	**(155)**	**-**	**(58 438)**
Net book value as of 31 December 2023	**14 570**	**9**	**236**	**14 815**
Net book value as of 31 December 2022	**7 993**	**14**	**1 408**	**9 415**

As of 31 December 2023, software includes licenses purchased by the BNB to the total amount of BGN 3417 thousand (31 December 2022: BGN 1048 thousand), and software products to the amount of BGN 7155 thousand (31 December 2022: BGN 1091 thousand).

17. Other Assets

(BGN'000)

	31 December 2024	31 December 2023
Cash held by subsidiaries with local banks	32 436	29 983
Investment of subsidiary undertakings in joint ventures and associates	11 434	11 275
Commemorative coins for sale	372	396
Inventories	64 084	23 841
Accounts receivable	4 803	4 441
Deferred charges	4 100	2 219
Other receivables	1 897	320
	119 126	**72 475**

Cash held by subsidiaries with local banks comprise BGN 23,723 thousand of BNB Printing Works AD and BGN 8713 thousand of Bulgarian Mint EAD.

Investments of subsidiary undertakings in joint ventures and associates include a non-monetary contribution in the form of banknote production equipment to the capital of François-Charles Oberthur Group with which BNB Printing Works AD has established a joint venture for banknote production.

18. Banknotes and Coins in Circulation

(BGN'000)

	31 December 2024	31 December 2023
Banknotes in circulation	30 451 467	28 869 984
Coins in circulation	626 588	592 072
	31 078 055	**29 462 056**

19. Liabilities to Banks and Other Financial Institutions

(BGN'000)

	31 December 2024	31 December 2023
Demand deposits from banks and other financial institutions		
– in BGN	22 937 851	28 204 004
– in foreign currency	4 907 533	2 199 717
	27 845 384	**30 403 721**

Demand deposits include BGN 17,029,361 thousand representing the required reserves, which all local banks are required to maintain on accounts with the BNB (31 December 2023: BGN 15,448,125 thousand).

The allocation of minimum required reserves of commercial banks in the BNB is in accordance with the BNB Ordinance No 21.

With regard of execution of payments in levs based on SEPA schemes deposits amounting to BGN 2,594,508 thousand (31 December 2023: BGN 2,738,220 thousand) are reported under this item.

Pursuant to Article 46 of BNB Ordinance No 16 of 29 March 2018, this position includes also the banks' participation in the Guarantee Mechanism for Settlement of Payments of the participants in the system operated by BORICA AD and processing card related payments, amounting to BGN 293,445 thousand (31 December 2023: BGN 235,799 thousand).

20. Liabilities to Government Institutions and Other Borrowings

(BGN'000)

	31 December 2024	31 December 2023
Current accounts		
– in BGN	6 652 089	7 426 285
– in foreign currency	3 081 825	3 644 829
Time deposit accounts	**9 733 914**	**11 071 114**

Government's accounts in national and foreign currency with the Bank comprise funds held on behalf of the state budget and other government organisations. The Bank applies interest rates in line with the General Terms and Conditions of the Bulgarian National Bank on servicing accounts of banks, budget organisations and other customers adopted by a resolution of the BNB Governing Council of 26 November 2015, last amended on 15 June 2023. As from 18 November 2019, the Bank does not open and service time deposit accounts of the government and other government institutions in accordance with the General Terms and Conditions of the Bulgarian National Bank on servicing accounts of banks, budget organisations and other customers.

As of 31 December 2024 obligations to pay interests of BGN 398 thousand on current accounts of customers have been accrued.

21. Borrowings against Bulgaria's Participation in International Financial Institutions

Borrowings against Bulgaria's participation in the IMF as of 31 December 2024 amounted to BGN 1,954,143 thousand, or SDR 795,933 thousand (BGN 1,890,699 thousand, or SDR 795,933 thousand as of 31 December 2023).

Borrowings from the IMF are denominated in SDRs. Borrowings related to Bulgaria's quota in the IMF are non-interest bearing with no stated maturity. This note includes account No 1 and account No 2 of the IMF in levs amounting to BGN 5412 thousand (31 December 2023: BGN 5402 thousand).

The Bank's borrowings from the IMF of the general and special allocation of SDRs amount to SDR 1,333,649,773 and SDR 136,289,102 respectively. Repayment will take place on IMF's demand. Under Article XX of IMF Statute, the Bank receives interest on the existing SDRs and pays a fee on its borrowings from the general and special allocation at the same interest rate.

22. Other Liabilities

(BGN'000)

	31 December 2024	31 December 2023
Funds of EU institutions and bodies	108 656	358 214
Funds of Banks Resolution Fund	479 022	463 974
Salaries and social security payable	11 453	9 727
Deferred income	1 483	1 401
Other liabilities	189 275	249 804
	789 889	**1 083 120**

Funds of EU institutions and bodies include European Commission's funds and European Investment Bank's funds. Pursuant to Article 9 of Council Regulation (EC, Euratom) No 1150 of 2000 and Bulgaria's participation in the funding of the EU budget, the Bank opened accounts of the European Commission. As of 31 December 2024, the funds on these accounts were BGN 108,656 thousand (31 December 2023: BGN 358,214 thousand).

As from 27 July 2020, in line with the requirements of § 56, paragraph 1 of the Transitional and Final Provisions of the Law on Amendment to the LRRCIIF, the Bulgarian National Bank as a resolution authority of credit institutions is the holder of the funds available in the Banks Resolution Fund's accounts. As of 31 December 2024, the funds amounted to BGN 479,022 thousand (31 December 2023: BGN 463,974 thousand).

23. Capital and Reserves

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

Non-monetary asset revaluation reserves comprise the net change in fair value of property, equity investments and other non-monetary assets.

Pursuant to Article 36 of the Law on the Bulgarian National Bank, unrealised gains/losses arising from the revaluation of assets and liabilities denominated in foreign currencies or gold are transferred to a special reserve account and form special reserves.

Other reserves include 25 per cent of the annual excess of revenue over expenditure after the allocation to special reserves and reserves established upon a resolution of the BNB Governing Council.

As of 31 December 2024, profit distribution in accordance with the profit distribution policy disclosed in note 5 (j) is as follows:

(BGN'000)

	31 December 2024	31 December 2023
Profit for the period	**3 453 090**	**1 815 895**
Allocation to special reserve under Article 36 of the LBNB:		
Unrealised (profit) from gold revaluation	(1 670 108)	(431 936)
Unrealised loss from revaluation of financial assets at fair value through profit or loss	(147 733)	(133 475)
Unrealised (profit)/loss from foreign currency valuation	(3 925)	2 258
Other unrealised loss/(gain)	(13)	(328)
Result after allocation to special reserve including:	**1 631 311**	**1 252 414**
Allocation (from)/to Reserve Fund under Article 8 of the LBNB	*405 404*	*310 760*
Result from consolidation and non-controlling interest	*9 697*	*9 375*
Allocation to a special purpose fund under Article 8 of the LBNB	*666 210*	*272 279*
Planned contribution to the state budget	*550 000*	*660 000*

24. Non-controlling Interest

The BNB Printing Works AD is a joint-stock company with two shareholders: the BNB and the State represented by the Ministry of Finance. The BNB holds a majority stake of 95.6 per cent of the company's capital and the government, through the MF – a non-controlling stake of 4.4 per cent of the company's capital.

