



REPUBLIC OF BULGARIA  
Ministry of Finance

# CENTRAL GOVERNMENT DEBT AND GUARANTEES 2020



# CENTRAL GOVERNMENT DEBT AND GUARANTEES

ANNUAL BULLETIN / 2020

The contents of the bulletin may be quoted or reproduced without further permission. Due acknowledgment is requested.

ISSN 2534-8892

©Ministry of Finance, 2021  
Government Debt Directorate

Ministry of Finance  
102, G. S. Rakovski Str.  
1040 Sofia  
tel. +359 2/9859 2468  
[www.minfin.bg](http://www.minfin.bg)

# CONTENTS

<b>ANALYSIS OF THE FINANCIAL SECTOR AND IMPACT ON BULGARIAN ECONOMY'S DEBT IN 2020.....</b>	<b>5</b>
BANKING SYSTEM AND NON-BANKING FINANCIAL SECTOR	5
CREDIT TO THE PRIVATE SECTOR	7
<b>IMPLEMENTATION OF DEBT CONVERGENCE CRITERION OF THE REPUBLIC OF BULGARIA .....</b>	<b>9</b>
<b>CREDIT RATING .....</b>	<b>11</b>
<b>CENTRAL GOVERNMENT DEBT.....</b>	<b>14</b>
CENTRAL GOVERNMENT DOMESTIC DEBT	17
CENTRAL GOVERNMENT EXTERNAL DEBT	18
<b>DEBT SOURCES OF FINANCING.....</b>	<b>21</b>
ISSUES OF GOVERNMENT SECURITIES ON THE DOMESTIC MARKET	21
ISSUES ON INTERNATIONAL CAPITAL MARKETS	23
DISTRIBUTION OF THE INVESTOR BASE AND DEVELOPMENT OF THE PRIMARY MARKET OF GOVERNMENT SECURITIES IN 2020	25
SECONDARY MARKET OF GOVERNMENT SECURITIES	26
HOLDERS OF BULGARIAN BONDS ISSUED ON THE ICM	29
LOAN FINANCING	34
<b>CENTRAL GOVERNMENT GUARANTEED DEBT .....</b>	<b>35</b>
<b>GOVERNMENT AND GOVERNMENT GUARANTEED DEBT.....</b>	<b>39</b>
<b>DEVELOPMENT OF GOVERNMENT SECURITIES MARKET .....</b>	<b>42</b>

## ABBREVIATIONS AND ACRONYMS

GDP	Gross Domestic Product
BNB	Bulgarian National Bank
CEDB	Council of Europe Development Bank
BSE	Bulgarian Stock Exchange
b.p.	basis point
GS	Government securities
ECB	European Central Bank
EURATOM	European Atomic Energy Community
ESROT	Electronic system for registering and servicing the trade in GS
EC	European Commission
EU	European Union
FSC	Financial Supervision Commission
IBRD	International Bank for Reconstruction and Development
ICM	International capital markets
MoF	Ministry of Finance
NSI	National Statistical Institute
PD	Primary dealer
PP	Percentage points
CG	Central Government
USD	US dollar
JBIC	Japan Bank for International Cooperation

# ANALYSIS OF THE FINANCIAL SECTOR AND IMPACT ON BULGARIAN ECONOMY'S DEBT IN 2020

## BANKING SYSTEM AND NON-BANKING FINANCIAL SECTOR

Gross international reserves of the BNB continued to ensure the sound functioning of the Currency Board, reaching a market value of EUR 30.8 billion at the end of 2020, or 24.2% more than at the end of the previous year. The main contributors to the increase in the reserves during the year were the reserves of commercial banks with the BNB and, to a lesser extent, banknotes and coins in circulation. As of December 31, 2020, the gross international reserves provided coverage of imports of goods and non-factor services of 11.1 months, and their ratio to the country's short-term external debt was 204.3%.<sup>1</sup>

In 2020, the banking system remained stable and continued to operate at high levels of liquidity and capital adequacy in the context of the global pandemic and economic crisis caused by COVID-19. The total capital adequacy ratio was 22.74% at the end of 2020, and the liquidity coverage ratio at the end of December was 279%.<sup>2</sup>

With the deteriorating economic situation, increased uncertainty and limited economic activity, the banking sector also reacted to what was happening and was affected by the economic effects of the pandemic. As a result, the slowdown in credit growth for the private sector at the end of 2020 was significant.

At the end of 2020, the total assets of the banking system amounted to BGN 124 billion, being 8.5% more than a year earlier. The profit of the banking system at the end of December 2020 was BGN 814.7 million, reporting a significant decrease of 51.4% compared to the previous year. This was also reflected in a decrease in profitability indicators at the banking system level. At the end of December 2020, the return on assets (ROA) was 0.66% (compared to 1.45% as of December 31, 2019), and the return on equity (ROE) – 5.31% (compared to 11.50% as of December 31, 2019).

---

<sup>1</sup> Data on the short-term external debt by residual maturity were used for the calculation;

<sup>2</sup> Calculated as ratio of the liquidity buffer and net liquidity outflows.

Positive trends were observed in the development of the non-banking financial sector. As of the end of 2020, net assets amounting to BGN 17.3 billion were accumulated in the supplementary pension insurance system. Compared to the end of 2019, the net assets of pension funds registered an increase of 10.7%.<sup>3</sup>

The funds managed by the insurance companies in Bulgaria reached nearly BGN 9.2 billion at the end of 2020, or by 8.4% more compared to the end of 2019.<sup>4</sup>

At the end of the year, companies' claims under financial and operating leases amounted to nearly BGN 4.3 billion and increased minimally (by 0.4%) compared to end-2019.<sup>5</sup> The total amount of loan claims of corporations specializing in lending increased in calendar year 2020 by 6% and amounted to BGN 3.1 billion, and the assets managed by resident and non-resident investment funds at the end of the year were BGN 5.9 billion, marking an increase of 36.2% compared to the end of 2019.<sup>6</sup>

The total market capitalization of the Bulgarian Stock Exchange (BSE) at the end of 2020 reached BGN 28.4 billion (23.6% of GDP), or 1.6% more than at the end of 2019. The main BSE index SOFIX declined by 21.2% in the calendar 2020 after a decline in 2019 of 4.4%. Drops of 9.3% yoy and 3.3% yoy respectively were recorded by BGBX 40 and BG TR30, only BG REIT rose by 5.9% yoy. The number of new issuances registered for trading on BSE in 2020 was 30, or 2 less than in 2019. The number of transactions and the turnover on a regulated market of BSE in 2020 increased compared to the previous year.

Between the beginning of 2020 and the start of the unprecedented emergency situation, Bulgaria was assessed with an investment grade rating with a positive outlook by all three rating agencies. Later in the year, in April and May, two of the rating agencies Fitch Ratings and S&P Global Ratings downgraded the outlook on the country's credit rating from positive to stable, but maintained the 'BBB' rating. The changed outlook of the two rating agencies from the first half of the year reflected their expectations for a significant deterioration in growth in Bulgaria and in other countries in 2020, as a result of the introduction of measures to control the pandemic of COVID-19. Subsequent ratings actions by Fitch Ratings and S&P Global Ratings in the second half of the year confirmed Bulgaria's rating and outlook, and in

---

<sup>3</sup> Financial Supervision Commission (FSC) figures show, <https://www.fsc.bg/bg/novini/predvaritelni-rezultati-ot-deynostta-po-dopalnitelno-pensionno-osiguryavane-za-2019-g--9748.html>;

<sup>4</sup> According to data from Insurance Statistics, BNB;

<sup>5</sup> According to BNB data;

<sup>6</sup> According to BNB data.

October Moody's even upgraded the country's long-term rating by one notch to Baa1 with a stable outlook.

Fitch Ratings' August 2020 assessment, in which the country's long-term foreign and local currency credit rating of 'BBB' with a stable outlook was reaffirmed, took into account the country's strong external and fiscal balances, as well as the credible policy framework supported by the membership of the European Union and the long-standing functioning of the currency board. In their assessment, Fitch noted that Bulgaria's accession to ERM II and the Banking Union in July 2020 is an important achievement, covering a two-year process of successfully implementing reforms and improving the resilience of the banking sector.

