Government Debt Management Strategy for the Period 2015 – 2017

Republic of Bulgaria

Ministry of Finance

Government debt management strategy – scope and purpose

The government debt management strategy is a fundamental document aimed at ensuring a general framework for debt management in the medium term. Its main purpose is to summarise and outline the guiding principles and guidelines of the government debt management policy while describing the indicative measures and the instruments used to achieve the strategic objectives set forth therein. The Strategy is a document publicly accessible to the general public and is published on the website of the Ministry of Finance which is a guarantee for predictability and transparency of the government debt management processes.

The current Government Debt Management Strategy covers the period 2015 – 2017 and focuses on the overall process of government debt management – external[1] and domestic, as an integral part of the Minister of Finance's powers. The government guarantees are also considered because of the need to take account of their potential effects on the budget and on the sustainability of the government debt in case of activating the contingent liabilities. The document provides an in-depth analysis of what has been done so far as well as information about the current government debt situation backed up by detailed facts. An overview of the macroeconomic environment is made including the current state of play and the prospects for its development. An emphasis is laid on risks that are based on assumptions for changes in the key indicators related to the debt volume and structure and measurement of the extent of their impact. In the last section the main goal and the objectives of the debt management for the impending three-year period are systematised. The main goal is to ensure the necessary sources of budget financing, sovereign debt refinancing and secure the fiscal reserve stability, at an optimal price and risk level. The objectives are defined taking account of the fiscal and budget policies implemented. The measures foreseen in the Strategy for achieving the medium term objectives of the government debt management policy correspond to those set in the Government's Programme for Stable Development of the Republic of Bulgaria 2014 – 2018. They have also been taken into account when developing the forecast quantitative values of the main debt parameters set forth in the 2015 State Budget of Republic of Bulgaria Law and in the budget forecast for the next three-year period. Such an approach ensures consistency and coherence in respect of the objectives and measures set for implementation of the government debt management policy.

[1] Debt falling under the jurisdiction of the legal system of foreign states or the international law and assumed as a formal liability of the Republic of Bulgaria while observing the Constitution of the Republic of Bulgaria for conclusion of international treaties.

Government debt situation – volume and structure

The government debt management policy implemented in the period 2012 – 2014 followed the general guidelines of the main Government priorities and the provided for fiscal policy objectives and rules related to ensuring conditions for preserving the macroeconomic stability in the country. The extremely dynamic development of the economic and political processes in the country, the events around Corporate Commercial Bank (CCB), the need for liquidity support that has arisen, and also the budget deficits in the period together with the need for refinancing of already assumed debt are among the main factors influencing the implemented in the past years debt management. Considering the impact of these factors and the quickly changing environment, the efforts in the debt policy area were focused on timely and reliable provision of effective debt financing sources for covering government needs and maintaining the stability of the key debt parameters.

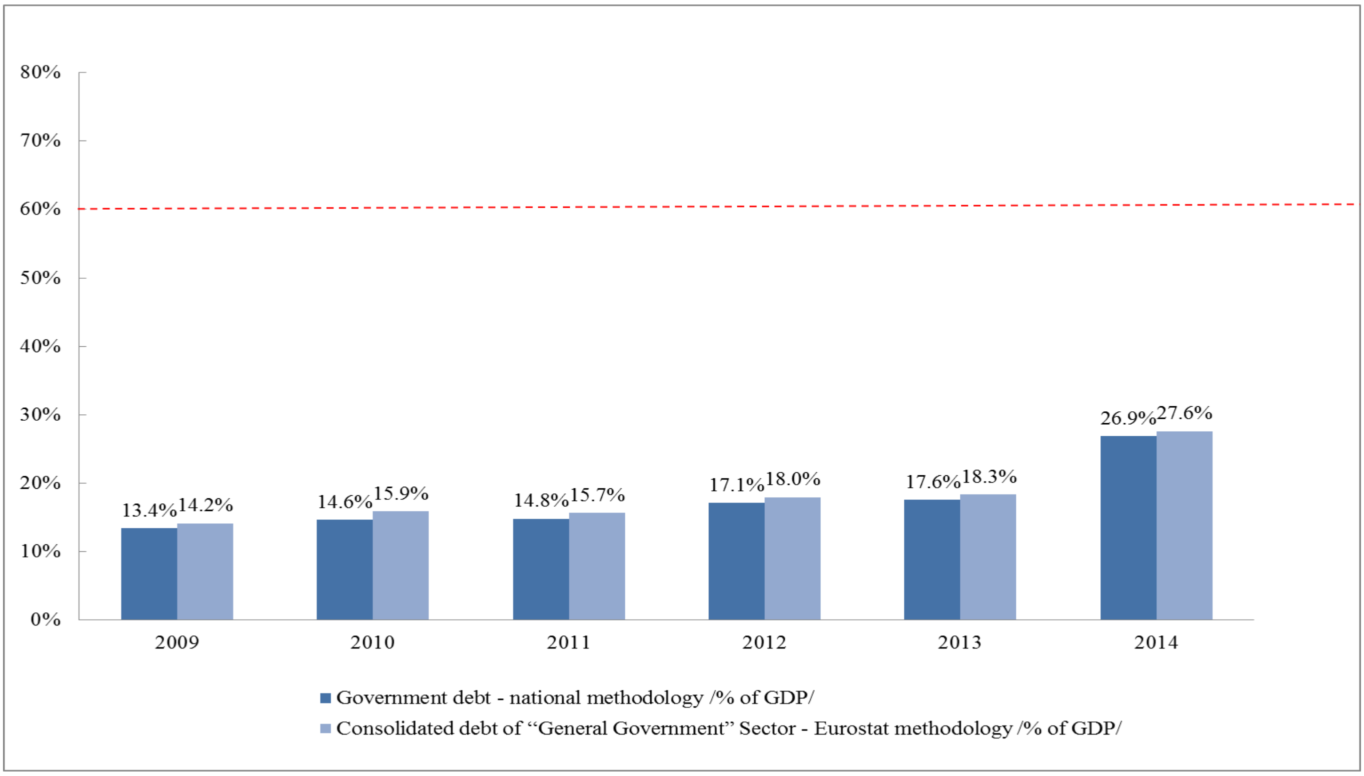
Table 1: Main debt indicators

Debt indicators	2011	2012	2013	2014
Domestic government debt, BGN million	4 808.0	4 981.0	6 289.6	8 251.8
External government debt, BGN million	6 821.1	8 692.6	7 828.9	13 850.6
Total government debt, BGN million	11 629.1	13 673.6	14 118.5	22 102.4
GDP, BGN million	78 434	80 044	80 282	82 164
Total government debt / GDP (%)	14.8%	17.1%	17.6%	26.9%
Domestic government debt / Total government debt (%)	41.3%	36.4%	44.5%	37.3%
External government debt / Total government debt (%)	58.7%	63.6%	55.5%	62.7%
Interest Rate Structure of Government Debt	**2011**	**2 012.0**	**2 013.0**	**2 014.0**
Fixed iterest rate debt, BGN million	9 580.0	11 727.0	12 277.3	20 418.2
Floating iterest rate debt, BGN million	2 049.1	1 946.6	1 841.2	1 684.2
Fixed iterest rate debt (%)	82.4%	85.8%	87.0%	92.4%
Floating iterest rate debt (%)	17.6%	14.2%	13.0%	7.6%
Currency Structure of Government Debt	**2011**	**2012**	**2013**	**2014**
EUR - denominated debt, BGN million	6 196.7	8 233.5	7 827.1	15 494.9
BGN - denominated debt, BGN million	3 328.1	3 451.4	4 472.9	4 607.7
USD - denominated debt, BGN million	1 812.0	1 753.0	1 654.9	1 852.4
Other currency - denominated debt, BGN million	292.3	235.7	163.7	147.4
EUR - denominated debt (%)	53.3%	60.2%	55.4%	70.1%
BGN - denominated debt (%)	28.6%	25.2%	31.7%	20.8%
USD - denominated debt (%)	15.6%	12.8%	11.7%	8.4%
Other currency - denominated debt (%)	2.5%	1.7%	1.2%	0.7%
Residual Maturity of the Government Debt	**2011**	**2012**	**2013**	**2014**
Debt up to and including 1 year, BGN million	963.7	1 787.4	1 060.6	6 695.7
Debt over 1 year to 5 years including, BGN million	4 727.1	5 956.7	6 470.7	5 830.6
Debt over 5 year to 10 years including, BGN million	3 108.8	3 208.2	3 140.7	6 501.1
Debt over 10 years including, BGN million	2 829.5	2 721.3	3 446.5	3 074.8
Debt up to and including 1 year (%)	8.3%	13.1%	7.5%	30.3%
Debt over 1 year to 5 years including (%)	40.6%	43.6%	45.8%	26.4%
Debt over 5 year to 10 years including (%)	26.7%	23.5%	22.2%	29.4%
Debt over 10 years including (%)	24.3%	19.9%	24.4%	13.9%
	2011	**2012**	**2013**	**2014**
Average residual maturity of government debt (years)	6 г. 7 м. 7 д.	6 г. 1 м. 29 д.	6 г. 9 м. 19 д.	5 г. 7 м. 2 д.