25. Monetary Liabilities and Gross International Reserves

(BGN'000)

	31 December 2024	31 December 2023
Gross International Reserves		
Cash and foreign currency denominated deposits	41 842 645	37 181 812
Monetary gold and other instruments in gold	6 446 435	4 792 463
Security investments	33 723 502	39 793 187
Equity investments and quota in the IMF	240 916	233 094
	82 253 498	**82 000 556**
Monetary liabilities		
Banknotes and Coins in Circulation	31 078 055	29 462 056
Liabilities to banks and other financial institutions	27 072 126	29 609 376
Liabilities to government institutions	9 104 048	10 197 108
Other liabilities	1 511 780	2 026 564
	68 766 009	**71 295 104**
Surplus of gross international reserves over monetary liabilities	13 487 489	10 705 452

Interest receivable and interest payable are carried to the relevant financial assets and liabilities.

Monetary gold and other instruments in gold are revalued on a daily basis based on the euro fixing of the London Bullion Market closing price.

26. Related Party Transactions

Bulgarian Government

International Monetary Fund

As of 31 December 2024, the Republic of Bulgaria has not received funds under IMF agreements.

The Republic of Bulgaria's quota in the IMF is secured by promissory notes jointly signed by the Bank and the Government (ref. note 21).

Government bank accounts

As of 31 December 2024, government budget organisations have bank accounts with the Bank (ref. note 20).

Fiduciary activities

In accordance with the Law on the BNB and under the terms agreed upon with the Minister of Finance, the BNB acts as an agent in government or government-guaranteed debts. With regard to this role, the BNB performs agent and central depository services related to the administration and management of government securities issued by the Ministry of Finance. The Bank receives commission for providing these services. These government securities are not assets or liabilities of the BNB and are not recognised in its consolidated statement of financial position. The Bank is not exposed to any credit risk relating to government securities as it does not guarantee them. As of 31 December 2024, the par value of the government securities held in custody was BGN 11,935 million (31 December 2023: BGN 10,615 million).

Oberthur Fiduciaire AD

BNB Printing Works AD, as a company with a significant holding (30 per cent of the company's shares), and the Bulgarian National Bank (a majority owner of BNB Printing Works AD), as related parties of the company, carried out sales and/or purchases of services and materials at contract prices with the company in 2024.

27. Subsidiaries Included in Consolidated Financial Statements

(per cent)

Ownership interest	31 December 2024	31 December 2023
Bulgarian Mint EAD	100	100
BNB Printing Works AD (ref. note 24)	95.6	95.6

The net income from subsidiaries for the reporting period comprises the net result of BGN 2117 thousand from the Bulgarian Mint EAD (31 December 2023: BGN 1708 thousand) and BGN 3810 thousand from the BNB Printing Works AD (31 December 2023: BGN 5033 thousand).

28. Commitments and Contingencies

1) Participation in the Bank for International Settlements

The Bank holds 8000 shares of the capital of the BIS, each amounting to SDR 5000. Twenty-five per cent of the equity investment in the BIS is paid up. The capital subscribed but not paid in is with the option to be paid in within three months following a decision of the BIS Board of Governors. The contingent amount as of 31 December 2024 is BGN 73,655 thousand (31 December 2023: BGN 71,264 million).

2) IMF quota

The IMF quota is secured by promissory notes jointly signed by the Bank and the government of the Republic of Bulgaria amounting to BGN 1,914,198 thousand.

3) Capital commitments

As of 31 December 2024, the Bank has committed to BGN 29,953 thousand to purchase non-current assets (31 December 2023: BGN 18,999 thousand).

4) Other commitments and liabilities

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

5) Other contingent liabilities

The BNB is being sued in relation to alleged compensation for a delayed payment of deposits above the guaranteed amount or for challenging money transfers by customers of Corporate Commercial Bank AD (in bankruptcy) to a total amount of around BGN 26.5 million (31 December 2024: BGN 48.1 million).

Based on the Bank's assessment of the likely outcome of the legal proceedings, in 2024 provisions amounting to BGN 12,609 were made pursuant to IAS 37 thousand (2023: BGN 12,738 thousand). Assessments are periodically revised in order to reflect developments of all legal disputes and the circumstances related thereto.

In 2022, two identical cases against the BNB before a Federal Court in New York were closed with final decisions of the federal court due to lack of jurisdiction. They were related to alleged compensation of about USD 200 million each for actions of Corporate Commercial Bank AD (in bankruptcy) conservators appointed in 2014.

29. Events Which Occurred after the Reporting Date

There are no events after the reporting date that require additional disclosure or adjustments to the Bank's financial statements.

Information under Article 17, Paragraph 5 of the LBNB Concerning Resolutions Adopted by the BNB Governing Council in 2024

Reporting and Budget

RESOLUTION No 159 of 11 April

The BNB Annual Report for 2023 was approved at first reading.

RESOLUTION No 160 of 11 April

The BNB Governing Council approved the report on the implementation of the BNB budget for 2023 to be included in the BNB Annual Report for 2023.

RESOLUTION No 194 of 26 April

The BNB Annual Report for 2023 was approved.

RESOLUTION No 340 of 16 July

The BNB Governing Council has established the presence of grounds pursuant to Article 14, paragraph 1, propositions 1 and 2 of the LBNB for early dismissal of Andrey Gurov, Deputy Governor, Head of the Issue Department of the Bulgarian National Bank, on the basis of Anti–Corruption Commission Decision No РН-КПК-КИ-16-23-18 of 24 June 2024 and the established incompatibility.

RESOLUTION No 352 of 17 July

The Governing Council appointed Ernst & Young Audit OOD as an international auditor for an independent financial audit of the consolidated financial statements of the BNB for 2024, 2025 and 2026 financial years.

The Governing Council appointed Ernst & Young Audit OOD as a registered auditor for an independent financial audit of the annual financial statements of the BRF for 2024, 2025 and 2026 financial years.

RESOLUTION No 366 of 30 July

The BNB Governing Council determined the individual amount of fees to cover administrative costs of the BNB for 2023 arising from supervisory and resolution functions.

RESOLUTION No 475 of 8 October

The BNB Governing Council determined an estimated individual amount of fees to cover administrative costs of the BNB for 2024 arising from supervisory and resolution functions.

RESOLUTION No 503 of 31 October

The BNB Budget for 2025 was approved at first reading.

RESOLUTION No 504 of 31 October

The BNB Report for January–June 2024 was approved at first reading.

RESOLUTION No 505 of 31 October

The Report on BNB Budget implementation as of 30 June 2024 was approved.

RESOLUTION No 562 of 27 November

The BNB Report for January–June 2024 was approved.

RESOLUTION No 579 of 10 December

The BNB Governing Council approved the draft BNB Budget for 2025.

Gross International Reserves

RESOLUTION No 8 of 11 January

The BNB Governing Council took note of the selected benchmark for dynamic asset allocation in the first quarter of 2024.

RESOLUTION No 96 of 29 February

The BNB Governing Council took note of the International Reserve Management Report in 2023.

RESOLUTION No 163 of 11 April

The BNB Governing Council took note of the selected benchmark for dynamic asset allocation in the second quarter of 2024.