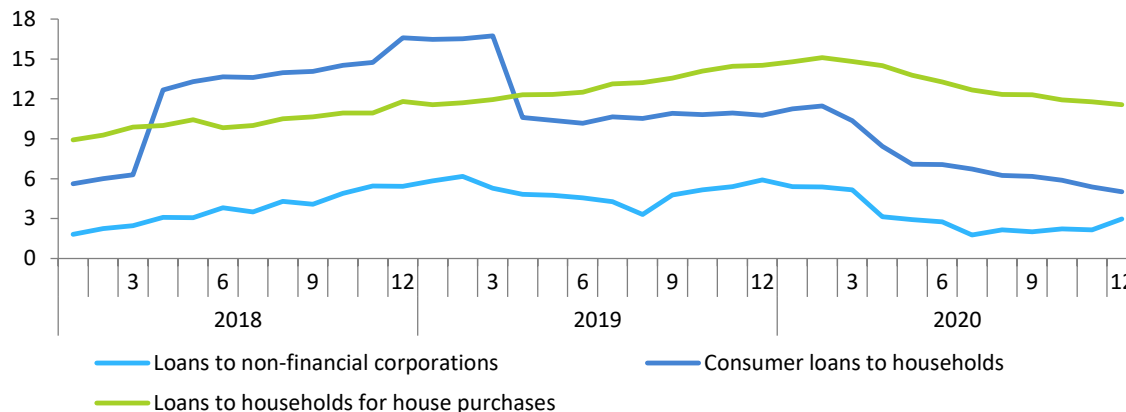
In November 2020, S&P Global Ratings also reaffirmed Bulgaria's long-term and short-term foreign and local currency credit ratings of 'BBB' with a stable outlook. The summary report of the agency noted the improved prospects for the development of the Bulgarian economy compared to their expectations earlier in the year. The rating agency also assessed the inclusion of the Bulgarian lev in Exchange Rate Mechanism II in July and Bulgaria's accession to the Banking Union, noting that the process of final accession to the euro area will strengthen cooperation between the BNB and the ECB.

At the beginning of October 2020, Moody's raised Bulgaria's long-term foreign and local currency rating to Baa1 with a stable outlook. The first factor for the raise of the rating was based on Bulgaria's progress towards joining the euro area and the related strengthening of institutional capacity and effective policy development. The second factor for the raise of the rating was related to the strengthening of the country's fiscal and credit profile, despite the negative impact of the pandemic.

## **CREDIT TO THE PRIVATE SECTOR**

Private sector credit growth began to slow down in March as a result of the measures to limit the spread of the pandemic, but the slowdown at the end of the first quarter of 2020 was still weak. Annual growth at the end of March was 9.1%, while at the end of the year it declined to 4.4%.

### Credit to the Private Sector (annual growth, %)



Source: BNB, MoF

Regarding credit to households, a more pronounced slowdown was observed in consumer loans. Their annual growth reached 5% compared to 10.8% at the end of 2019. The annual growth of regular consumer loans in January was 13.5%, and at the end of 2020 it came down to 4.2%. Loans for house purchases were the least affected by the deteriorating economic environment, despite that factors slowing down lending were present on both the supply and demand sides. In result, housing loans continued to grow at double-digit rates 1.6% yoy compared to 14.5% yoy at the end of 2019. The downward trend in growth of households' credit was in line with that of compensation of employees and disposable income, as the growth of households' consumption in 2020 was also negatively affected by the pandemic crisis.

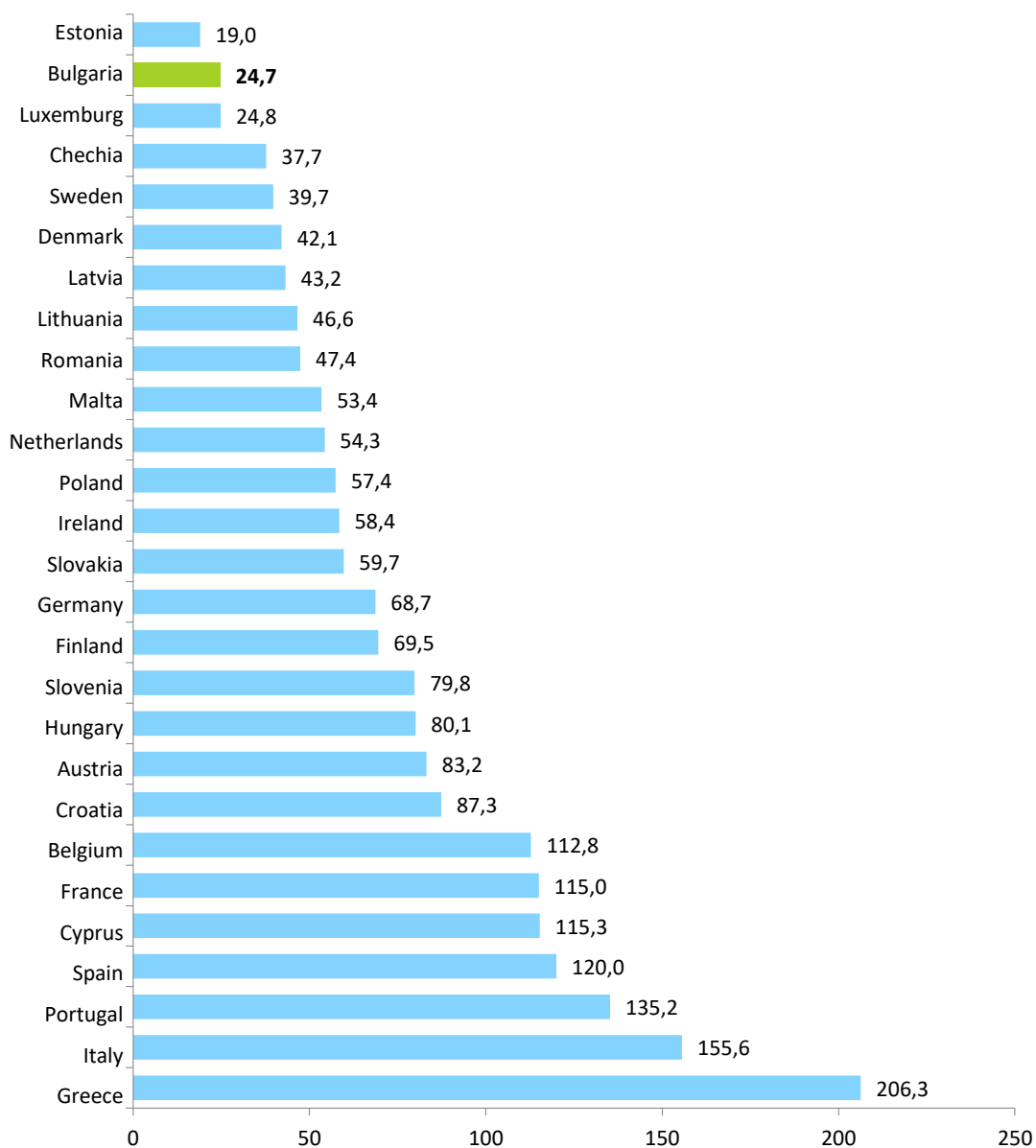
Limited economic activity and a high degree of uncertainty have contributed to the contraction of private investment and, consequently, to the growth of credit to non-financial corporations (NFCs). At the end of 2020, it slowed down to 3% yoy coming from 5.9% yoy a year earlier, and the downward trend in NFCs' overdraft was even more pronounced. In August, its decline reached 5.2% yoy, vs. a growth of 2.8% yoy at the end of 2019, after which some recovery began and at the end of December 2020 the NFCs' overdraft recorded a minimal increase of 0.4% yoy. ▼



# IMPLEMENTATION OF DEBT CONVERGENCE CRITERION OF THE REPUBLIC OF BULGARIA

In 2020, based on the latest annual data published by Eurostat in October 2021, with a value of the General Government Debt/GDP ratio of 24.7% the Republic of Bulgaria fulfils the Maastricht convergence criterion of 60%, maintaining a level significantly below the average for the EU-27 (90.1%) and EU-19 (97.3%).

## General Government Debt/GDP of EU Member States at the end of 2020



Source: Eurostat

Compared to the 20.0% level recorded at the end of 2019, the indicator increased by 4.7 percentage points. Comparing the indicators of the EU-27 member states, the Republic of Bulgaria ranks second after Estonia (19.0%). According to information published by Eurostat for 2020, thirteen Member States exceed the 60% of GDP reference threshold, as the highest value in the EU has been recorded for Greece (206.3%), Italy (155.6%) and Portugal (135.2%).

In the Euro area (EC-19), the General Government Debt-to-GDP ratio increased from 83.6% at the end of 2019 to 97.3% at the end of 2020, and at the EU-27 level – from 77.2% to 90.1%, respectively.