For the period end-2011 – end-2014 the government debt nominal value increased from BGN 11,629.1 million to BGN 22,102.4 million. The increased with the 2014 State Budget of the Republic of Bulgaria Law revision planned deficit and the need to ensure resources for liquidity support during the year should be considered as the factors imposing the assuming within short time new government debt to the amount to BGN 4.5 billion and a change in the provided for in the Law debt limits accordingly. As a result of these circumstances, at the end of 2014, an increase of the government debt by almost BGN 8 billion was registered and of the indicator government debt to GDP from 14.8% to 26.9% respectively.

As a result of the operations performed in 2015 related to repayment of the US Dollar denominated Global Bonds in January and the issue in March of new Eurobonds in the international capital markets within the framework of the set up Global Medium Term Note Programme for issuing debt on the international capital markets (GMTN Programme) and respectively the repayment of the assumed at the end of 2014 bridge loan, changes are being reported both regarding the size of the government debt and its relative share to GDP. The government debt as at 31.3.2015 (compared to the end of 2014) increased by approximately BGN 1,845.8 million and the government debt to GDP ratio increased by around 1.8 pp to reach 28.7%.

Chart 1: Dynamics of government debt



Another measure of government indebtedness and one of the main convergence criteria is the ratio General Government Sector consolidated debt/GDP. According to preliminary annual data[2] for this indicator for 2014, published by the statistical body of the European Commission (Eurostat) in April 2015, its value was 27.6%. Thus Bulgaria is third among the European Union Member States with the lowest debt of the General Government Sector after Estonia (10.6%) and Luxembourg (23.6%). The reported level is far below the maximum permissible reference value of the Maastricht convergence criterion of 60%.

[2] The final annual deficit and debt data for 2014 are expected to be published by Eurostat in October 2015 after the data submitted are validated by them.

In the structure of the overall government debt as of the end of 2014 the domestic government debt held a relative share of 37.3 %, and the external government debt – 62.7 %. With the issue at the end of March 2015 of Eurobonds in the international capital markets within the framework of the established Global Medium Term Note Programme their respective shares have changed to 35.2% and 64.8%.

The predominant share of risk neutral currencies (BGN and EUR), and the fixed interest rate coupons within currency and the interest rate structure of the government debt ensure good predictability of the funds necessary to service the debt and neutralise the negative impact of market risks. At the end of 2014 9.1% of the government debt was denominated in currencies other than BGN and EUR (their share being 90.9%); compared to the end of 2011 that indicator was 18.1% (81.9% in BGN and EUR). The 8.4% share of US Dollar-denominated debt registered in the government debt structure as at the end of 2014 was reduced to 0.4% after the US Dollar-denominated Global Bonds matured in January 2015, which in practice eliminated the influence of currency risk.

As of the end of 2014 the share of debt with floating interest rate coupons amounted to 7.6%, while debt at fixed interest rate to 92.4%. At the end of 2011 that ratio was respectively 17.6% debt at floating interest rates and 82.4% at fixed interest rates. After the issue of the new Eurobonds in the international capital markets and the repayment of the bridge loan a subsequent improvement in the interest rate structure and the currency composition of the government debt is observed as at the end of March 2015. The established in recent years trend towards increasing BGN and EUR-denominated debt and debt with fixed interest rate coupons continues, their relative weight in the total amount of government debt being 98.9% and 93.1% respectively at the end of March 2015.

In the government debt maturity structure[3] as at 31.12.2014 the dominant share of sovereign debt is concentrated within 1 year – 30.3%. The debt in the other maturity segments is distributed as follows: between 1 and 5 years – 26.4%; between 5 and 10 years – 29.4% and over 10 years – 13.9%. The reported concentration of debt with residual maturity to 1 year is determined by the assumed in 2014 new short-term debt and the transfer of liabilities from one maturity group to another due to the approaching of their maturity. The predominating share of sovereign debt registered as at the 31.12.2014 within the maturity segment up to 1 year is considerably reduced after the repayment in 2015 of the US Dollar-denominated Global Bonds maturing on 15.1.2015 and of the short-term bridge loan. Compared to the end of 2014 debt with residual maturity of up to 1 year as at 31.3.2015 registered decrease reaching 12.2%. The volume of debt with residual maturity between 1 and 5 years also reported decrease compared to the end of the previous year and reached 22.4%. Opposite is the trend with the debt with residual maturity between 5 and 10 years and the one with residual maturity over 10 years whose shares as a result of the placed at the end of March 2015 government securities in the international capital markets with maturity of 7, 12 and 20 years have increased to 36.0% and 29.4%.

The debt operations performed in 2015 have also a positive impact on the average residual maturity of government debt which increases from 5 years 7 months and 2 days at the end of 2014 to 8 years 4 months and 13 days as at 31.3.2015.

The debt policy implemented over the past years, focused mainly on market oriented financing through issues of government securities, increased the share of securitised debt in the form of domestic GS and bonds on the international markets from 64.2% in December 2011 to 66.9% at the end of 2014. The rest of the government debt is in the form of loans (government and government investment loans)

[3] By residual maturity

from official creditors (the International Bank for Reconstruction and Development, the European Investment Bank etc.[4]) – 16.0%, Schuldschein transferable loans and a bridge loan from other banking institutions – 16.7% and liabilities to the Paris Club – 0.4%. As a result of the debt operations at the beginning of 2015 changes in the government debt structure are observed as at 31.3.2015 (compared to the end of 2014) presented by type of instrument. The largest share continues to have the GS liabilities, being 80.5% of the total amount of government debt (including GS issued in the domestic market and GS issued in international capital markets). The share of government loans, including government investment loans, at the end of March 2015 increased to 16.8% and that of the Schuldschein transferable loans and the bridge loan dropped to 2.3%. The liabilities to the Paris Club remain unchanged – 0.4%.

The total amount of interest paid on government debt in 2014 was BGN 540.2 million. The ratio interest expenditure/GDP remains unchanged compared to the level of 0.7% registered in 2011. The main contributors for maintaining this indicator below 1% in the past years are on the one hand the presence in the debt portfolio of a substantial volume of liabilities with fixed interest rate coupons ensuring security and predictability for the budget in terms of the outstanding debt service, and on the other – the historically low interest rates allowing financing at favourable terms and conditions.