RESOLUTION No 302 of 11 June

The BNB Governing Council took note of the International Reserve Management Report in the first quarter of 2024.

RESOLUTION No 370 of 30 July

The BNB Governing Council took note of the selected benchmark for dynamic asset allocation in the third quarter of 2024.

RESOLUTION No 453 of 24 September

The BNB Governing Council took note of the International Reserve Management Report in the second quarter of 2024.

RESOLUTION No 513 of 31 October

The BNB Governing Council took note of the selected benchmark for dynamic asset allocation in the fourth quarter of 2024.

RESOLUTION No 564 of 27 November

The BNB Governing Council took note of the International Reserve Management Report in the third quarter of 2024.

Payment Systems and Payment Oversight

RESOLUTION No 53 of 15 February

The BNB Governing Council took note of the Annual Report of the Conciliation Commission for 2023.

The BNB Governing Council took note of the Annual Report of the Sectoral Conciliation Commission on Financial Services for 2023.

RESOLUTION No 54 of 15 February

The BNB Governing Council took note of the calculated average amount of fees charged by banks on services under Appendix 1 to Article 34 of Ordinance No 3 of the BNB of 18 April 2018 on the Terms and Procedure for Opening Payment Accounts, Executing Payment Transactions and Using Payment Instruments on current accounts as of 31 December 2023 in relation to Article 120, paragraph 6 of the Law on Payment Services and Payment Systems and Article 35, paragraph 2 of Ordinance No 3 of the BNB.

RESOLUTION No 58 of 15 February

The BNB Governing Council agrees that Diners Club Bulgaria AD, UIC 121230735, may cease its activities as a payment institution with effect from 15 April 2024 in connection with an application for winding-up by the company. From that date, its license to provide payment services under Article 4, item 3(c), 4(b) and 5 of the Law on Payment Services and Payment Systems is annulled.

RESOLUTION No 227 of 20 May

The Governing Council of the BNB adopted an Ordinance on Amendment of Ordinance No 16 of 29 March 2018 on Granting Licenses and Approvals, Entry into the Register under Article 19 of the Law on Payment Services and Payment Systems, and Requirements to the Activity of Operators of Payment Systems with Settlement Finality.

RESOLUTION No 263 of 30 May

The Governing Council of the BNB adopted Ordinance on Amendment of Ordinance No 3 of 18 April 2018 on the Terms and Procedure for Opening Payment Accounts, Executing Payment Transactions and Using Payment Instruments.

RESOLUTION No 265 of 30 May

The BNB Governing Council decided to amend the license of BORICA AD to act as an operator of the payment system for servicing customer transfers in euro BISERA (previously named BISERA7-EUR).

RESOLUTION No 567 of 27 November

The BNB Governing Council agrees that Cash Express Service Ltd., UIC 130372185, may cease its activities as a payment institution with effect from 31 December 2024 in connection with an application for winding-up by the company. From that date, its license to provide payment services under Article 4, item 6 of the Law on Payment Services and Payment Systems is annulled.

RESOLUTION No 619 of 19 December

The Governing Council of the Bulgarian National Bank issued a license to conduct activities as an electronic money institution to IutePay Bulgaria EOOD, UIC 204903721, pursuant to Article 4, items 1, 2 and 3 of the Law on Payment Services and Payment Systems.

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Between January and December 2024, the BNB Governing Council adopted one resolution on an application for approval, one resolution on a licence application, and six resolutions regarding other payment oversight powers.

Cash Circulation

RESOLUTION No 6 of 11 January

The BNB Governing Council took note of the availability and developments in the BNB Strategic Stock of Banknotes for 2023.

RESOLUTION No 33 of 22 January

The BNB Governing Council decided to withdraw from circulation the commemorative coins issued in 2018, which ceased to be legal tender on 5 February 2024.

Commemorative coins issued in 2018 will be exchangeable at BNB tills at nominal value with no limit on the quantity free of charge until 31 December 2025.

RESOLUTION No 34 of 22 January

The BNB Governing Council approved a List of selling prices of banknotes or coins sold by the BNB at prices other than their nominal value.

RESOLUTION No 43 of 30 January

The BNB Governing Council decided to put into circulation as of 11 March 2024 a copper commemorative coin '125 Years since the Birth of Pancho Vladigerov' of the Bulgarian Artists series.

RESOLUTION No 73 of 15 February

The price at which the copper commemorative coin '125 Years since the Birth of Pancho Vladigerov', issue 2024, will be sold at BNB tills is BGN 54 (fifty–four levs).

RESOLUTION No 148 of 28 March

The BNB Governing Council decided to put into circulation, as of 20 May 2024 a silver commemorative coin '100 Years of Athletics in Bulgaria'.

RESOLUTION No 202 of 30 April

The price at which the silver commemorative coin '100 Years of Athletics in Bulgaria', issue 2024, will be sold at BNB tills is BGN 144 (one hundred and fourty–four levs).

RESOLUTION No 223 of 13 May

The Governing Council of the BNB amended Resolution No 202 of 30 April 2024 on the price at which the silver commemorative coin '100 Years of Athletics in Bulgaria', issue 2024, will be sold at BNB tills to BGN 150 (one hundred and fifty levs).

RESOLUTION No 224 of 13 May

The BNB Governing Council decided to put into circulation on 24 June 2024 a gold commemorative coin 'St. Peter and St. Paul' of the Bulgarian Iconography series.

RESOLUTION No 287 of 30 May

The gold commemorative coin ‘St Peter and St Paul’, issue 2024, will be sold at BNB tills at BGN 1757 (one thousand seven hundred and fifty-seven levs).

RESOLUTION No 347 of 17 July

The BNB Governing Council approved a List of selling prices of banknotes or coins sold by the BNB at prices other than their nominal value.

RESOLUTION No 348 of 17 July

The BNB Governing Council adopted the Commemorative Coin and Banknote Production Programme for 2025.

The BNB Governing Council took note of the Preliminary Commemorative Coin and Banknote Production Programme for 2026 and 2027 as a basis for preparing annual programmes.

RESOLUTION No 349 of 17 July

The BNB Governing Council decided to put into circulation as of 16 September 2024 a silver commemorative coin ‘200 Years since the Publication of the ‘Riben Bukvar’ (Fish Primer) of the Bulgarian Revival series.

RESOLUTION No 378 of 30 July

The silver commemorative coin ‘200 Years since the Publication of the ‘Riben Bukvar’, issue 2024, will be sold at BNB tills at BGN 150 (one hundred and fifty levs).

RESOLUTION No 481 of 8 October

Under the LBNB Article 25, the Bulgarian National Bank put into circulation as of 25 November 2024 a silver commemorative coin ‘The Bulgarian Bagpipe’ of the ‘Bulgarian Customs and Traditions’ series.

RESOLUTION No 528 of 31 October

The silver commemorative coin ‘The Bulgarian Bagpipe’, issue 2024, will be sold at BNB tills at BGN 156 (one hundred and fifty-six) levs.

RESOLUTION No 529 of 31 October

The BNB Governing Council set the final ranking in the anonymous competition for the silver commemorative coin ‘175 Years since the Birth of Ivan Vazov’ of the Bulgarian National Revival series, issue 2025, and chose the design by Svetlin Balezdrov. It also determined coin specifications.