In 2020 as well, in the composition of the debt liabilities of the General Government sector, a major share of about 98% and a component with the most significant impact on the debt of the sector, continues to be the Central Government subsector. The other two components, the Local Government subsector and the Social Insurance subsector, have an almost neutral impact on the total debt of the sector. ▼

# CREDIT RATING

## Credit rating of Bulgarian bonds upon issuance on ICM, in circulation as of 31.12.2020

Rating agency	Eurobonds issued on ICM with maturity:							
	2022	2023	2024	2027	2028	2030	2035	2050
Moody's	Baa2	Baa2	Baa2	Baa2	Baa2	Baa2	Baa2	Baa2
S&P	BB+	BB+	BBB-	BB+	BB+	-	BB+	-
Fitch	BBB-	BBB-	BBB-	BBB-	BBB-	BBB	BBB-	BBB

Source: MoF

## Current credit rating of Bulgarian bonds issued on ICM, in circulation as of 31.12.2020

Rating agency	Eurobonds issued on ICM with maturity:							
	2022	2023	2024	2027	2028	2030	2035	2050
Moody's	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1
S&P	BBB	BBB	BBB	BBB	BBB	-	BBB	-
Fitch	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Scope	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+

Source: Bloomberg

## Dynamics of sovereign credit rating for the period 01.01.2009-31.12.2020

Rating agency	Date	Foreign currency rating		Local currency rating		Outlook
		Short-term	Long-term	Short-term	Long-term	
Moody's	20.03.2009	-	Baa3	-	Baa3	Stable
Moody's	21.01.2010	-	Baa3	-	Baa3	Positive
Moody's	31.08.2010	-	Baa3	-	Baa3	Positive
Moody's	22.07.2011	-	Baa2	-	Baa2	Stable
Moody's	05.06.2015	-	Baa2	-	Baa2	Stable
Moody's	26.05.2017	-	Baa2	-	Baa2	Stable
Moody's	30.08.2019	-	Baa2	-	Baa2	Positive
Moody's	09.10.2020	-	Baa1	-	Baa1	Stable

Rating agency	Date	Foreign currency rating		Local currency rating		Outlook
		Short-term	Long-term	Short-term	Long-term	
S&P	01.12.2009	A-3	BBB	A-3	BBB	Stable
S&P	17.12.2010	A-3	BBB	A-3	BBB	Stable
S&P	21.12.2011	A-3	BBB	A-3	BBB	Stable
S&P	10.08.2012	A-2	BBB	A-2	BBB	Stable
S&P	13.12.2012	A-2	BBB	A-2	BBB	Stable
S&P	13.12.2013	A-2	BBB	A-2	BBB	Negative
S&P	13.06.2014	A-3	BBB -	A-3	BBB -	Stable
S&P	12.12.2014	B	BB +	B	BB +	Stable
S&P	12.06.2015	B	BB +	B	BB +	Stable
S&P	11.12.2015	B	BB +	B	BB +	Stable
S&P	03.06.2016	B	BB +	B	BB +	Stable
S&P	02.12.2016	B	BB +	B	BB +	Stable
S&P	02.06.2017	B	BB +	B	BB +	Positive
S&P	01.12.2017	A-3	BBB -	A-3	BBB -	Stable
S&P	01.06.2018	A-3	BBB -	A-3	BBB -	Positive
S&P	30.11.2018	A-3	BBB -	A-3	BBB -	Positive
S&P	31.05.2019	A-3	BBB -	A-3	BBB -	Positive
S&P	29.11.2019	A-2	BBB	A-2	BBB	Positive
S&P	29.05.2020	A-2	BBB	A-2	BBB	Stable
S&P	27.11.2020	A-2	BBB	A-2	BBB	Stable
Fitch	30.04.2009	F3	BBB -	-	BBB	Negative
Fitch	12.08.2010	F3	BBB -	-	BBB	Negative
Fitch	24.05.2011	F3	BBB -	-	BBB	Positive
Fitch	13.12.2011	F3	BBB -	-	BBB	Stable
Fitch	13.07.2013	F3	BBB -	-	BBB	Stable
Fitch	10.01.2014	F3	BBB -	-	BBB	Stable
Fitch	04.07.2014	F3	BBB -	-	BBB	Stable
Fitch	19.12.2014	F3	BBB -	-	BBB	Stable
Fitch	19.06.2015	F3	BBB -	-	BBB	Stable
Fitch	04.12.2015	F3	BBB -	-	BBB	Stable

Rating agency	Date	Foreign currency rating		Local currency rating		Outlook
		Short-term	Long-term	Short-term	Long-term	
Fitch	03.06.2016	F3	BBB -	-	BBB	Stable
Fitch	22.07.2016	F3	BBB -	F3	BBB-	Stable
Fitch	02.12.2016	F3	BBB -	F3	BBB-	Stable
Fitch	02.06.2017	F3	BBB -	F3	BBB-	Positive
Fitch	01.12.2017	F2	BBB	F2	BBB	Stable
Fitch	01.06.2018	F2	BBB	F2	BBB	Stable
Fitch	16.11.2018	F2	BBB	F2	BBB	Stable
Fitch	22.03.2019	F2	BBB	F2	BBB	Positive
Fitch	23.08.2019	F2	BBB	F2	BBB	Positive
Fitch	21.02.2020	F2	BBB	F2	BBB	Positive
Fitch	24.04.2020	F2	BBB	F2	BBB	Stable
Fitch	21.08.2020	F2	BBB	F2	BBB	Stable
SCOPE RATINGS	03.11.2017	S-2	BBB	S-2	BBB	Stable
SCOPE RATINGS	27.04.2018	S-2	BBB	S-2	BBB	Positive
SCOPE RATINGS	22.02.2019	S-2	BBB+	S-2	BBB+	Stable

Source: MoF



# CENTRAL GOVERNMENT DEBT

At the end of 2020 the Central Government debt totaled BGN 28,858.8 million (EUR 14,755.3 million) in nominal terms, of which BGN 22,890.2 million (EUR 11,703.6 million) is external debt and BGN 5,968.6 million (EUR 3,051.7 million) domestic debt. Compared to the end of 2019, the debt increased by BGN 5,426.6 million, as the main contribution to the nominal debt increase was formed by the new domestic and external financing received during the year, exceeding the amount of repayments.

The Central Government Debt-to-GDP ratio rose to 24.1%.

## Central Government Debt

(BGN million)

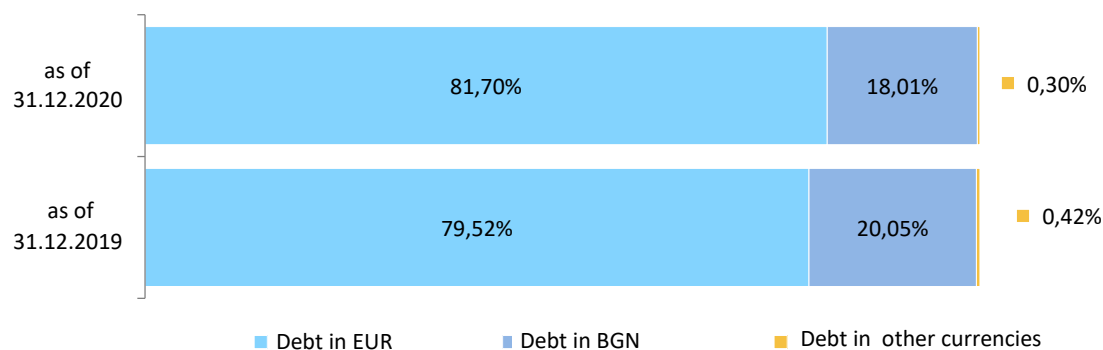
Structure	2016	2017	2018	2019	2020
<b>Domestic CG debt</b>	7 256.4	7 572.7	6 058.2	5 796.7	5 968.6
I. Securities	6 703.7	6 699.9	5 383.6	5 422.0	5 574.7
1. GS issued for financing the budget	6 564.8	6 599.6	5 396.6	5 422.0	5 574.7
2. GS issued for the structural reform	7.2	-4.4	-13.0	-	-
3. Securities issued by units within the CG subsector	131.7	104.7	-	-	-
II. Loans	552.7	872.8	674.6	374.7	393.9
1. Government loans	395.2	722.9	466.6	143.2	56.8
2. Domestic loans of units within the CG sub- sector	157.5	149.9	208.0	231.4	337.1
<b>External CG debt</b>	20 109.5	17 916.3	17 708.1	17 635.5	22 890.2
I. Bonds	14 676.0	12 906.8	12 902.9	12 897.7	17 712.3
II. Loans	5 433.5	5 009.6	4 805.2	4 737.8	5 178.0
1. Government loans	2 063.9	1 878.1	1 806.6	1 880.2	2 522.2
1.1 Paris club	49.3	24.6	-	-	-
1.2 IBRD /World Bank/	846.7	688.3	553.5	458.3	363.0
1.3 European Union	1 167.9	1 165.2	1 155.3	1 236.1	1 787.6
1.4. CEDB	-	-	97.8	185.8	371.6
2. Schuldschein transferable loans	567.2	567.2	567.2	567.2	507.5
3. Government investment loans	1 556.6	1 396.4	1 257.0	1 115.3	961.0

Structure	2016	2017	2018	2019	2020
4. External loans of units within the CG subsector	1 245.8	1 167.9	1 174.4	1 175.2	1 187.2
<b>Central Government debt, total</b>	<b>27 365.9</b>	<b>25 489.1</b>	<b>23 766.3</b>	<b>23 432.2</b>	<b>28 858.8</b>
<i>GDP (BGN million)</i>	95 390.5	102 740.6	109 964.2	120 395.2	119 951.1
<b>Total Central Government debt/GDP (%)</b>	<b>28.7</b>	<b>24.8</b>	<b>21.6</b>	<b>19.5</b>	<b>24.1</b>

Notes: 1. Debt at nominal value; 2. The conversion of the debt in BGN as per the BNB central exchange rates for the respective foreign currencies at the end of the respective periods; 3. GDP data is available from the National Statistical Institute; 4. Due to rounding, in the table some aggregate entries do not fully comply with their constituent numbers.