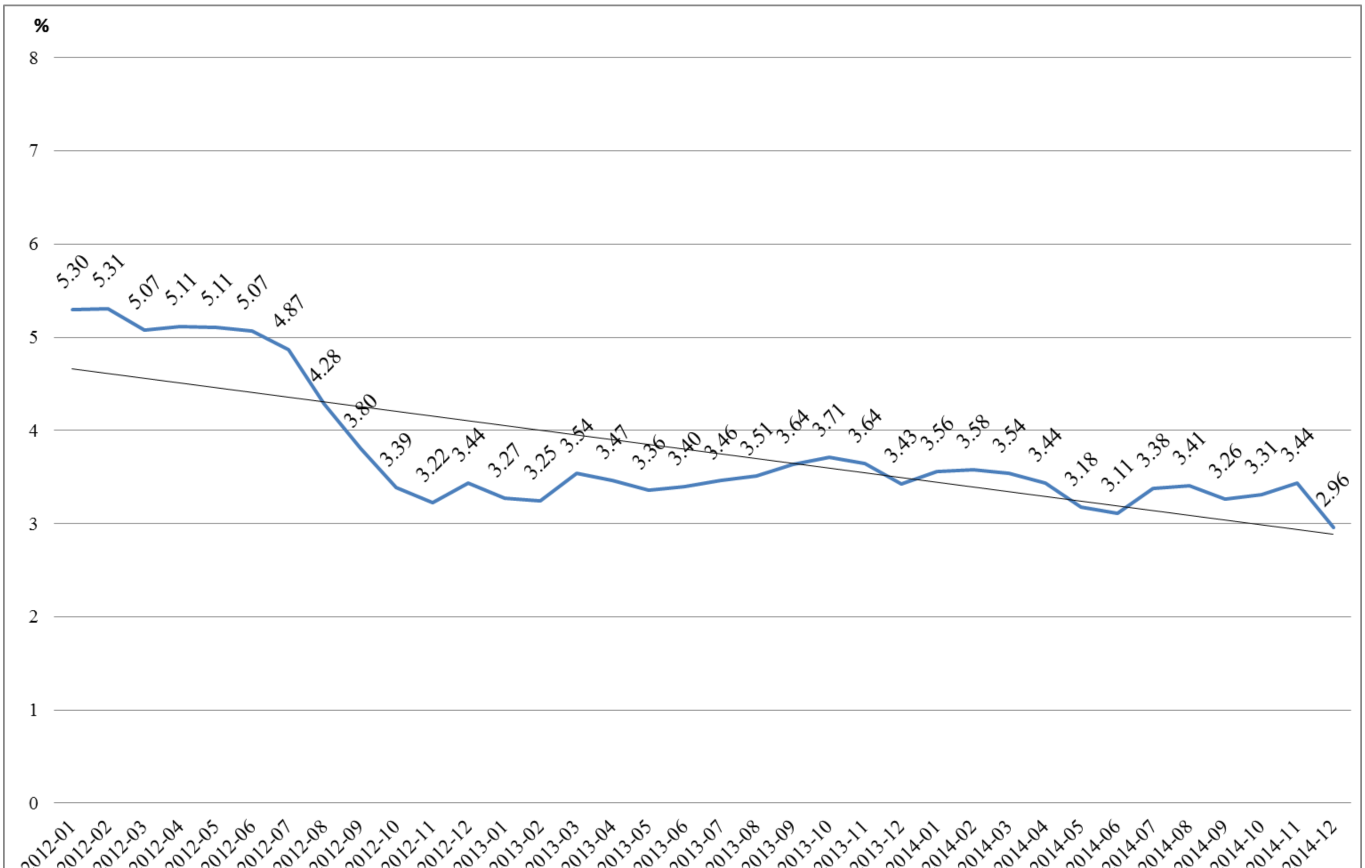
Debt financing in 2014

To raise the necessary financial resource for covering the state's borrowing needs during the three-year period under consideration different options were used both in the domestic market of GS and in the international capital markets. Actions have been taken to diversify the financial instruments used and the characteristics of the newly assumed debt, including through offering short-term issues of GS in view of effective management of the cash flows.

The positive trends observed in the past years in the domestic debt market are in general preserved. The demand for GS continues to exceed supply, the market environment is characterised by high liquidity and participation of a comparatively broad range of primarily local investors with different preferences and risk profiles. Securities along the whole benchmark curve were offered, including short-term treasury bills designed to manage the cash flows in the budget. In the period 1.1.2012 – 31.12.2014 GS with total nominal value of BGN 8.96 billion were issued in the domestic debt market, distributed as follows: short-term (3, 5, 6, 9 and 12 months) – 60.2%, medium-term (2, 2 and a half, 3 and 5 years) – 15% and long-term (7, 10 and 10 and a half years) – 24.8%. Placed were new issues as well as issues from previous years were reopened, denominated both in BGN and EUR, maintaining the offering on the principle of open issues with fixed interest rate coupons for the interest-bearing GS. During the whole period under consideration (2012 – 2014) the issue with maturity 10 and half years, which is a benchmark one with regard to the interest rate on long-term loans for the purposes of the assessment of convergence, continued to be of priority importance. The value of the long-term interest rate drops from 5.30% in January 2012 to 2.96% in December 2014. The registered at the end of 2014 level of this indicator is the lowest ever since the start of its measuring in 2003.

[4] Annex No. 1 – Loan portfolio of government and government investment loans to IFI at the end of 2014.

Chart 2: Values of long-term interest rate for the purposes of the assessment of Bulgaria's convergence in the period 2012 – 2014



Source: BNB

The external financing received in the period 2012 – 2014 to the amount of BGN 9.44 billion was provided by using various debt instruments, including issues of bonds in the international financial markets, private placement of Schuldschein transferable loans, a bridge loan (Bridge to Bond Loan) and disbursements of already contracted government and government investment loans from international financial institutions.

Summarised information about the main important debt operations in the period 1 January 2012 – 31 December 2014 is given in Annex No. 2.

Government guaranteed debt as at 31.12.2014

The applied in the past three years highly restrictive approach to the assumption of new government guaranteed debt resulted in positive adjustments in respect of its volume respectively. At the end of 2014 the nominal amount of government guaranteed debt stood at BGN 656.6 million. In nominal terms the debt reports reduction (-BGN 540.6 million) compared to the level recorded at the end of 2011. That reduction is due to the regular repayments of already concluded government guaranteed loans. As of the end of 2014 the government guaranteed liabilities as a percentage of GDP were 0.8% compared to 1.5% at the end of 2011.

Currently, the major part of the government guarantees is formed by external loans (around 93% of the total government guaranteed debt amount) granted by official creditors to large enterprises mainly in the transport and energy sectors. Domestic government guaranteed debt is represented by the government guarantees issued under the Student and Doctoral-Candidate Loans Act (SDCLL); under the student loan scheme and as at 31.12.2014 its share was approximately 7% of the overall government guaranteed debt. Over the period under review, no new government guarantees have been issued under external credit agreements.

Table 2: Government guaranteed debt

Government Guaranteed Debt	2011 г.	2012 г.	2013 г.	2014 г.
Government Guaranteed Debt, BGN million	**1 197.2**	**1 009.6**	**775.4**	**656.6**
Domestic government guaranteed debt	11.8	23.7	35.7	46.3
Guarantees under Student and Doctoral-Candidate Loans Act	11.8	23.7	35.7	46.3
External government guaranteed debt	1 185.3	985.9	739.7	610.3
World Bank *	87.0	70.1	52.1	35.6
EIB	4.5	3.7	3.6	4.8
EBRD	36.8	27.0	17.3	7.5
Others (EUROATOM, JBIC, CEB and etc.)	1 057.0	885.1	666.7	562.4
Government Guaranteed Debt/GDP (%)	**1.5**	**1.3**	**1.0**	**0.8**

Note: * International Bank for Reconstruction and Development

In the period 2012 – 2014 the government guarantee issued under the concluded between the BDZ Holding and the International Bank for Reconstruction and Development loan agreement was partially called, the funds to the amount of BGN 9.7 million were paid from the reserve fund for covering the risk of government guarantees being called. For the same period, in relation to the implementation of the student loan scheme government guarantees were called under the SDCLL totalling approximately BGN 0.5 million; part of the funds had been reimbursed in the budget.

All other government guaranteed loans have been serviced in accordance with the agreed terms and repayment schedules.