RESOLUTION No 530 of 31 October

The BNB Governing Council set the final ranking in the anonymous competition for the silver commemorative coin ‘175 Years since the Birth of Zahari Stoyanov’ of the Bulgarian National Revival series, issue 2025, and chose the design by Plamen Chernev and Preslav Chernev. It also determined coin specifications.

RESOLUTION No 531 of 31 October

The BNB Governing Council set the final ranking in the anonymous competition for the copper commemorative coin ‘100 Years since the Birth of Georgi Partsalev’ of the

Bulgarian Artists series, issue 2025, and chose the design by Mihaela Kamenova. It also determined coin specifications.

RESOLUTION No 546 of 7 November

The BNB Governing Council set the final ranking in the anonymous competition for the gold commemorative coin 'Saint Patriarch Euthymius of Tarnovo' of the Bulgarian Iconography series, issue 2025, and chose the design by Plamen Chernev and Preslav Chernev. It also determined coin specifications.

RESOLUTION No 547 of 7 November

The BNB Governing Council set the final ranking in the anonymous competition for the silver commemorative coin '125 Years of Emergency Medical Care in Bulgaria', issue 2025, and chose the design by Svetlin Balezdrov. It also determined coin specifications.

RESOLUTION No 570 of 27 November

The BNB Governing Council decided to put into circulation on 2 January 2025 a gold commemorative coin 'Virgin Mary – Golden Apple'.

RESOLUTION No 578 of 9 December

The gold commemorative coin 'Virgin Mary – Golden Apple' of BGN 10 nominal value, issue 2025, will be sold at BNB tills at BGN 1789 (one thousand seven hundred and eighty-nine levs).

The gold commemorative coin 'Virgin Mary – Golden Apple' of BGN 20 nominal value, issue 2025, will be sold at BNB tills at BGN 3311 (three thousand three hundred and eleven levs).

The gold commemorative coin 'Virgin Mary – Golden Apple' of BGN 50 nominal value, issue 2025, will be sold at BNB tills at BGN 4872 (four thousand eight hundred and seventy-two levs).

The gold commemorative coin 'Virgin Mary – Golden Apple' of BGN 100 nominal value, issue 2025, will be sold at BNB tills at BGN 6456 (six thousand four hundred and fifty-six levs).

Maintaining Banking System Stability and Protecting Depositor Interests

RESOLUTION No 21 of 22 January

The BNB Governing Council adopted Ordinance on Amendment of Ordinance No 2 of 2006 on the Licenses, Approvals and Permissions Granted by the Bulgarian National Bank according to the Law on Credit Institutions.

RESOLUTION No 22 of 22 January

The Governing Council adopted Ordinance on Amendment of Ordinance No 10 of the BNB of 2019 on the Organisation, Governance and Internal Control of Banks.

RESOLUTION No 23 of 22 January

The BNB Governing Council adopted Ordinance on Amendment of BNB Ordinance No 20 of 2019 on the Requirements to the Members of the Management and Control

Bodies of a Credit Institution and on the Assessment of the Suitability of Their Members and the Key Function Holders.

RESOLUTION No 61 of 15 February

The BNB decided to inform the European Systemic Risk Board that there is no need for the BNB to introduce voluntary reciprocity for macroprudential measures of Belgium, Germany, Norway, Sweden, Portugal and Denmark, based on a review of actual data showing a non-significant size of the specific exposures specified in Recommendation ESRB/2023/13, whereby Recommendation ESRB/2015/2 is amended.

RESOLUTION No 102 of 29 February

As of 29 February 2024, the Bulgarian National Bank applies the updated ECB Guide to internal models.

RESOLUTION No 141 of 28 March

The BNB Governing Council took note of the Report on the State of the Banking System (fourth quarter of 2023).

It also took note of the publication of 'Banks in Bulgaria (October – December 2023)'.

RESOLUTION No 142 of 28 March

The BNB Governing Council set the countercyclical capital buffer rate applicable to credit risk exposures in the Republic of Bulgaria at 2.0 per cent in the second quarter of 2025.

RESOLUTION No 143 of 28 March

The BNB applies from 29 March 2024 in its supervisory activities the updated version of the SSM Supervisory Manual. This decision was approved pursuant to Article 16, item 21 of the Law on the Bulgarian National Bank. The updated Manual aims to reflect the reorganisation in ECB's Banking Supervision after 2019. The document was approved by the ECB Supervisory Board on 18 December 2023 and published on 9 February 2024.

RESOLUTION No 228 of 20 May

The BNB Governing Council took note of the review of BNB's macroprudential measures to address the risks to the banking system, to be published on the BNB website.

RESOLUTION No 230 of 20 May

The BNB complies with the 'Guidelines amending Guidelines EBA/GL/2020/14 on the specification and disclosure of systemic importance indicators (EBA/GL/2023/10) issued by the European Banking Authority and published on its official page.

RESOLUTION No 231 of 20 May

The BNB complies with effect from 27 June 2024 with Guidelines on the benchmarking diversity practices, including gender diversity policies and gender pay gap under Directive 2013/36/EU and Directive (EU) 2019/2034 (EBA/GL/2023/08), issued by the European Banking Authority and published on its official website.

RESOLUTION No 315 of 26 June

The BNB Governing Council took note of the Report on the State of the Banking System (first quarter of 2024).

It also took note of the publication 'Banks in Bulgaria (January – March 2024)'.

RESOLUTION No 316 of 26 June

The BNB Governing Council set the countercyclical capital buffer rate applicable to credit risk exposures in the Republic of Bulgaria at 2.0 per cent in the third quarter of 2025.

RESOLUTION No 341 of 17 July

The BNB Governing Council adopted Ordinance on Amendment of BNB Ordinance No 19 of 20 October 2016 on Credit Intermediaries.

RESOLUTION No 342 of 17 July

As of 30 December 2024, the BNB complies with Guidelines on amending Guidelines EBA/2021/02 under Article 17 and Article 18(4) of Directive (EU) 2015/849 on simplified and enhanced customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions (EBA/GL/2024/01).

RESOLUTION No 367 of 30 July

The BNB complies with the EBA Guidelines on the delineation and reporting of available financial means of deposit guarantee schemes (EBA/GL/2021/17) issued by the European Banking Authority and published on its official website. The guidance under item 1 will apply after the entry into force of the new Ordinance No 30 on Calculation of the Premium Contributions Due by Banks under the Law on Bank Deposit Guarantee.

RESOLUTION No 422 of 11 September

The Governing Council approved Ordinance No 30 on Calculation of the Premium Contributions Due by Banks under the Law on Bank Deposit Guarantee.

RESOLUTION No 423 of 11 September

The BNB complies, as of 17 October 2024, with the Guidelines on the resubmission of historical data under the EBA reporting framework (EBA/GL/2024/04) issued by the European Banking Authority and published on its official website.

RESOLUTION No 445 of 24 September

The BNB Governing Council adopted Ordinance on Amendment of Ordinance No 8121h-444 of 3 May 2016 on the Organisation and Control of the Security of Banks and Financial Institutions.

RESOLUTION No 447 of 24 September

The BNB Governing Council set the countercyclical capital buffer rate applicable to credit risk exposures in the Republic of Bulgaria at 2.0 per cent in the fourth quarter of 2025.