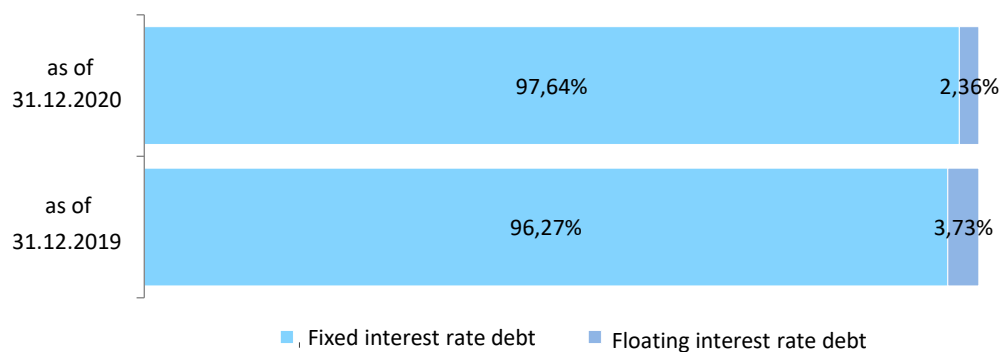
Source: MoF

### Central Government Debt Currency Structure



Source: MoF

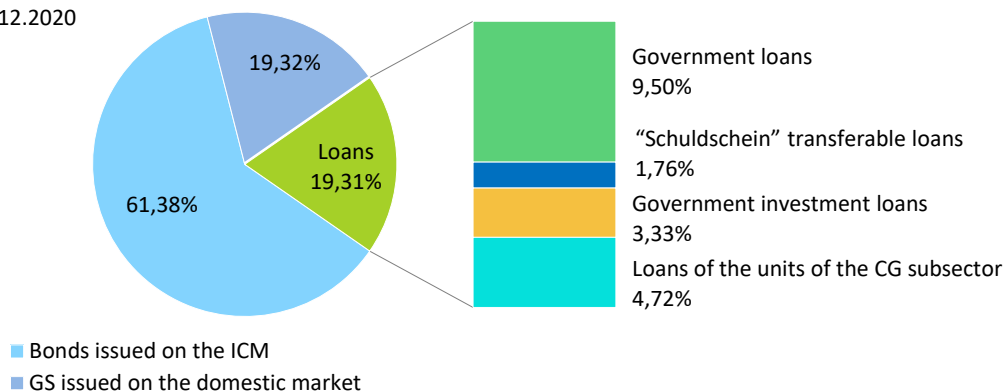
### Central Government Debt Interest Rate Structure



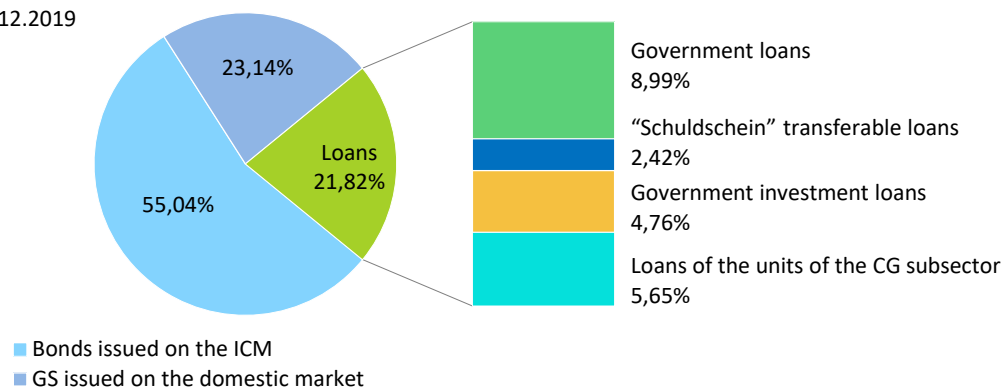
Source: MoF

## Central Government Debt Structure by Instrument

as of  
31.12.2020

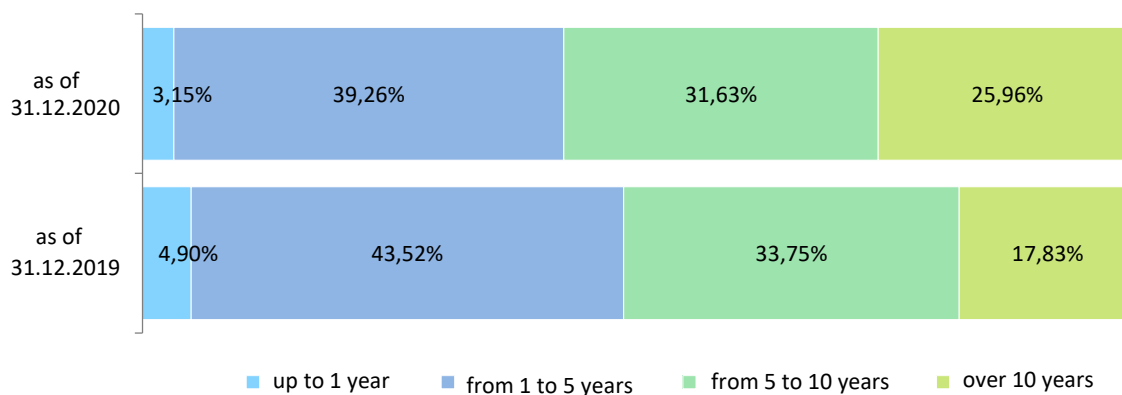


as of  
31.12.2019



Source: MoF

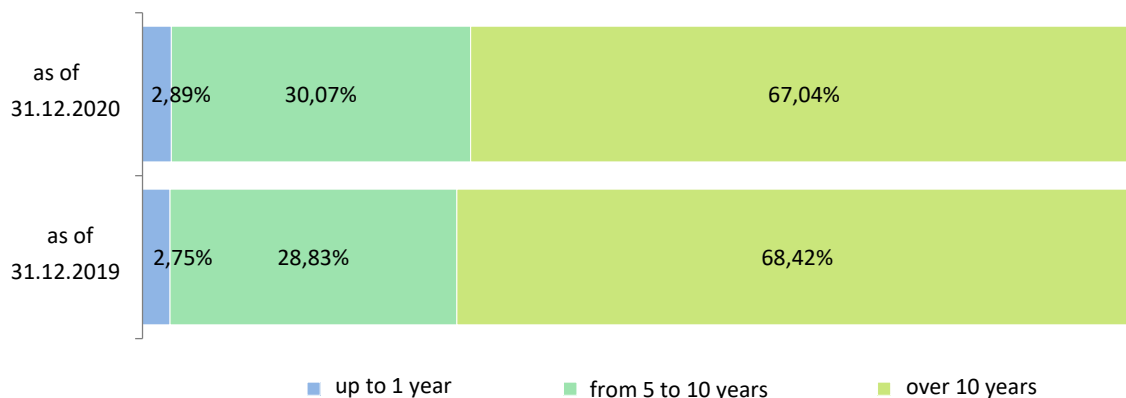
## Residual Maturity of Outstanding Central Government Debt



Source: MoF



## Original Maturity of Outstanding Central Government Debt



Source: MoF

## CENTRAL GOVERNMENT DOMESTIC DEBT

At the end of 2020, Central Government domestic debt totaled in nominal terms BGN 5,968.6 million (EUR 3,051.7 million), which is 5.0% of GDP, as it is increasing compared to the previous year by BGN 171.9 million (EUR 87.9 million).