Economic growth accelerated to 1.7 % in 2014, compared to an increase of 1.1 % in 2013. A change in the structure of the GDP growth was also registered during the year. While in 2013 net exports had a positive contribution, in 2014 the main growth driver was domestic demand.

The final consumption rose by 2.4%, compared to 1.3% drop in 2013. The growth was due to the real increase of household expenditures by 2% and of public consumption by 3.8%. The 2.8% growth of gross fixed capital formation was due to public capital expenditure. As in 2013, in 2014 public investment in fixed capital grew steadily – by more than 20% in real terms for the year. The funds paid under EU operational programmes, national co-financing inclusive, were the main contributor thereto. The decline in private investments slowed down to 2.7% yoy.

On the supply side, the economic activity in the country has also accelerated as the growth of gross value added (GVA) reached 1.6% in 2014 compared to a growth of 1.2% in 2013. Unlike the previous year, when services' dynamics was decisive for GVA growth, in 2014 all sectors contributed to the reported growth. In 2014, after five consecutive years of drop in the construction sector, GVA in this sector increased by 1.4%. The increase was mainly due to the restored civil engineering.

Expectations for the economic development in 2015 – 2017

In 2015 the economic growth is expected to slightly slow down to 1.4% which is mainly due to a lower contribution of public consumption and investments.

The favourable dynamics of employment, the increase in the real disposable income of households and the stabilization of the domestic environment recorded since the beginning of 2015 will contribute to private consumption improvement by 2.4% for 2015. Private investments are also expected to stabilize (against a drop in the previous years). We assume that the drop in housing prices has already been overcome and in the forecast period we expect their increase to stimulate investment in this sector.

The improvement in the external environment, in the form of accelerated growth of European and world economies, will result in an increase in the real exports of goods and services by 2.8%. Exports dynamics will be also reflected in higher imports of raw materials for export oriented sectors. On the other hand, the expected slowdown of consumption and investment growth will limit the imports growth to 3.6%.

In the period 2016 – 2017 the economic growth will smoothly accelerate to 2.3%, mainly driven by private consumption and investment. Exports of goods and services will also increase, influenced by demand from the key trade partners. We expect these developments to lead to accelerated imports growth, too. Influenced by the negative trade balance, the current account balance will decrease to a deficit of 1% of GDP in 2017. We expect FDI to stabilize at levels of around 3% of GDP in the period 2015 – 2017.

In an environment of gradual acceleration of economic activity in the period 2016 – 2017, the rate of increase in the number of employed persons is projected to reach 0.9% in 2017 and the level of unemployment to decrease to 9.4%. With the employment improvement in 2015, income from employment will continue to grow at moderate pace. We expect its dynamics to accelerate more significantly in the period 2016 – 2017 under the conditions of higher economic activity and improved labour productivity in the country.

The change in the external assumptions of the international prices of raw materials and the dynamics of the EUR/ USD exchange rate has led to a revision of the expectations for the development of the inflation processes in the country. The forecasted rise in the price of non-energy goods on international markets as well as the higher prices of imported durable goods (in BGN) will lead to 0.8% increase in the overall level of consumer prices at the end of 2015. The average annual inflation will however remain negative because of the drop in fuel prices at the end of the previous year and at the beginning of the current year. The average HICP is expected to reach -0.6% in 2015 and to become positive – 1.8-2%, over the period 2016-2018 supported by higher international oil prices in the coming years and recovery of domestic demand.

Credit to the private sector will increase at relatively slow pace in the period 2015 – 2017. At the end of 2015 its growth on an annual basis will be 1.9% and is expected to accelerate to 3.1% by 2017. Throughout the period there will be a trend of gradual increase of the contribution of household credits and in particular consumer loans, which will follow the increasing contribution of private consumption to economic growth.

Profile of risk related to government debt structure

Generally speaking, risk is a function of the characteristics of the debt portfolio and other specific factors, including macroeconomic events in the external and domestic environment, changes in the market attitudes and changes that provoke unexpected adjustments in market prices. In order to reduce the vulnerability of the government debt portfolio to the various types of risk is needed to be monitored and analysed the relevant indicators that estimate and measure the level of risk influence.

Table № 3: Risk assessment indicators

Risk	Indicator	2012	2013	2014	2015*	2016*	2017*
Refinancing risk	Debt with maturity within 1 year (by residual term of maturity as share of the government debt, %)	13.1	7.5	30.3	5.7	10.4	5.4
	Average time to maturity (ATM) (in years)	5.3	5.8	5.1	7.9	7.4	7.9
Interest rate risk	Debt with fixed interest rate/ debt with floating interest rate ratio (%)	85.8 / 14.2	87.0 / 13.0	92.4 / 7.6	93.6 / 6.4	94.9 / 5.1	96.0 / 4.0
	Average time to refixing (ATR) of interest coupons (in years)	5.2	5.7	5.1	7.7	7.2	7.4
	Duration (in years)	4.1	4.6	4.4	6.8	6.3	6.7
Currency risk	External government debt/ domestic government debt ratio (%)	63.6 / 36.4	55.5 / 44.5	62.7 / 37.3	68.6 / 31.4	70.8 / 29.2	70.6 / 29.4
	Share of debt in risk neutral currencies - BGN and EUR, against share of debt in other currencies (% of the total amount of government debt)	85.5 / 14.5	87.1 / 12.9	90.9 / 9.1	98.9 / 1.1	99.1 / 0.9	99.3 / 0.7
Liquidity risk	Debt with maturity within 1 year (by residual term)/ tax and social and health insurance contributions revenues ratio (%)	8.3	4.7	29.1	5.6	10.6	5.6
Risk related to the size of the debt	Consolidated debt of the "General Government" sector/ GDP ratio (%)	18.0	18.3	27.6	29.8	30.1	30.4
	- Government debt/ GDP ratio (%)	17.1	17.6	26.9	28.4	29.8	30.2
Contingent liability risk	Government guaranteed debt**/ government debt ratio (%)	7.4	5.5	3.0	3.0	2.5	1.9
	Government guaranteed debt/ GDP ratio (%)	1.3	1.0	0.8	0.9	0.7	0.6
Operational risk	- solid institutional structure for government debt management built up, with clearly delegated responsibilities to the staff, which acts in the framework of the Ministry of Finance;						
	- supporting an information system for analysis, forecasts and management of the government and government guaranteed debt - official register of government and government guaranteed debt;						
	- pursuing a policy of operational risk reduction by means of applying and complying with internal control standards and systems;						
	- detailed rules and procedures for the organization of the activity of the structural unit in charge of government debt management.						

Notes: * Forecast data;
** Only active government guaranteed loans have been taken into account in the calculations.

Based on the results from the risk analysis can be identified the following risks whose influence needs to be taken into account in the government debt management in the period 2015 – 2017:

Refinancing risk

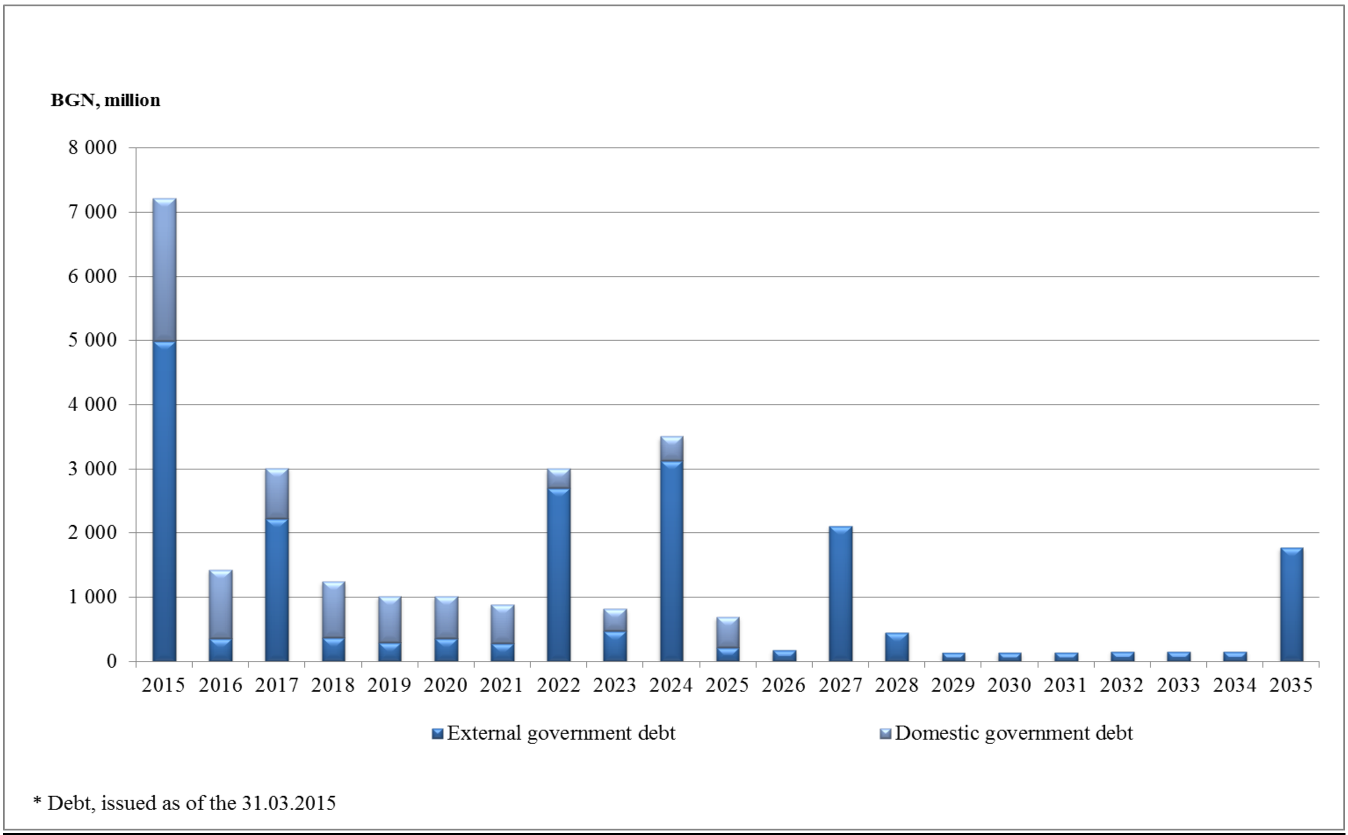
The structure of the amortization profile of the government debt, as presented in Chart No 3 below, shows piling up of payments in the years of maturity of the global USD-denominated bonds[5], the bridge loan[6] and the Euro bonds placed on the international capital markets in 2012, 2014 and at the end of March 2015. Having in mind the accumulated payments in these years, it is very important to take

5 The USD-denominated global bonds were repaid on 15.01.2015.

6 The bridge loan was fully repaid on 27.03.2015.

timely actions to ensure funds for refinancing of the maturing debt and to carefully distribute the maturity dates of newly taken debt.

<u>Chart № 3: Government debt redemption profile</u>



In the period under review – 2015-2017, the share of the government debt with residual term to maturity of up to 1 year from the total amount of the outstanding government debt is expected to decrease from 5.7% in 2015 to 5.4% at the end of 2017. The other indicator which measures the influence of the refinancing risk is the average time to maturity which is expected to be in the range from 7.4 years to 7.9 years in the period 2015 – 2017 and to increase by approximately 2 years in comparison with the levels registered in the previous three-year period. These results show that the debt portfolio will be renegotiated more rarely and consequently will be less exposed to shocks upon refinancing.

The established Global medium-term programme for GS issuance on international capital markets, which ensures predictability and clarity of the borrowing policy pursued, will contribute to minimizing the influence of the refinancing risk during the period. In the framework of the programme, in March 2015 the country successfully issued Euro bonds (7-, 12- and 20-year ones) with an aggregate nominal value of EUR 3.1 billion. The transaction is the first of the triple tranche type for the Euro market, executed by a country in the region of Central and Eastern Europe, Middle East and Africa (CEEMEA); the placed volume also represents the largest attracted resource by a CEEMEA country only through one syndicate of banks. The interest coupons in the amount of 2% and 2,625% for 7-year and 12-year benchmark issues are the lowest interest levels achieved so far by the Republic of Bulgaria on the international capital markets. The offered for the first time terms to maturity of 12 years and 20 years are also the longest ones for these markets. With the execution of the transaction the Republic of Bulgaria managed to attract

quite diverse investors for the three issues. Part of the proceeds from the transaction was used to fully repay the short-term bridge loan borrowed in December 2014. The actions taken for the issuance of the new Euro bonds contribute not only to reducing the share of the short-term debt, but also to improving the redemption profile of the government debt.

Market risk

The interest and currency structure of the government debt recorded at end-2014 and the forecasts for its state in the period 2015 – 2017 predetermine slight dependency of the debt portfolio on the fluctuation of the exchange rates and the interest rates on the domestic and international capital markets. Throughout the three-year period we expect a downward trend for the share of instruments with floating interest coupons as well as of those denominated in currencies other than EUR and BGN, and an upward trend for the share of instruments with fixed interest rates and risk neutral currencies, respectively. At the end of 2017 the share of debt with fixed interest rates is expected to reach around 96.0% and the share of debt denominated in BGN and EUR – 99.3%. Maintaining such profile of sovereign liabilities will lead to better predictability of the due payments for government debt service as well as to easing of the budget pressure from possible difficulties in accumulating financial resources to make these payments.

In the period 2015 – 2017 the average time to refixing of interest coupons (ATR) is expected to become longer, its level being in the range from 7.2 years to 7.7 years (against 5.1 years – 5.7 years for the period 2012 – 2014). Its prolongation presumes a portfolio with a relatively lower level of risk as we do not expect a large portion of the debt to be subject to changes in the interest rates in the short term.

Liquidity risk

The management of the liquidity risk in the three-year period 2015 – 2017 will involve timely provision of resources to finance the budget, refinancing of debt and managing effectively the available cash resources. In this sense the maintenance of stable levels of the fiscal reserve in the period 2015 – 2017, in its capacity of a cushion, will minimize the negative impact of risks ensuing from liquidity changes.

In 2015 – 2017 the "up to 1 year debt/ tax and social and health insurance contributions revenues[7]" ratio is expected to drop and at the end of 2017 to reach 5.6% (against 29.1% at the end of 2014), which in practice indicates neutrality in terms of liquidity risk impact.

Risk related to the size of the debt

The forecast data from the risk analysis show that in the period 2015 – 2017 the "consolidated debt of the "General Government" sector/ GDP" ratio will not deviate considerably from its current levels. The level of this indicator is expected to be in the range of 30-31%, staying considerably below the maximum admissible reference value of the debt criterion of 60%. By definition, the maximum value of 60% of this indicator is part of the convergence criteria and it includes the debt of the "Central Government" sub-sector, the debt of the "Local Government" sub-sector and the debt of the social security funds. The main factor for any changes in this indicator is the debt of the "Central Government" sub-sector which holds a significant share of around 96% of the total amount of debt of the "General Government" sector. The strict control over the amount of the government debt exercised each year, while complying with the debt restrictions set in the State Budget Law, is a guarantee that its level will be kept not only far below the maximum admissible reference value of the Maastricht convergence criterion but also well below the average levels for the EU-28 countries.