RESOLUTION No 448 of 24 September

The BNB Governing Council took note of the Report on the State of the Banking System (second quarter of 2024).

The BNB Governing Council took note of the publication of Banks in Bulgaria (April–June 2024).

RESOLUTION No 476 of 8 October

The Bulgarian National Bank complies as of 30 December 2024 with the Guidelines amending Guidelines EBA/GL/2021/16 on the characteristics of a risk-based approach to anti-money laundering and terrorist financing supervision, and the steps to be taken when conducting supervision on a risk-sensitive basis under Article 48(10) of Directive (EU) 2015/849 (Guidelines on risk-based supervision) issued by the European Banking Authority and published on its official website.

RESOLUTION No 506 of 31 October

The BNB Governing Council adopted Ordinance on Amendment of Ordinance No 2 of the BNB of 2006 on the Licenses, Approvals and Permissions Granted by the Bulgarian National Bank according to the Law on Credit Institutions.

RESOLUTION No 507 of 31 October

The Governing Council adopted Ordinance on Amendment of Ordinance No 10 of the BNB of 2019 on the Organisation, Governance and Internal Control of Banks.

RESOLUTION No 508 of 31 October

The BNB Governing Council adopted Ordinance on Amendment of BNB Ordinance No 20 of 2019 on the Requirements to the Members of the Management and Control Bodies of a Credit Institution and on the Assessment of the Suitability of Their Members and the Key Function Holders.

RESOLUTION No 509 of 31 October

The BNB Governing Council adopted Ordinance on Amendment of BNB Ordinance No 33 on the Assignee's in Bankruptcy Remuneration.

RESOLUTION No 514 of 31 October

The Governing Council set six other systemically important institutions (O-SIIs) pursuant to Article 9, paragraph 11, in relation to paragraphs 1 and 3 and in compliance with the criteria set out in Article 9, paragraph 7 of BNB Ordinance No 8 and the pan-European methodology set out in the guidelines of the European Banking Authority (EBA).

The BNB Governing Council set the buffer rate applicable to the total risk exposure amount for O-SII pursuant to Article 11, paragraphs 1 and 3 of BNB Ordinance No 8 on an individual, consolidated or on an individual and consolidated basis.

In line with Article 11, paragraph 4 of BNB Ordinance No 8, the publication of the decision is made one month after the notification to the European Systemic Risk Board.

RESOLUTION No 545 of 7 November

The BNB complies from 30 December 2024 with Guidelines on information requirements in relation to transfers of funds and certain crypto-assets transfers under

Regulation (EU) 2023/1113 ('Guidelines on Travel Rules') (EBA/GL/2024/11). The Guidelines were issued by the European Banking Authority and published on its official website.

RESOLUTION No 565 of 27 November

The BNB complies from 9 December 2024 with Guidelines on the STS criteria for on-balance-sheet securitisations and amending Guidelines EBA/GL/2018/08 and EBA/GL/2018/09 on the ABCP and non-ABCP securitisation (EBA/GL/2024/05) issued by the European Banking Authority and published on its official page.

RESOLUTION No 605 of 19 December

The BNB Governing Council took note of the Report on the State of the Banking System (third quarter of 2024).

The BNB Governing Council took note of the publication of Banks in Bulgaria (July–September 2024).

RESOLUTION No 607 of 19 December

The BNB Governing Council set the countercyclical capital buffer rate applicable to credit risk exposures in the Republic of Bulgaria at 2.0 per cent for the first quarter of 2026.

RESOLUTION No 621 of 19 December

The BNB intends to comply with effect from 17 January 2025 with the Joint Guidelines on the oversight cooperation and information exchange between the ESAs and the competent authorities (JC/GL/2024/36) issued by the European Supervisory Authorities and published on their official websites.

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In the January to December 2024 period, the Governing Council of BNB adopted:

– 38 resolutions pursuant to Article 11, paragraphs 1 and 3 of the LCI regarding approvals for holding a position of a member of a management body and Article 11a of the LCI for holding key positions and relevant administrative proceedings related to them;

– 39 resolutions related to the supervisory review and evaluation process pursuant to Article 79c of the LCI;

– 15 resolutions under Article 76, paragraph 4 of the LCI on coordinating the choice of an auditor of a credit institution;

– 56 resolutions on performed supervisory inspections and other approvals, authorisations and actions on administrative procedures;

– 27 resolutions related to own funds;

– 10 resolutions under Article 71, paragraph 5 of the LCI on the approval of amendments to the Articles of Association of a credit institution.

BNB Activities on Resolution of Credit Institutions

RESOLUTION No 7 of 11 January

The BNB Governing Council determined eligible classes of assets, investment restrictions for market and credit risks and permitted issuers for each of the asset classes when deciding to invest BRF financial means in a structured index account with the BNB for 2024.

RESOLUTION No 32 of 22 January

The financial means of the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF shall continue to be held in a current account with the Bulgarian National Bank for the 1 February – 30 April 2024 period.

The financial means of the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF shall continue to be held in a current account with the BNB for the 1 February – 30 April 2024 period.

RESOLUTION No 44 of 1 February

The BNB Governing Council maintains the position adopted by Resolution No 534 of 29 November 2023 by a proposal of the Single Resolution Board on approving on a preliminary basis of a draft joint decision on a resolution plan of the UniCredit S.p.A. Group for 2023, an assessment of the resolvability of the resolution entity and determination of the minimum requirement for own funds and eligible liabilities (MREL) of the resolution entity and its subsidiaries.

RESOLUTION No 130 of 15 March

The BNB Governing Council disapproved a draft joint decision of the SRB on approving on a preliminary basis of a draft joint decision on a resolution plan and resolvability assessment of KBC Group N.V. (KBC Group) for 2023 and on setting out MREL of the resolution entity and its subsidiaries (including UBB AD).

RESOLUTION No 133 of 20 March

The Governing Council disapproved the draft proposal of the Single Resolution Board on setting a minimum requirement for own funds and eligible liabilities (MREL) for DSK Bank AD on a preliminary basis and on its transmission to the Central Bank of Hungary as a group-level resolution authority of OTP Bank Plc.

RESOLUTION No 135 of 22 March

The BNB Governing Council agreed with the SRB draft decision to grant prior authorisation for the reduction without replacement of eligible liabilities instruments under Article 78a(1)(b) of Regulation (EU) No 575/2013, in relation to a written application by UniCredit S.p.A.

RESOLUTION No 164 of 11 April

The BNB Governing Council adopted the Annual Report of the Banks Resolution Fund for 2023.

RESOLUTION No 165 of 11 April

The BNB Governing Council determined the annual contributions of branches of third country credit institutions to the Banks Resolution Fund for 2024 at BGN 105,991.69.

RESOLUTION No 166 of 11 April

The BNB Governing Council approved a joint decision on the resolution plan of ProCredit Holding AG and its subsidiaries for 2023 and on setting a minimum requirement for own funds and eligible liabilities for ProCredit Bank (Bulgaria) EAD as a resolution entity on an individual basis.