### Central Government Domestic Debt

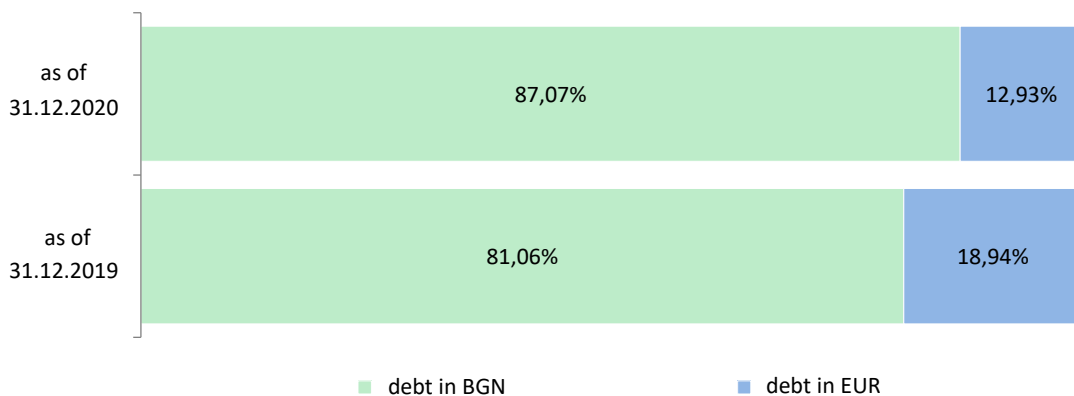
(BGN million)

Structure	2019	2020
<b>Domestic debt of the CG subsector</b>	5 796.7	5 968.6
<b>I. Securities</b>	5 422.0	5 574.7
1. Government securities issued for financing the budget	5 422.0	5 574.7
2. Government securities issued for structural reform	-	-
<b>II. Loans</b>	374.7	393.9
1. Government loans	143.2	56.8
2. Domestic loans of units within the CG subsector	231.4	337.1
<i>GDP (BGN million)</i>	120 395.2	119 951.1
<b>CG domestic debt/GDP (%)</b>	4.8	5.0

Notes: 1. Debt is at nominal value; 2. Debt is recalculated based on end-of-period BNB central exchange rates of the relevant foreign currencies; 3. GDP data is provided by the National Statistical Institute; 4. Due to rounding, in the table some aggregate entries do not fully comply with their constituent numbers.

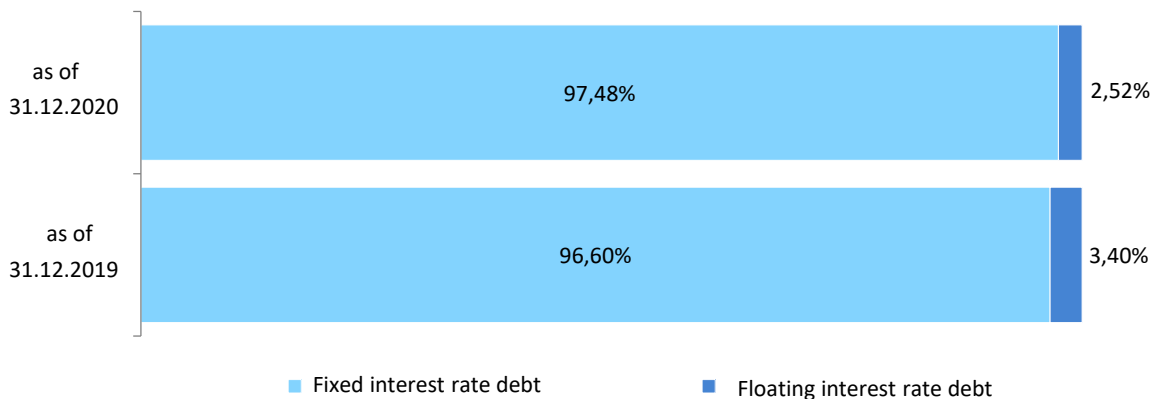
Source: MoF

### Central Government Domestic Debt Currency Structure



Source: MoF

### Central Government Domestic Debt Interest Rate Structure



Source: MoF

## CENTRAL GOVERNMENT EXTERNAL DEBT

By the end of 2020, CG external debt in nominal value amounted to BGN 22,890.2 million (EUR 11,703.6 million) and the CG external debt/GDP ratio is 19.1%.

## Central Government External debt

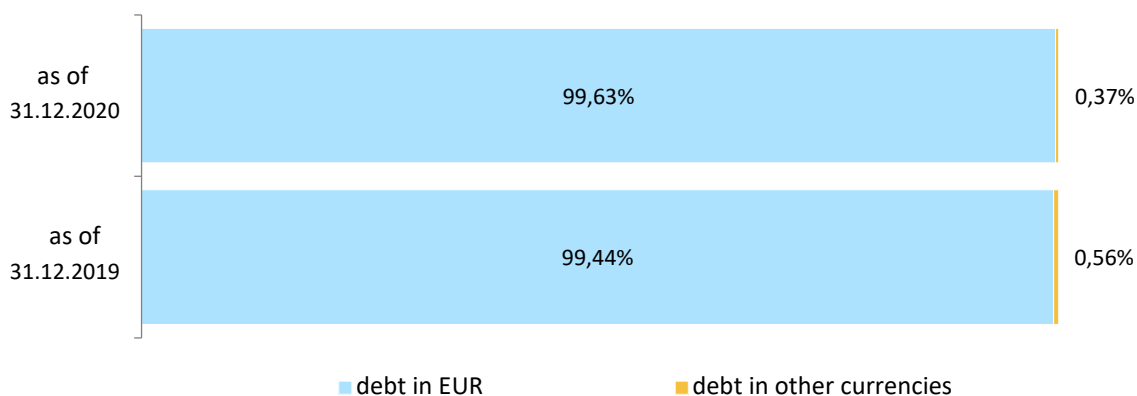
(BGN million)

Structure	2019	2020
<b>External CG debt</b>	17 635.5	22 890.2
I. Bonds	12 897.7	17 712.3
II. Loans	4 737.8	5 178.0
1. Government loans	1 880.2	2 522.2
1.1 IBRD /World Bank/	458.3	363.0
1.2 European Union	1 236.1	1 787.6
1.3 CEDB	185.8	371.6
2. Schuldschein transferable loans	567.2	507.5
3. Government investment loans	1 115.3	961.0
4. External loans of units within the CG sub sector	1 175.2	1 187.2
<i>GDP (BGN million)</i>	120 395.2	119 951.1
<b>Total CG external debt /GDP, (%)</b>	14.6	19.1

Notes: 1. Debt at nominal value; 2. Debt is recalculated based on end-of-period BNB central exchange rates of the relevant foreign currencies; 3. GDP data is provided by the National Statistical Institute; 4. Due to rounding, some aggregate entries in the table do not fully comply with their constituent numbers.

Source: MoF

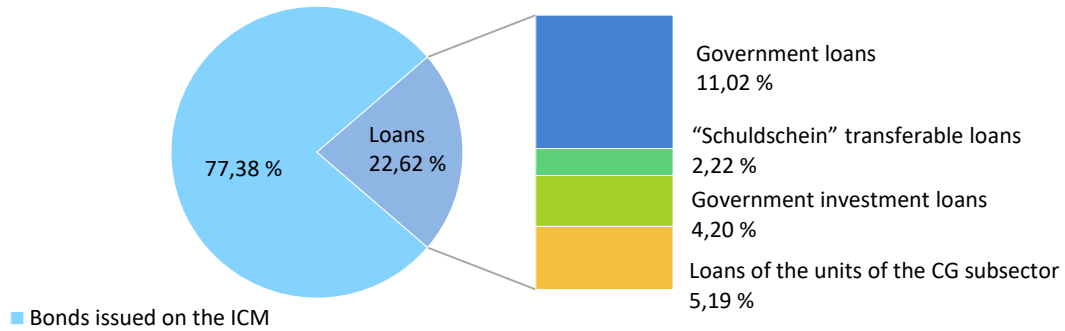
## Central Government External Debt Currency Structure