[7] Tax and social and health insurance contributions revenues according to CFP

Contingent liability risk

At present the low levels of the risk parameters – the ratio of the government guaranteed debt to the total amount of the government debt and to GDP, do not suggest any strong dependence of the debt portfolio to the influence of the risk related to government guarantees. The future influence of this risk is to be determined on the basis of both the necessity to undertake new government guarantees in order to ensure support for priority sectors, and the potential materialization of the risk of existing government guarantees being called. Compliance with the legislation in this area and with the procedures for government guarantees' issuance, respectively, as well as the constant control over the state and servicing of the loans for which government guarantees have already been issued, including assessment of the financial position of beneficiaries, enable maintaining the level of the government guaranteed debt within sustainable limits. The setting in the State Budget of the Republic of Bulgaria Law of restrictions as to the maximum amount of new government guarantees which may be issued throughout the respective budget year as well as the provisioning of funds to cover the risk of government guarantees being called help to keep the risk at safe levels.

Operational risk

The organization of the government debt management activity is concentrated in one structural unit at the Ministry of Finance (Government Debt and Financial Markets Directorate) and is based on broadly applicable principles for implementation of the monitoring and control systems. Government debt management is implemented through detailed rules and procedures for the activity of the Directorate, with clearly distributed responsibilities of the staff. The operational control is also exercised by means of supporting an information system for analysis, forecasts and management of the government and government guaranteed debt, the so-called official register of government and government guaranteed debt, which has various functionalities, including registration, analysis and monitoring of government and government guaranteed debt, as well as processing of multiple and various in terms of scope and content data. The consistent and strict adherence in future to the reliable practices established in this area will ensure a possibility to reduce the exposure to this risk.

Objectives of the government debt management policy

The main objective of the debt management in the period 2015 – 2017 will be to ensure the resources necessary to finance the state budget, to refinance the outstanding debt and to ensure the stability of the fiscal reserve at the best possible price and risk level.

The following priority sub-goals and measures are envisaged for the achievement of the above objective:

Sub-goals:

1. Keeping a controlled rate of change of the government debt parameters

Measures:

- ***Implementation of a prudent policy with regard to new borrowing in compliance with the legal procedures***

The policy on taking new government debts in the period 2015 – 2017 will be pursued under the debt restrictions envisaged in the State Budget Law for the relevant year and taking into account the effects of the borrowing strategy on the risk parameters and the government debt service costs. Making a comprehensive analysis of the specific financing conditions and an assessment of the time of taking a government debt will be of key importance. The main strategic priorities in undertaking sovereign liabilities during the period under review include making an optimum selection of the various options for provision of debt financing and keeping maximum flexibility in the selection of the financing structure in terms of markets, placement, instruments, currencies, etc. At the same time, the specificities of the macroeconomic environment, investors' interest and loan resources' price as well as the necessity to distribute more evenly the maturities of the future debt will be taken into account when determining the specific characteristics of the loan financing. We plan to adhere to an approach of financing at fixed interest coupons and risk neutral currencies – BGN and EUR, while not excluding, however, other options, in order to set out the favourable opportunities for taking government debt.

The conservative and effective government debt management is expected to reflect in keeping the interest levels of the debt in the period 2015 – 2017 in the range of around 1.0 – 1.1% of the forecasted GDP for each of the respective years from the period. As compared to tax revenues, interest expenditures[8] are projected to be around 3.1% – 3.7% of the forecasted tax and social and health insurance contributions revenues for each of the respective three years of the period under review.

Taking into account the government priorities in the various sectors of the economy, the selection of investment-oriented projects to be financed by government and/ or government guaranteed loans will be carried out by means of applying a consistent analytical and restrictive approach while complying with the legal procedures as well as in an environment of high transparency.

- ***Maintaining the government and government guaranteed debt at levels below the legally planned limits and the Maastricht criterion for the debt/ GDP ratio***

The fiscal targets of the government for the period 2015 – 2017 place as a priority the pursuance of policy aimed at ensuring financial stability and gradual fiscal consolidation. The deficit under the

[8] The data on the tax and social and health insurance contributions revenues and the interest expenditures are as per CFP.

consolidated fiscal programme is projected at 3.0% of GDP for 2015, 2.5% of GDP for 2016 and 2.0% of GDP for 2017, respectively. Under these conditions, government debt management will focus on maintaining sustainable key indicators of sovereign liabilities and debt size which ensures financial stability in the country. This implies that efforts will be targeted at exercising ongoing monitoring of debt amount and profile in view to preventing any deterioration of its parameters, enabling its servicing and refinancing and complying with the legally set debt limits as well as with the Maastricht criterion for the consolidated debt of the "General Government" sector/ GDP ratio. **As a measure to influence the level of government indebtedness, each year the State Budget of the Republic of Bulgaria Law sets restrictions as to the maximum amount of the government debt as of the end of the year and the maximum amount of the new government debt that may be undertaken throughout the year, as well as to the new government guarantees that may be issued in the relevant year.** Such an approach enables the exercising of control over government debt amount and dynamics and the long-term fulfillment of the Maastricht convergence criterion of 60%, respectively. According to the debt restrictions set in the 2015 State Budget of the Republic of Bulgaria Law, the maximum amount of the government debt as of the end of 2015 may not exceed BGN 24.5 billion and the maximum amount of the new government debt that may be undertaken under the procedure of the Government Debt Law in 2015 is BGN 8.1 billion. The maximum amount of the new government guarantees that may be issued during the year totals BGN 3.157 billion, including government guarantees that may be issued under the procedure of the Government Debt Law, guarantee deposits and other guarantees envisaged by law. The preliminary data on the amount of the consolidated debt of the "General Government" sector show that at the end of 2015 its level can reach BGN 24.9 billion, or 29.8% of GDP.

The assumptions for a change in these indicators in the coming years will be influenced by a number of factors among which macroeconomic development, current needs for new debt financing, debt structure, etc.

2. Ensuring options for market-oriented financing through an expansion of the potential markets and debt instruments guaranteeing budget sustainability

Measures:

- ***Implementation of a predictable and balanced borrowing policy by applying an analytical approach when choosing possible debt instruments in case of new borrowing guaranteeing the state budget financing***

The achievement of the defined objective presupposes an on-going monitoring and analysis of the possible sources of financing, as well as monitoring of the status and the trends for development of the domestic and international capital markets in the context of the need to ensure the funds necessary to finance the budget and refinance the outstanding debt. Maintaining maximum flexibility when choosing the structure of financing will be a priority in the period 2015 – 2017. It is envisaged that the assumption of new debt will be mainly market-oriented, while taking account of both the specifics and the liquidity of the debt market, and the preferences of sovereign debt investors, etc. The international financial institutions (IFIs) will continue playing a significant role in the country's economic development by providing adequate financial and technical assistance. The beneficial cooperation with the IFIs is envisaged to be maintained in the coming years, while the financing they provide will continue to be complementary and dedicated to the implementation of investment projects and specific programmes under already signed loan agreements.

In order to secure the necessary resources, the Ministry of Finance will strive after implementing a debt issuance policy which is predictable and consistent, and at the same time flexible and adequate to the market environment. The characteristics of the new issues will correspond to the specific market conditions and to the issuer's goals for provision of a stable debt financing at an optimal cost and acceptable level of risk. Building up a highly-liquid benchmark curve both on the domestic sovereign debt market and on the international markets is crucial, with the established medium-term note programme for issuing debt on the international capital markets contributing exclusively to the attainment of this objective.

Given the forthcoming implementation of the medium-term note programme for issuing debt on the international capital markets, the Ministry of Finance does not plan to offer interest-bearing EUR-denominated government securities on the domestic market in 2015. Selecting the specific type of financial instrument will take into account the preferences of participants on the domestic financial market of government securities which are interested in debt instruments falling into various maturity segments. Bonds will continue being offered on the principle of open issues with fixed coupon rates. Securities with a maturity that allows issues to meet the residual maturity requirements for a harmonised interest rate in view of assessing the level of convergence in the respective year of issue, as part of the Maastricht convergence criteria, will continue to be offered over the period. In order to make even the net cash flows to the budget, the Ministry of Finance envisages to maintain the practice of issuing short-term treasury bonds which mature within the budgetary year. As a result of the monitoring of the status and the trends of development of the domestic and international capital markets, the maintenance of unceasing communication with market participants and the use of the entire range of possible tools to promote the development of the domestic market of government debt will continue.