RESOLUTION No 193 of 23 April

The BNB Governing Council agreed with the draft decision of the Single Resolution Board granting prior authorisations for the reduction by replacing of eligible liabilities instruments under Article 78a(1)(a) of Regulation (EU) No 575/2013 in relation to a written application from KBC Group N.V. regarding KBC Group N.V. and KBC Bank N.V.

RESOLUTION No 199 of 30 April

The financial means of the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF will continue to be held in a current account with the Bulgarian National Bank for the 1 May – 31 July 2024 period.

The financial means of the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF will continue to be held in a current account with the BNB for the 1 May – 31 July 2024 period.

RESOLUTION No 215 of 30 April

The Bulgarian National Bank refrains from approving SRB's draft decisions to grant a general prior authorisation for the reduction of eligible liabilities instruments pursuant to Article 78a(1), second sub-paragraph of Regulation (EU) No 575/2013 in connection with a written application by Eurobank S.A.

RESOLUTION No 232 of 20 May

The BNB Governing Council agreed with the SRB draft decision to grant prior authorisation for the reduction without replacement of eligible liabilities instruments under Article 78a(1)(b) of Regulation (EU) No 575/2013, in relation to a written application by Eurobank Cyprus Ltd.

RESOLUTION No 262 of 23 May

The BNB Governing Council disagreed with the draft decision of the Single Resolution Board to approve a joint decision on a group resolution plan for 2023 and an assessment of the resolvability of UniCredit S.p.A. and its subsidiaries and on setting the minimum requirement for own funds and eligible liabilities of UniCredit S.p.A. and its subsidiaries, including UniCredit Bulbank AD.

RESOLUTION No 285 of 30 May

The BNB Governing Council adopted an adjustment to the deduction of funds raised in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF from the liabilities of credit institutions for contributions to the Single Resolution Fund for 2023.

The amounts recovered by the SRB in relation to adjusted contributions for 2023 to the SRF will be added to the funds of the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF and used in accordance with § 56, paragraph 2 of the Transitional and Final Provisions of the Law amending the LRRCIIF.

RESOLUTION No 295 of 3 June

The BNB Governing Council disagreed with the draft decision of the Single Resolution Board on the approval of a joint decision on a group resolution plan for 2023 and assessment of KBC Group N.V. and its subsidiaries' resolvability and on setting the minimum requirement for own funds and eligible liabilities of the resolution entity KBC Group N.V. and its subsidiaries, including United Bulgarian Bank AD.

RESOLUTION No 320 of 26 June

The BNB Governing Council decided to apply the SRB decision SRB/EES/2023RPC/122 on setting a minimum requirement for own funds and eligible liabilities with regard to UniCredit Bulbank AD, in line with the relevant provisions of the Law on the Recovery and Resolution of Credit Institutions and Investment Firms.

RESOLUTION No 321 of 26 June

The BNB Governing Council decided to apply the SRB decision SRB/EES/2023RPC/126 setting a minimum requirement for own funds and eligible liabilities with regard to United Bulgarian Bank AD, in line with the relevant provisions of the Law on the Recovery and Resolution of Credit Institutions and Investment Firms.

RESOLUTION No 371 of 30 July

The financial means of the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF will continue to be held in a current account with the BNB for the 1 August – 31 October 2024 period.

The financial means of the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF will continue to be held in a current account with the BNB for the 1 August – 31 October 2024 period.

RESOLUTION No 386 of 9 August

The BNB Governing Council agreed with the draft decision of the Single Resolution Board granting a general prior authorisation for the reduction of eligible liabilities instruments under Article 78a(1), second sub-paragraph of Regulation (EU) No 575/2013, in relation to a written application from UniCredit S.p.A.

RESOLUTION No 424 of 11 September

The BNB Governing Council approved a resolution plan of Bulgarian-American Credit Bank AD for 2023. It set a minimum requirement for own funds and eligible liabilities for Bulgarian-American Credit Bank AD.

RESOLUTION No 425 of 11 September

The BNB Governing Council approved a resolution plan of Texim Bank AD for 2023.

It set a minimum requirement for own funds and eligible liabilities for Texim Bank AD.

RESOLUTION No 426 of 11 September

The BNB Governing Council approved a resolution plan of Tokuda Bank AD for 2023.

It set a minimum requirement for own funds and eligible liabilities for Tokuda Bank AD.

RESOLUTION No 427 of 11 September

The BNB Governing Council approved a resolution plan of D Commerce Bank AD for 2023.

It set a minimum requirement for own funds and eligible liabilities (MREL) for D Commerce Bank AD on an individual basis.

RESOLUTION No 441 of 18 September

The BNB Governing Council agreed with the draft decision of the Single Resolution Board granting prior authorisations for the reduction without replacing eligible liabilities instruments under Article 78a(1)(b) of Regulation (EU) No 575/2013 in relation to a written application from KBC Group N.V. regarding KBC Bank N.V.

RESOLUTION No 494 of 9 October

The BNB Governing Council agreed with the SRB draft decision to grant prior authorisation for the reduction without replacing eligible liabilities instruments under Article 78a(1)(b) of Regulation (EU) No 575/2013, in relation to a written application by UniCredit S.p.A.

RESOLUTION No 495 of 14 October

As of 15 October 2024, the BNB Governing Council appointed the Deputy Governor in charge of the Banking Department as a member of the Single Resolution Board to represent the BNB.

RESOLUTION No 523 of 31 October

The financial means of the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF will continue to be held in a current account with the BNB for the 1 November 2024 – 31 January 2025 period.

The financial means of the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF will continue to be held in a current account with the BNB for the 1 November 2024 – 31 January 2025 period.

RESOLUTION No 542 of 7 November

The BNB Governing Council adopted Ordinance on Amendment of BNB Ordinance No 44 on the Terms and Procedure for the Selection of Independent Valuers under Article 55a of the Law on the Recovery and Resolution of Credit Institutions and Investment Firms.

RESOLUTION No 543 of 7 November

The BNB Governing Council agreed with the draft decision of the Single Resolution Board granting a general prior authorisation for the reduction of eligible liabilities instruments under Article 78a(1), second sub-paragraph of Regulation (EU) No 575/2013, in relation to a written application from UniCredit S.p.A.

RESOLUTION No 544 of 7 November

The BNB does not apply the simplified requirements when preparing resolution plans for credit institutions falling within the BNB direct powers as a resolution authority.

The BNB Governing Council does not propose to the Single Resolution Board the application of simplified requirements to credit institutions falling within the direct powers of the Single Resolution Board.

RESOLUTION No 557 of 12 November

The Governing Council disapproved the draft decision of the Single Resolution Board on a written approval of a joint decision on a resolution plan and assessment of OTP Bank Plc. group for 2023 and on setting a minimum requirement for own funds and eligible liabilities for OTP Bank Plc. and its subsidiary including DSK Bank AD.

RESOLUTION No 585 of 10 December

The BNB Governing Council decided to implement SRB decision (SRB/EES/2023RPC/197) on setting a minimum requirement for own funds and eligible liabilities (MREL) with regard to DSK Bank AD on an individual basis, in line with the relevant provisions of the Law on the Recovery and Resolution of Credit Institutions and Investment Firms.