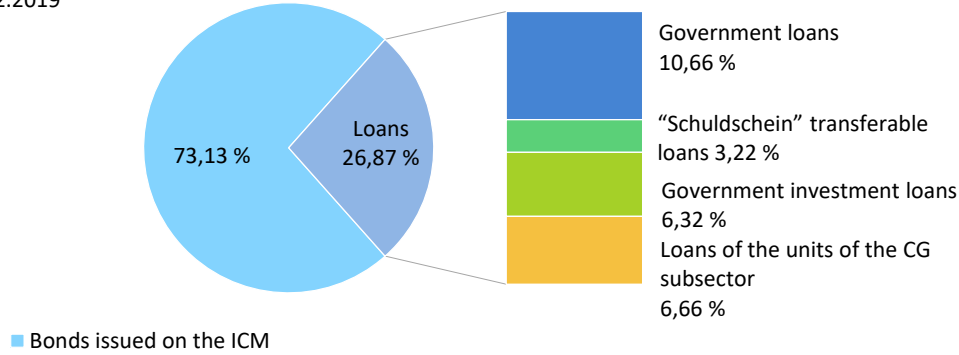
Source: MoF

## Structure of Central Government External Debt by Instrument

as of  
31.12.2020

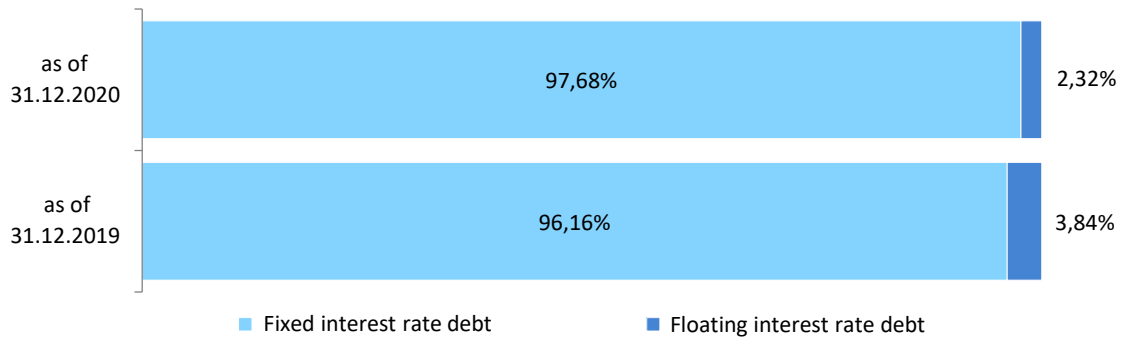


as of  
31.12.2019



Source: MoF

## Central Government External Debt Interest Rate Structure



Source: MoF

# DEBT SOURCES OF FINANCING

## ISSUES OF GOVERNMENT SECURITIES ON THE DOMESTIC MARKET

In 2020, the placement of government securities on the domestic market was in line with the envisaged restrictions laid down in the State Budget Act for 2020, the Government Debt Management Strategy and the issuance policy of the Ministry of Finance.

During the year, a total of 7 auctions were held as a result of which 2 issues were placed: a new 5-year note and a reopened long-term one with a maturity of 10 years and 6 months, initially proposed in 2019. The total nominal value of government securities issued amounted to BGN 1,200 million, of which BGN 600 million government securities with a maturity of 5 years and BGN 600 million government securities with a maturity of 10 years and 6 months. At the last auction, held in 2020 there were no bids approved for the 5-year securities with a proposed volume of BGN 200 million.

### Auctions of government securities held in 2020

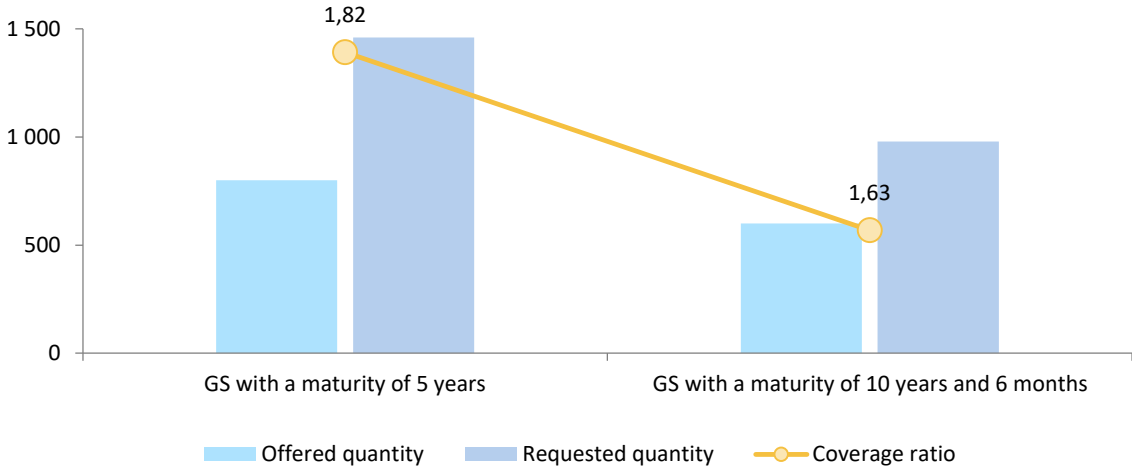
Date of the auction	13.1.2020	27.1.2020	10.2.2020	24.2.2020	6.4.2020	13.4.2020	27.4.2020
Payment Date	15.1.2020	29.1.2020	12.2.2020	26.2.2020	8.4.2020	15.4.2020	29.4.2020
Issue №	BG2030020114	BG2040119211	BG2030020114	BG2040119211	BG2030020114	BG2040119211	BG2030020114
Date of the issue	15.1.2020	21.6.2019	15.1.2020	21.6.2019	15.1.2020	21.6.2019	15.1.2020
Due Date	15.1.2025	21.12.2029	15.1.2025	21.12.2029	15.1.2025	21.12.2029	15.1.2025
Maturity	5	10.5	5	10.5	5	10.5	5
Coupon	0,01%	0.50%	0,01%	0.50%	0,01%	0.50%	0,01%
Currency	BGN	BGN	BGN	BGN	BGN	BGN	BGN
Average annual yield*	-0.11%	0.13%	-0.14%	0.12%	0.13%	0.55%	-
Average price	100.58	103.63	100.74	103.72	99.42	99.54	-
Coverage ratio	2.49	2.32	1.71	1.33	1.79	1.25	1.32
Quantity offered	200 000 000	200 000 000	200 000 000	200 000 000	200 000 000	200 000 000	200 000 000
Approved quantity (Nominal value)	200 000 000	200 000 000	200 000 000	200 000 000	200 000 000	200 000 000	-

\*Average annual yield calculated on the basis of ISMA-International Yield (%)

Source: MoF

In 2020, an average coverage ratio of 1.74 was achieved, with a total nominal value of BGN 1,400 million of government securities, offered on the domestic market, that met market participants' bids for BGN 2,439.5 million. The average coverage ratios for the period by type of government securities are 1.82 for those with a maturity of 5 years and 1.63 for government securities with a maturity of 10 years and 6 months.

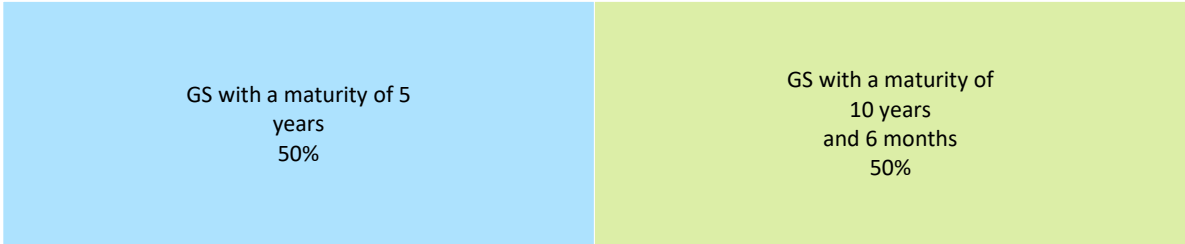
**Coverage ratio of the issued government securities in 2020**



\*Issue data are presented in million BGN.