- ***Establishment of a Global Medium Term Note Programme for issuing debt on the international capital markets (GMTN Programme) in order to maintain maximum flexibility when choosing the structure of financing in respect of markets, instruments and currencies, including taking account of the market situation for issuing***

The huge amount of debt maturing in 2015 and the need to ensure, in the coming years, debt sources of funding of the budget deficits and to maintain certain levels of fiscal reserve have made it necessary to take actions to prepare and sign a Global Medium-Term Note Programme (GMTN) of the Republic of Bulgaria for issuing bonds on the international capital markets. GMTN sets the legal framework which will be used for the subsequent issuance of bonds. The following Central and Eastern European states have medium-term note programmes for issuance of debt on the international markets: Poland (established in 2003 with a volume of EUR 50 billion), the Czech Republic (2004, with a volume of EUR 10 billion), Lithuania (2013, with an unlimited maximum volume), Latvia (2013, with an unlimited maximum volume) and Romania (2011, with a volume of EUR 15 billion). Latvia's and Romania's programmes are global, i.e. they allow securities placement on a US primary market.

The advantages of GMTN as against the standard form of standalone bond issuance are that it provides the Republic of Bulgaria, as a government debt issuer, with flexibility to offer securities through multiple tranches with different parameters. The Programme enables the state to place bonds both on the European and on the US market (that is why it is defined as global, according the practice established) and to use various alternatives in the selection of instruments, currencies, maturities, public or private placement and appropriate timing for appearance on the foreign markets. The total amount of the tranches for each relevant year will be within the limits for assumption of government debt as laid down in the annual state budget laws of the Republic of Bulgaria. The specific structure of the future transactions under this Programme will be decided upon during the relevant marketing process in accordance with the data about the investor

demand of Bulgarian sovereign debt and the government debt repayment profile. The implementation of the Programme will provide for a more effective management of the government debt risk profile, in particular the refinancing risk, the market and liquidity risks.

In accordance with the Programme set, new benchmark Eurobonds with a total volume of EUR 3.1 billion and a maturity of 7, 12 and 20 years were issued at the end of March 2015 in line with the debt limits set in the 2015 Law on the State Budget of the Republic of Bulgaria. The huge investor interest in the securities offered by the Republic of Bulgaria, combined with the great diversity of the bids, consolidates the possibility for the state to raise funds on a market basis and are a sign of the global investors' trust in the fiscal policy conducted in the country.

The currency board arrangement functioning in the country and the exchanged rate pegged to the euro are a prerequisite for one of the purposes of borrowing from the markets to be oriented towards the assumption of EUR-denominated debt. Nevertheless, in case of unfavourable market circumstances on the EUR market, the GMTN Programme will allow the Republic of Bulgaria to assume debt in other formats and currencies as well.

In the context of an impeded access to or closure of the EUR sovereign markets due to outside factors, the Republic of Bulgaria may avail of the options provided by the Global Medium-Term Note Programme for raising funds from markets other than the European one in the 2015 – 2017 period. The issuance of bonds in a currency other than the euro presupposes the possible use of risk hedging operations. For this purpose, the market practice of the International Swaps and Derivatives Association (ISDA), which is adopted as a standard for signing financial contracts, is applied, respectively signing a Master Agreement with first-class parties. The master agreement of the International Swaps and Derivatives Association has a wide application and enables striking deals on the derivatives market. The same is a standardised contract determining the general terms and conditions between the parties upon making derivative transactions and provides for a simplified contracting of the transaction terms.

3. Development and Modernisation of the Government Securities Market

Measures:

- ***Elaboration of the necessary legislative and infrastructure changes for promotion of the development of the secondary market of government securities by using a trading venue, including upon abiding by the existing post-trading infrastructure of the government securities market by the end of 2016***

The CRD IV[9] and MiFID II[10]packages adopted, which are to be considered in relation to each other, also require corresponding measures at national level. They have a global impact on the overall and long-term development of the GS market, which puts the need for a refinement of the secondary government securities market to the front in view of providing, in parallel with the over-the-counter market (OTC), for the trading in government securities to take place in a trading venue (regulated market, MTF/MTS or OTF).

[9] Regulation and Directive on the capital requirements for banks and investment intermediaries (CRD IV package), OJ L 176/294 of 27 June 2014;

[10] Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (MiFIR), OJ L 173/148 of 12 June 2014

With the establishment of an organised venue for trading in government securities in Bulgaria, it is expected that there will be additional positive economic effects, such as promotion of transparency, setting up of a liquid benchmark curve on the secondary market, restriction of any speculative practices, facilitation of the access to a wider range of investors, including foreign ones, by means of accessible and fair prices, accordingly, greater attractiveness of the Bulgarian government securities issued on the domestic market for investors, promotion of the further integration into the single European internal market, including towards further integration of foreign investors into the local sovereign debt market, etc. Enhancing the transparency of the government securities market is of crucial importance given that government securities are the main source for budget financing, as well as in view of the fact that the government securities issued on the domestic market are also an important investment instrument in the debt portfolio of a wide range of banks and institutional investors.

- ***Adoption of the best practices of the developed market systems and promotion of their further integration into the single European market, including towards enhanced integration of foreign investors in the local sovereign debt market***

The transition of the secondary government securities market from an entirely over-the-counter market to trading in an organised venue is accompanied by alignment of the legislation in this field and by making functional changes and technological binding of the infrastructure (trading with post-trading one) that serves the secondary government securities market. This will also require a refinement of the primary dealership system towards an alteration of the criteria for selection of primary dealers in order for the primary dealers to cover the requirement for transparency and liquidity of the secondary government securities market and in view of making them more active as original market makers, which finds an expression in an enhancement of their role for galvanising the trade in government securities.

In this sense, there will be a need in the 2015 – 2017 period to take actions both at the stage of preparing the project for development and modernisation of the secondary government securities market in Bulgaria in a legal, methodological, market and technological aspect, and at a subsequent stage after the introduction of a trading venue, in the context of market supervision and assessment of the performance of the primary dealers government securities. This presumes making an analysis of the market of government securities issued by the Republic of Bulgaria in view of the requirements of the new regulations in the area of financial services with regard to sovereign obligations; making an assessment of the impact and a change in the methodology for assessment of the performance and selection of primary dealers as the basic economic mechanism for market adjustment and regulation and ensuring of the technical infrastructure upon respecting the existing post-trading infrastructure (the Depository of government securities with the BNB), etc. In view of adopting the best market practices of the developed financial systems, contacts and consultations are planned to be held with the market players and with representatives of the main sovereign bond trading platforms spread across the EU.