RESOLUTION No 604 of 12 December

The BNB Governing Council approved a draft decision of the Single Resolution Board on approving a resolution plan and resolvability assessment of UniCredit S.p.A. (UniCredit group) on a preliminary basis, and on setting a minimum requirement for own funds and eligible liabilities of a resolution entity and relevant subsidiaries of the UniCredit group, including UniCredit Bulbank AD.

RESOLUTION No 615 of 19 December

The BNB Governing Council approved the resolution plan of Allianz Bank Bulgaria AD for 2023.

It set a minimum requirement for own funds and eligible liabilities (MREL) for Allianz Bank Bulgaria AD.

RESOLUTION No 616 of 19 December

The BNB Governing Council approved the resolution plan of Investbank AD for 2023.

It set a minimum requirement for own funds and eligible liabilities (MREL) for Investbank AD.

RESOLUTION No 617 of 19 December

The BNB Governing Council approved the resolution plan of International Asset Bank AD for 2023.

It set a minimum requirement for own funds and eligible liabilities (MREL) for International Asset Bank AD.

RESOLUTION No 618 of 19 December

The BNB Governing Council approved the resolution plan of Municipal Bank AD for 2023.

It set a minimum requirement for own funds and eligible liabilities (MREL) for Municipal Bank AD.

RESOLUTION No 613 of 19 December

The BNB Governing Council approved the application of write-down and conversion and bail-in exchange mechanic for the purposes of resolution of credit institutions, prepared pursuant to the Guidelines for institutions and resolution authorities in connection with the publication of the write-down and conversion and bail-in exchange mechanic (EBA/GL/2023/01) to be published on the BNB website under 'Resolution of Banks' Section

Statistics

RESOLUTION No 580 of 10 December

The BNB Governing Council adopted Ordinance on Amendment of Ordinance No 17 of 29 March 2018 on the Monetary and Interest Rate Statistics and Financial Accounts Statistics, effective from 1 April 2025.

RESOLUTION No 581 of 10 December

The BNB Governing Council adopted Ordinance on Amendment of BNB Ordinance No 27 of 13 March 2014 on the Balance of Payments Statistics, International Investment Position and Securities Statistics, effective from 1 April 2025.

RESOLUTION No 582 of 10 December

The BNB Governing Council adopted Ordinance on Amendment of Ordinance No 17 of 29 March 2018 on the Monetary and Interest Rate Statistics and Financial Accounts Statistics which shall enter into force on the date specified in the Council Decision on the adoption of the euro by the Republic of Bulgaria.

RESOLUTION No 583 of 10 December

The BNB Governing Council adopted Ordinance on Amendment of BNB Ordinance No 27 of 13 March 2014 on the Balance of Payments Statistics, International Investment Position and Securities Statistics, which shall enter into force on the date specified in the Council Decision on the adoption of the euro by the Republic of Bulgaria.

The Fiscal Agent and State Depository Function

RESOLUTION No 541 of 7 November

The BNB Governing Council adopted Ordinance on Amendment of Ordinance No 5 of 4 October 2007 on the Terms and Procedure for Acquisition, Registration, Redemption and Trade in Government Securities.

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

RESOLUTION No 137 of 28 March

The BNB Governing Council adopted Ordinance on Amendment of Ordinance No 12 of 29 September 2016 on the Register of Bank Accounts and Safe Deposit Boxes, as well as the Tariff of Fees of the Register of Bank Accounts and Safe Deposit Boxes, in force from 1 May 2024.

RESOLUTION No 138 of 28 March

The BNB Governing Council adopted Ordinance on Amendment of Ordinance No 22 of 16 July 2009 on the Central Credit Register, as well as the Tariff of Fees of the Central Credit Register, in force from 1 May 2024.

Research

RESOLUTION No 29 of 22 January

The BNB Governing Council took note of the BNB forecast of key macroeconomic indicaors for 2023–2025 (prepared as of 11 January 2024) to be published in the Macroeconomic Forecast (December 2023).

RESOLUTION No 71 of 15 February

The BNB Governing Council took note of the analysis of the major macroeconomic developments and the assessments of dynamics in the main macroeconomic indicators in the first and second quarters of 2024 to be published in the Economic Review, issue 4 of 2023.

RESOLUTION No 94 of 29 February

The BNB Governing Council awarded two scholarships for 2024, as follows:

– to the amount of BGN 750 *per* month *per* candidate for acquiring a master's degree;

– to the amount of BGN 1000 *per* month *per* candidate for acquiring a doctor's degree.

RESOLUTION No 162 of 11 April

The BNB Governing Council took note of the BNB forecast of key macroeconomic indicators for 2024–2026 (prepared as of 27 March 2024) to be published in the Macroeconomic Forecast (March 2024).

RESOLUTION No 198 of 30 April

The BNB Governing Council took note of the analysis of the major macroeconomic developments and the assessments of dynamics in the main macroeconomic indicators in the second and third quarters of 2024 to be published in the Economic Review, issue 1 of 2024.

RESOLUTION No 294 of 30 May

To celebrate the 145th anniversary of the BNB's foundation, the BNB Governing Council approved the printing of the non-periodical publication 'Mandate and Functions of the Bulgarian National Bank, 1879–1947', Volume 1 'The Legislative Framework of the BNB Activity' of the BNB thematic series 'History of Finance and Banking'.

RESOLUTION No 346 of 17 July

The BNB Governing Council took note of the BNB forecast of key macroeconomic indicators for 2024-2026 (prepared as of 26 June 2024) to be published in the Macroeconomic Forecast (June 2024).

RESOLUTION No 369 of 30 July

The BNB Governing Council took note of the analysis of the major economic developments and the assessments of dynamics in the main macroeconomic indicators in the third and fourth quarters of 2024 to be published in the Economic Review, issue 2 of 2024).

RESOLUTION No 512 of 31 October

The BNB Governing Council took note of the analysis of the major economic developments and the assessments of dynamics in main macroeconomic indicators in the fourth quarter of 2024 and first quarter of 2025 to be published in the Economic Review, (issue 3 of 2024).

RESOLUTION No 563 of 27 November

The BNB Governing Council took note of the BNB forecast of key macroeconomic indicators for 2024–2026 (prepared as of 8 November 2024) to be published in the Macroeconomic Forecast (November 2024).

BNB Internal Audit

RESOLUTION No 183 of 11 April

The BNB Governing Council adopted the updated Annual Activity Plan of the Internal Audit Directorate for 2024 approved by BNB Resolution No 585 of 21 December 2023.

RESOLUTION No 289 of 30 May

The BNB Governing Council approved the Chief Auditor's Report on the activity of the BNB Internal Audit Directorate for 2023.

RESOLUTION No 569 of 27 November

The BNB Governing Council adopted the Annual Plan of the BNB Internal Audit for 2025 and the updated strategy of the activity of the BNB Internal Audit Directorate for the period until 2027.

General Meetings

RESOLUTION No 41 of 23 January

The BNB Governing Council gave its consent to the Governor to authorise a representative of the BNB to vote at the extraordinary General Meeting of Shareholders of the Cash Services Company AD on: dismissal of Irina Martseva as a member of the Board of Directors of the company and election of James Yolovski as a member of the company's Board of Directors, with a term of office until the expiry of the term of office of the members of the Board of Directors elected on 15 June 2022 along with a determination of a remuneration for the newly elected member.