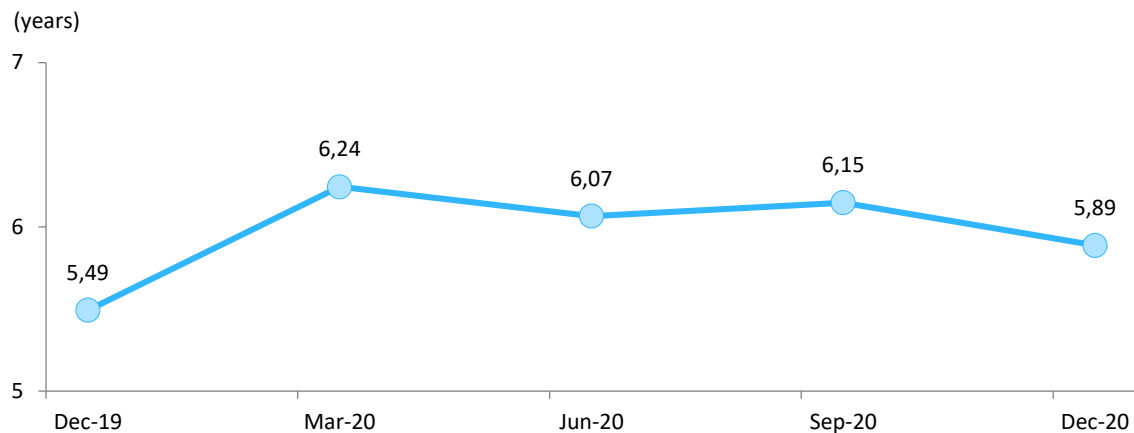
Source: MoF

**Maturity structure of issued government securities**



Source: MoF

## Residual maturity (in years) of Government Securities in circulation

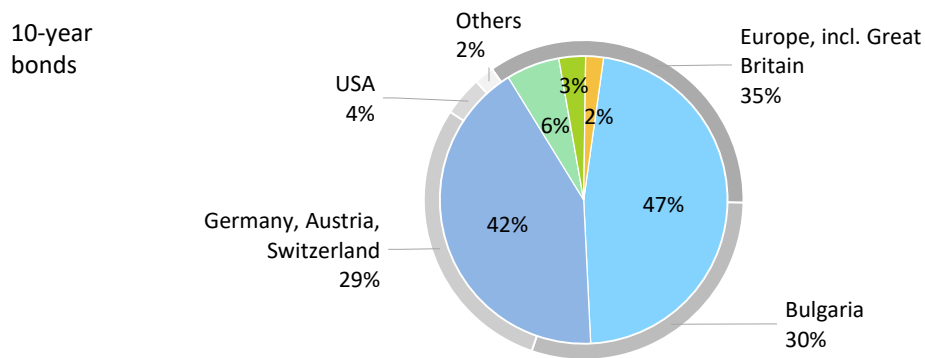


Source: MoF

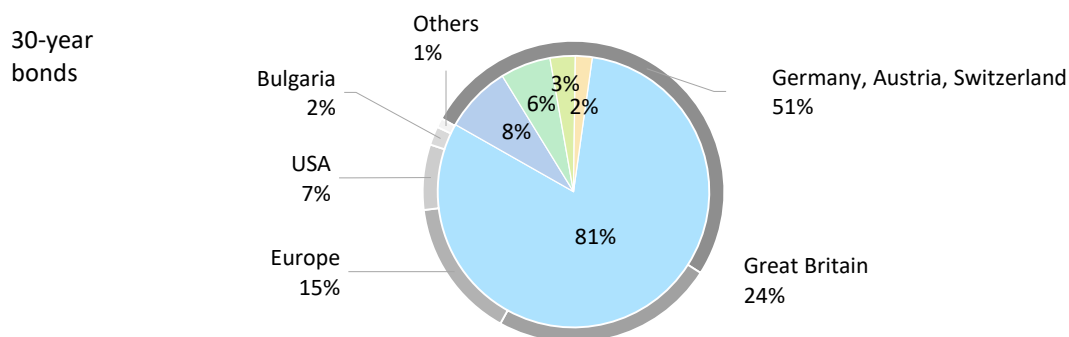
## ISSUES ON INTERNATIONAL CAPITAL MARKETS

In September 2020, the Republic of Bulgaria issued a double tranche of Eurobonds with a total nominal value of EUR 2.5 billion, under the Global Medium-Term Program for Debt Issuance on International Capital Markets (ICM) – 10-year bonds in amount of EUR 1.25 billion and 30-year bonds worth 1.25 billion euros. Ten-year bonds were placed at a price of 99,863 euros for 100 euros nominal value, interest rate coupon of 0.375% and a spread of 60 basis points above the average price of interest rate swaps (yield 0.389%), and 30-year bonds at a price of 97,566 euros per 100 euro nominal value, an interest rate coupon of 1.375% and 145 basis points above the average price of interest rate swaps (yield 1.476%). The proposed bonds witnessed high demand among investors, with final orders reaching 3.7 billion euros for 10-year bonds and 3.6 billion euros for 30-year bonds. Demand was registered from all over Europe and the United States, with fund managers and banks predominating for both tranches. Bulgarian investors acquired 16% of the total volume of securities.

## Distribution of the acquired volumes by types of investors and by geographical indication



■ Fund managers - 47%   
 ■ Banks - 42%   
 ■ Pension and insurance companies - 6%  
■ Sovereign and institutional investors - 3%   
 ■ Hedge Funds - 2%



■ Fund managers - 81%   
 ■ Banks - 8%   
 ■ Insurance companies - 6%  
■ Sovereign and institutional investors - 3%   
 ■ Hedge funds - 2%

Source: MoF

The transaction is the second largest debt placement deal of the Republic of Bulgaria on the ICM and marked several important points – for the 10-year bond the lowest interest rate coupon was achieved, respectively yield and spread, and the 30-year bond is the issue with the longest maturity issued so far. The transaction extended the sovereign debt yield curve of Bulgaria and increased the liquidity of the Bulgarian debt. The good conditions for issuing bonds are the result of multiannual efforts to maintain strict fiscal discipline and the extremely low level of government debt. Another key factor for the successful performance of our country as an issuer on the ICM was the accession of Bulgaria to The Exchange Rate Mechanism (ERM-2) and the Banking Union in July 2020.

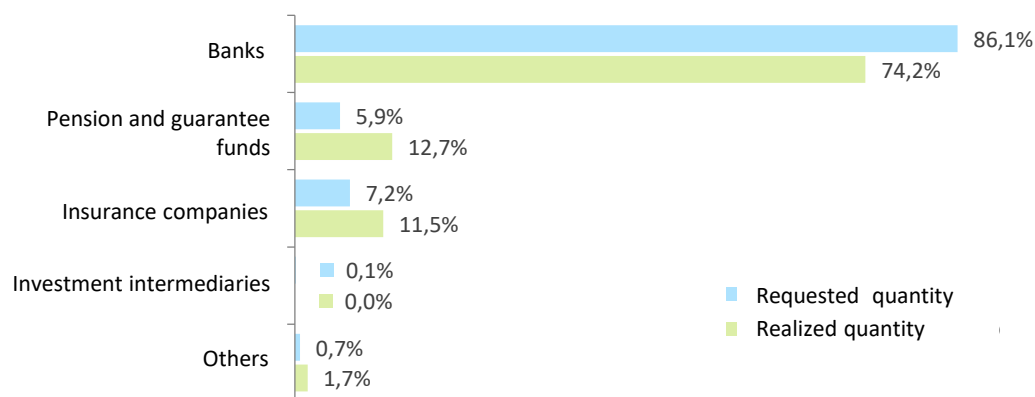


## DISTRIBUTION OF THE INVESTOR BASE AND DEVELOPMENT OF THE PRIMARY MARKET OF GOVERNMENT SECURITIES IN 2020

Six auctions were held on the domestic debt market in 2020. The Ministry of Finance issued securities with an aggregate nominal value of BGN 1 200.0 million, distributed in two government securities issues, respectively with maturities of 5 years and 10 years and 6 months. The yield reduction trend across all maturity segments also continued in 2019.

The analysis of the investor interest shows that at the auctions held for the sale of government securities with a maturity of 5 years, the banks submitted orders for a total of BGN 1,257.4 million, or 86.1% of all submitted orders, the pension and guarantee funds placed bids for BGN 86.0 million BGN, or 5.9% of the submitted orders, the insurance companies reported a total nominal value of BGN 104.5 million (7.2% of the submitted orders), the investment intermediaries – BGN 2.0 million or 0.1% of the submitted orders and other investors – BGN 10.0 million or 0.7% of the submitted orders. The distribution of the approved quantity of government securities is as follows: banks – BGN 445.0 million (74.2% of the approved orders), pension and guarantee funds – BGN 76.0 million (12.7% of the approved orders), insurance companies – BGN 69.0 million (11.5% of the approved orders) and other participants – BGN 10.0 million (1.7% of the approved orders).

### Government securities with a maturity of 5 years



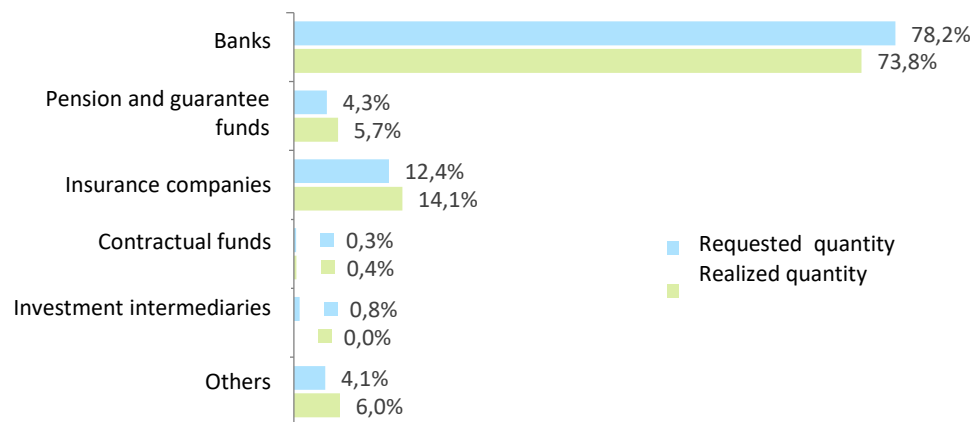
Source: MoF

The 10-year and 6 months bond issued in 2020 also attracted the attention of a wide range of investors. The orders requested by the banks were for BGN 765.8 million (78.2% of all submitted orders), by the pension and guarantee funds – BGN 42.3 million (4.32% of the submitted orders), the insurance companies – BGN 121.1 million (12.4% of the submitted orders), the investment intermediaries – BGN 7.6 million (0.8% of the submitted orders),

the mutual funds – BGN 2.9 million (0.3% of the submitted orders) and by the other investors – BGN 40.0 million (4.1% of the submitted orders).