ANNEX No 1

LOAN PORTFOLIO TO INTERNATIONAL FINANCIAL INSTITUTIONS

Active Loan Portfolio to IFIs

Creditor	Type	Title	Borrower	Amount of Outstanding Debt as of 31.12.2014,BGN M	Repayment Deadline
World Bank*	Government loan	Programmatic Adjustment Loan (PAL)	Republic of Bulgaria - Central Budget	116,34	15.9.2018
		Programmatic Adjustment Loan 2 (PAL 2)		109,19	15.4.2021
		Programmatic Adjustment Loan 3(PAL3)		141,88	15.4.2022
		Financial Enterprise Structural Adjustment Loan(FESAL)		45,96	15.12.2017
		First Social Sectors Institutional Reform Development Policy Loan(SIR DPL1)		176,51	15.5.2024
		Social Sectors Institutional Reform Development Policy Loan(SIR DPLII)		190,61	15.5.2026
		SIR DPL3		292,01	15.11.2027
	Government investment loan	Health Sector Reform Project	Ministry of Health/National Health Insurance Fund	59,51	15.6.2020
		Trade & Transport Facilitation in South East Europe	Ministry of Finance	5,99	15.6.2020
		Education Modernization Project	Ministry of Education and Science	5,76	15.6.2020
		Child Welfare Reform Project	Ministry of Labour and Social Policy	9,16	15.6.2021
		Health Sector Restructuring Project	Ministry of Health	6,34	15.3.2016
		Social Insurance Administration Project	National Health Insurance Fund	6,02	15.6.2016
		Regional Initiatives Fund Project (RIF)	Ministry of Labour and Social Policy	2,95	15.12.2018
		Registration & Cadastre Project	Ministry of Regional Development and Public Works	30,17	15.6.2021
		Revenue Administration Reform Project	Ministry of Finance	18,56	15.6.2020
		Social Investments & Employment Promotion Project (SIEP)	Ministry of Labour and Social Policy	44,12	15.12.2019
		Social Investment & Employment Promotion Project (SIEP)-Additional Loan	Ministry of Labour and Social Policy	22,83	15.6.2024
		Social Inclusion Project	Ministry of Labour and Social Policy	44,62	15.10.2025
		Municipal Infrastructure Development	Ministry of Regional Development and Public Works	29,93	15.10.2028
		Road Infrastructure Rehabilitation Project	Road Infrastructure Agency	116,34	15.5.2024
		Second Trade and Transport Facilitation Project	Ministry of Finance	49,59	15.5.2024
European Investment Bank	Government loan	Bulgaria EU Funds Cofinancing 2007-2013	Republic of Bulgaria - Central Budget	874,56	16.5.2039
	Government investment loan	Bulgaria -Trakia Motorway	Road Infrastructure Agency	99,09	15.5.2025
		Bulgaria - Trans-European Railway	Ministry of Transport, Information Technology and Communications	117,72	15.6.2024
		Bulgaria - Trans-European Railway B	Ministry of Transport, Information Technology and Communications	125,44	15.6.2030
		BULGARIA-CROSS-BORDER TEN ROADS PROJECT	Road Infrastructure Agency	18,15	10.2.2018
		RIVERBANK AND COASTLINE PROTECTION	Ministry of Regional Development and Public Works	15,44	25.10.2018
		Bulgaria -Transit Roads III	Road Infrastructure Agency	25,81	20.9.2018
		Transit Roads IV-AFI	Road Infrastructure Agency	62,64	15.12.2022
		Transit Roads V	Road Infrastructure Agency	422,38	10.9.2036
		Bulgaria - Sofia Airport Project	Ministry of Transport, Information Technology and Communications	29,48	5.9.2017
		Bulgaria - Maritsa basin wastewater project	Ministry of Regional Development and Public Works	24,88	15.6.2019
		Danube Bridge Project	Ministry of Transport, Information Technology and Communications	77,18	5.12.2025
		Danube Bridge Project B	Ministry of Transport, Information Technology and Communications	30,69	15.3.2029
		Bulgaria Energy II Power Rehabilitation	Ministry of Energy	63,40	15.6.2022
		Regional and Municipal Water Project	Ministry of Environment and Waters	11,67	10.9.2030
Kreditanstalt fur Wiederaufbau (KfW)	Government investment loan	Programme for Financing and Development of Small- and Medium-sized Enterprises	Ministry of Finance	5,12	30.12.2038
		Bulgarian Wholesale Markets Project	Ministry of Agriculture and Food	7,37	30.12.2039
		Danube Bridge	Ministry of Transport, Information Technology and Communications	17,60	5.4.2019
		Technical Infrastructure 2010-2013	Ministry of Regional Development and Public Works	0,14	30.6.2030
		Promotion of Micro, Small and Medium-Sized Enterprises	Ministry of Economy	7,82	30.12.2037
Council of Europe Development Bank	Government investment loan	Project Riverbank F/P 1324(1999)	Ministry of Environment and Waters/ Ministry of Regional Development and Public Works	16,86	21.11.2028.
SIEMENS AD	Government investment loan	**Lieferung von SIEMENS-MED-Produkten**	Ministry of Health	0,5	31.01.2017.
Overseas Economic Cooperation Fund **(JBIC/JICA)	Government loan	(JBIC FESAL II to BULGARIA)	**Republic of Bulgaria - Central Budget**	18,6	15.12.2017.
	Government investment loan	Port of Bourgas Extension Project	Ministry of Transport, Information Technology and Communications	128,8	26.04.2027.

Note:* International Bank for Reconstruction and Development;

**** Transformed into Japan Bank for International Cooperation (JBIC). Since 2008, ODA (Official Development Assistance) loans have been transferred to the Japan International Cooperation Agency (JICA).**

ANNEX No 2

MAIN IMPORTANT DEBT TRANSACTIONS IN THE PERIOD OF 1 JANUARY 2012 – 31 MARCH 2015

2012	**Issuance of 5-year Eurobonds on the international capital markets** On 2 July 2012 Bulgaria successfully issued 5-year benchmark Eurobonds amounting to EUR 950 million, at a yield of 4.25% and maturing on 9 July 2017, with the intermediation of BNP Paribas, HSBC and Raiffeisen Bank International.
2013	**Maturity of the EUR-denominated global bonds of the Republic of Bulgaria** The EUR-denominated global bonds of the Republic of Bulgaria issued in 2002 on the international capital markets at a fixed interest rate of 7.50% matured and were repaid on 15 January 2013.
	Private placement of assignable Schuldschein loans In December 2013, the Republic of Bulgaria finalised the private placement of the assignable Schuldschein loans with maturity of 7, 10 and 15 years. The volumes are as follows: EUR 30.5 million at an annual interest rate of 3.397% for the 7-year loan, EUR 103.5 million at an annual interest rate of 4.10% for the 10-year loan and EUR 156 million at an annual interest rate of 4.60% for the 15-year loan. The Joint Lead Managers for the transaction were Deutche Bank (also in the capacity of Paying Agent) and Raiffeisen International (also in the capacity of Bookrunner). UniCredit Bulbank participated in the transaction as a Co-lead Manager.
2014	**Issuance of 10-year benchmark Eurobonds on the international capital markets** In June 2014, the Republic of Bulgaria successfully placed on the international capital markets bonds to the amount of EUR 1.493 billion at a fixed interest rate of 2.95%for a period of 10 years and maturing on 03.09.2024.
	Taking a Bridge to Bond Loan The procedure of taking a bridge to bond loan of EUR 1.5 billion was finalised successfully on18 December 2014. The creditors are HSBC Bank Plc., Societe Generale, Citibank, NA (London branch) and Unicredit Bulbank AD. The loan was agreed for a period of six months, with an option for another 6-month extension, at an annual interest rate of 1.079% for the first six months determined on the basis of 6-month EURIBOR plus a premium of 90 basis points.
	Signing of a Financing Agreement between the Republic of Bulgaria and EIB "Bulgaria – Co-financing of EU Funds 2014-2020" A Financing Agreement between the Republic of Bulgaria and EIB (Bulgaria – Co-Financing of EU Funds 2014-2020) to the amount of EUR 500 million was signed and ratified at the end of 2014 by the National Assembly of the Republic of Bulgaria. The loan funds will be disbursed in separate tranches and will be used for supporting the country in the absorption of the money from the EU structural and investment funds.

2015	**Maturity of the USD-denominated global bonds of the Republic of Bulgaria** The USD-denominated global bonds of the Republic of Bulgaria issued in 2002 on the international capital markets at a fixed interest rate of 8.25% matured and were repaid on 15 January 2015.
	Issuance of a triple tranche of 7, 12 and 20-year government securities with a total nominal value of 3.1 billion on the international capital markets A triple tranche transaction was accomplished successfully on 19 March 2015 within the GMTN Programme. The nominal amount of the volume sold totals EUR 3.1 billion, i.e. EUR 1.25 billion of 7-year bonds, EUR 1 billion of 12-year bonds and EUR 850 million of 20-year bonds.
	Repayment of a bridge-to-bond loan of EUR 1.5 billion The bridge-to-bond loan of EUR 1.5 billion taken on 18 December 2014 was repaid in total on 27 March 2015. The funds for its repayment were secured by the issuance of the Eurobond triple tranche transaction with a total nominal value of EUR 3.1 billion.