RESOLUTION No 168 of 11 April

The BNB Governing Council gave its consent to the Executive Director of the BNB Printing Works AD to vote at the Annual General Meeting of Shareholders of Oberthur Fiduciaire AD on: approving the Report of the Board of Directors on the activities of the company in 2023, adopting Annual Financial Statements for 2023, certified by the registered auditor Ernst & Young Audit OOD, and the auditor's report; the allocation of the profit for 2023 of BGN 2,241,153.00, as follows: one tenth of the profit to be allocated to the company's Reserve Fund, and the remaining part of BGN 2,017,038.00 together with BGN 134,904.00 of retained profit from past years to be distributed as a dividend to the shareholders at a dividend rate of BGN 2.35 *per* share; granting discharge to the members of the Board of Directors of the company for their activities in 2023.

RESOLUTION No 195 of 30 April

The BNB Governing Council approved the audited and certified annual financial statements of Bulgarian Mint EAD for 2023 and the Annual Report of Bulgarian Mint EAD for 2023. The BNB Governing Council approved the independent auditor's report of the BDO AFA OOD on the annual financial statements of Bulgarian Mint EAD for 2023 and decided that the net profit of Bulgarian Mint EAD for 2023 in the amount of BGN 1897 thousand should be allocated as retained earnings of the company, with no dividend being distributed to the sole owner of the capital; the Governing Council discharged the members of the Board of Directors of the company for their activities in 2023; and appointed BDO AFA OOD as a registered auditor to verify and validate the annual financial statements of Bulgarian Mint EAD for the 2024–2026 period.

RESOLUTION No 196 of 30 April

The BNB Governing Council gave its consent to the Governor to authorise a representative of the BNB to vote at the Annual General Meeting of Shareholders of the BNB Printing Works AD on: adoption of the Report of the Board of Directors on the activities of the company for 2023; the approval of the annual financial statements of BNB Printing Works AD for 2023, certified by the specialised audit company HLB Bulgaria OOD; granting discharge to the members of the Board of Directors for their activities in 2023; distribution of the profit for 2023 in the amount of BGN 5,033,264.72, as follows: one tenth of the profit to be allocated to the Reserve Fund, and the remaining part of BGN 4,529,938.25 of the profit to be distributed as a dividend to shareholders in proportion to the shares held in the company's capital; the Governing Council elected HLB Bulgaria OOD as a specialised audit firm to verify and validate the annual financial statements of the Printing Works of the Bulgarian National Bank AD for 2024, 2025 and 2026.

RESOLUTION No 225 of 20 May

The BNB Governing Council gave its consent to the BNB Governor to authorise a representative of the BNB to vote at the ordinary General Meeting of Shareholders of BORICA AD on: adopting the Report on the Activities of BORICA AD for 2023 and the annual financial statements of BORICA AD for 2023; adopting the auditor's report on the annual financial statements and the Audit Committee report for 2023; distributing BORICA's profit for 2023, as follows: out of the net profit of BGN 10,264,826.31 for 2023, the amount of BGN 6,000,362.16 should be paid as dividend to the shareholders pro rata to their shareholdings; the remaining amount of BGN 4,264,464.15 to be allocated to additional general reserves; the Governing Council granted a discharge to the members of the Board of Directors for their activity in 2023, and to former members of the Board of Directors Kalin Hristov, Tatyana Ivanova and Georgi Konstantinov for their activity in 2023; the Governing Council amended Article 19 of the company's Articles of Association, elected members of the Audit Committee of BORICA and determined their monthly remuneration; it selected the specialised auditing company BDO AFA OOD to audit and certify the annual financial statements of BORICA AD for 2024.

RESOLUTION No 226 of 20 May

The Governing Council dismissed the Board of Directors of Bulgarian Mint EAD, composed of: Lyudmila Elkova, Stefan Tzvetkov and Alexander Chobanov. The Governing Council appointed Bulgarian Mint's Board of Directors, composed of: Lyudmila Elkova, Stefan Tzvetkov and Alexander Chobanov for three years, and determined a remuneration of non-executive members of the Board of Directors. It amended Resolution No 195 of 30 April 2024, as follows: 'The net profit of Bulgarian Mint EAD for 2023 at BGN 1706 thousand to be transferred as retained earnings of Bulgarian Mint EAD, and no dividend to be allocated to the sole owner of the capital'.

RESOLUTION No 261 of 23 May

The Governing Council gave its consent to the Governor to authorise a representative of the BNB to vote at the extraordinary General Meeting of Shareholders of Cash Services Company AD on: adopting the report of the Board of Directors on the activities of the Cash Services Company AD for 2023; adopting the 2023 annual financial statements of the Cash Services Company AD; approving the report of the independent auditor – Grant Thornton OOD – on the audit of the 2023 annual financial statements of the company; distributing the company's profit for 2023 to the amount of BGN 1,660,765.00, as follows: 10 per cent of the profit to be allocated to the Reserve Fund and the remaining amount of BGN 1,494,688.50 to be allocated as retained earnings of the Cash Services Company AD, with no dividend being distributed to shareholders; granting a discharge to the members of the Board of Directors of the company; selection of Grant Thornton OOD as an independent auditor for the financial years 2024, 2025 and 2026.

RESOLUTION No 399 of 29 August

The BNB Governing Council gave its consent the BNB Governor to authorise a representative of the BNB to vote at the extraordinary General Meeting of Shareholders of BORICA AD on: election as members of the Board of Directors after voting, namely: Radoslav Milenkov, Miroslav Vichev, Tsvetanka Mincheva, Peter Roebben, Tamas Hak-Kovacs, Petya Dimitrova, Nikola Bakalov, Nikola Kedev, Nedelcho Nedelchev, with a term of office of five years, determining monthly remunerations for the members of the Board of Directors who will not be entrusted with the management; early termination of the term of office of the former Board of Directors composed of: Radoslav Milenkov, Tsvetanka Mincheva, Peter Roebben, Tamas Hak-Kovacs, Nikola Bakalov, Nikola Kedev, Petar Slavov, Nikolay Spasov and Miroslav Vichev.

RESOLUTION No 501 of 28 October

The BNB Governing Council gave its consent the Governor to authorise a representative of the BNB to vote at the extraordinary General Meeting of Shareholders of Cash Services Company AD for dismissal of Andrey Gurov as a member of the Board of Directors; electing of Petar Chobanov as a member of the Board of Directors, for a term of office until the expiration of the term of office of the Board of Directors members elected at the General Meeting of Shareholders held on 15 June 2022 and determining the remuneration of the newly elected member.

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Between January and December 2024, the BNB Governing Council adopted resolutions on approving internal rules of the Bank (15 resolutions), public procurement and contracts[151] (36 resolutions) and organisation of the Bank's activities (236 resolutions including 29 resolutions, on banking supervision's activities, 31 resolutions on the organisation of credit institution resolution activities, five resolutions on the organisation of payment supervision activities, and 91 resolutions on information concerning implementation of the national plan for the euro adoption within the competence of the BNB).

[151] Detailed information on procurement procedures is available on the BNB website, Public Procurement in Centralised Automated Electronic Public Procurement Information System(CAIS EOP), www.eop.bg

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The sculptural composition by Kiril Shivarov depicting Hermes and Demeter on the southern façade of the Bulgarian National Bank building is used in cover design.