The distribution of the approved amount of government securities is as follows: banks – BGN 442.7 million (73.8% of the approved orders), insurance companies – BGN 84.7 million (14.1% of the approved orders), pension and guarantee funds – BGN 34.4 million. (5.7% of the approved orders), mutual funds – BGN 2.1 million (0.4% of the approved orders) and other investors – BGN 36.0 million (6.0% of the approved orders).

### Government securities with a maturity of 10 years



Source: MoF

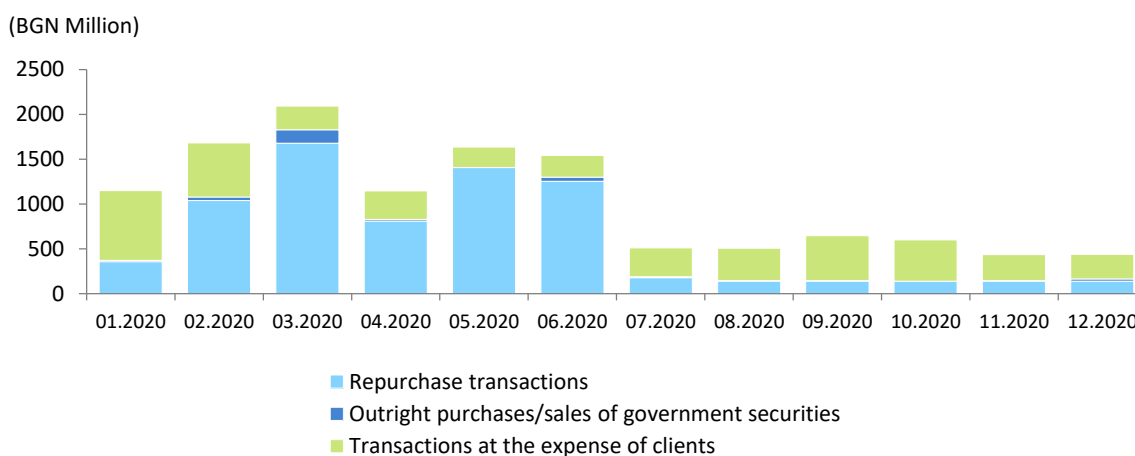
## SECONDARY MARKET OF GOVERNMENT SECURITIES

In 2020, the total volume of registered transactions and operations with government securities in the BNB’s system for registration and settlement of government securities (BNBGSSS) amounted to BGN 17,337.5 million, compared to BGN 27,929.2 million for 2019, which is a decrease by 37.9% compared to the previous period. The volume of repurchase transactions decreased by 40.7% compared to 2019, but their share continues to be the highest in the total volume of transactions registered with BNBGSSS – 42.8%. Repurchase transactions concluded for a period of one day remain the most preferred by banks (39.8%), mostly with government securities issues in BGN, in order to provide daily liquidity. For the year the volume of the registered transactions for the purchase and sale of government securities is BGN 970.3 million, which is less than the previous year, by 33.4% of which BGN 320.0 million are the transactions between ESROT members. Other transactions and operations between ESROT members and their clients reached a volume of BGN 3,280.0

million. The volume of transactions between clients of ESROT members amounted to BGN 709.8 million. Operations for blocking and unblocking of government securities, issued on the domestic market in connection with registered pledges on government securities for securing budget organizations' funds in their accounts in banks, in accordance with the Public Finance Act and the Special Pledges Act, have a total volume of BGN 4,961.3 million, respectively their share is 28.6%.

In the background of the low interest rates in the euro area and the lack of suitable investment alternatives on the local capital market, sovereign debt instruments issued on the domestic market remain preferred investment by the market participants. During the year, the yield of the long-term benchmark issue with a maturity of 10 years and 6 months ranged from 0.12% to 0.68%, which is a slight change in its value compared to 2019 (from 0.18% to 0.72%). Overall, the trade was dynamic, with peaks in traded volumes in February, March and May. Government securities were traded in all maturities, with the most liquid ones being the government securities denominated in BGN and EUR, with a residual maturity of about 5 years. This is due to the lower availability of long-term government securities offered on the secondary market by institutional investors – pension funds and insurance companies, that retain in their portfolios the government securities purchased by them and do not offer them for subsequent trading. The trend observed in the recent years for the volume of the government securities, traded on the secondary market, to exceed many times the one, registered on the Bulgarian stock market continued also in 2020.

### Volume of the types of transactions with marketable government securities

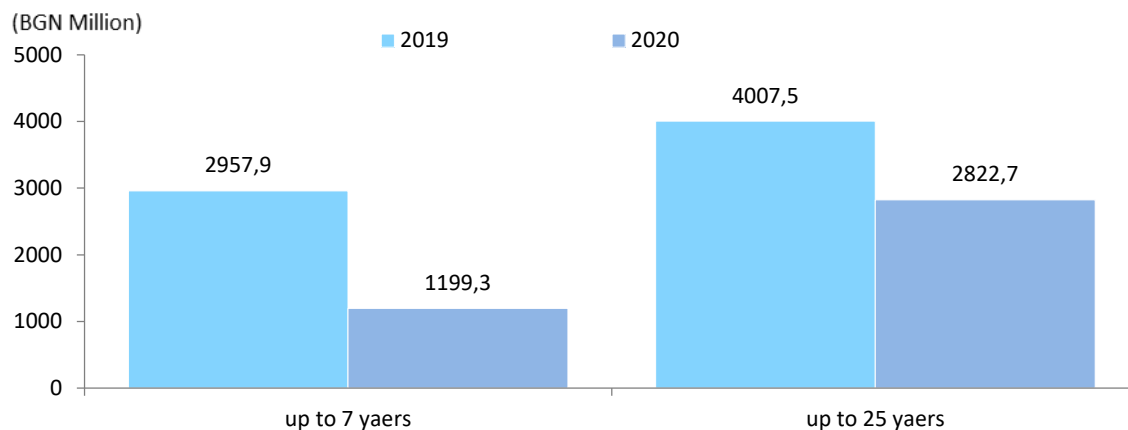


Notes: 1. The volume of transactions also covers reverse repurchase transactions concluded during the period; 2. The BGN equivalent of transactions with government securities denominated in foreign currency is calculated at the exchange rate determined by BNB on the day of the transaction.

Source: BNB

ESROT members did not have difficulties and provided timely the necessary securities and cash in BGN and EUR to carry out the settlement of transactions with government securities with delivery against payment (DvP), as the average settlement ratios is 100% over the year.

### Structure of transactions on the interbank market by maturity of government securities



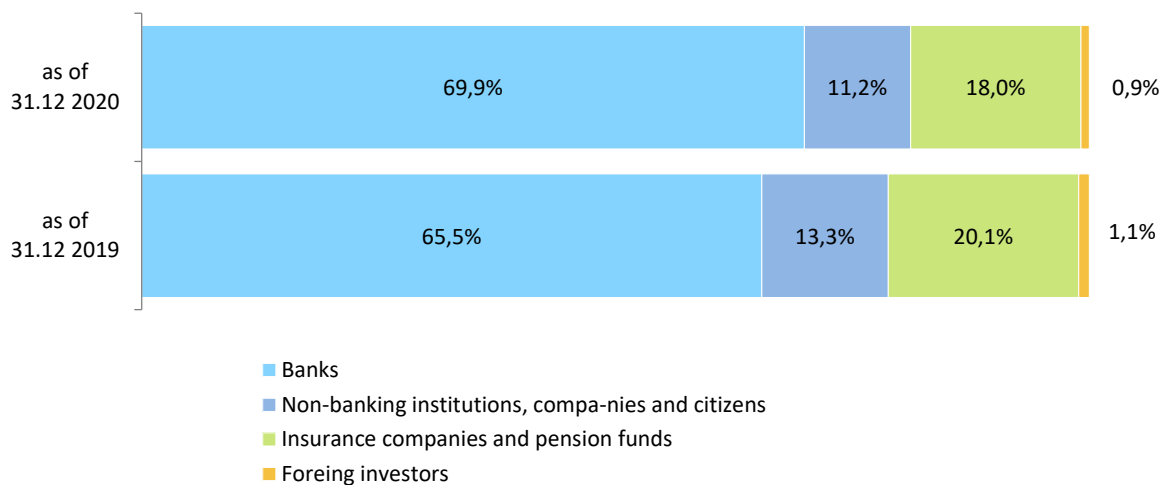
Notes: 1. The BGN equivalent of transactions in government securities denominated in foreign currency is calculated at the exchange rate determined by BNB on the day of the transaction; 2. The volume of the repurchase transactions does not include the reverse repurchase transactions.

Source: BNB

During the year, in BNBGSSS, as an ancillary system in TARGET2-BNB, there were registered transactions with long-term government securities denominated and payable in euro, with a total volume of EUR 282.3 million (or BGN 552.1 million), with the payments being made not only through bank accounts in the national system component TARGET2-BNB, but also through bank accounts in other system components of central banks in TARGET2.

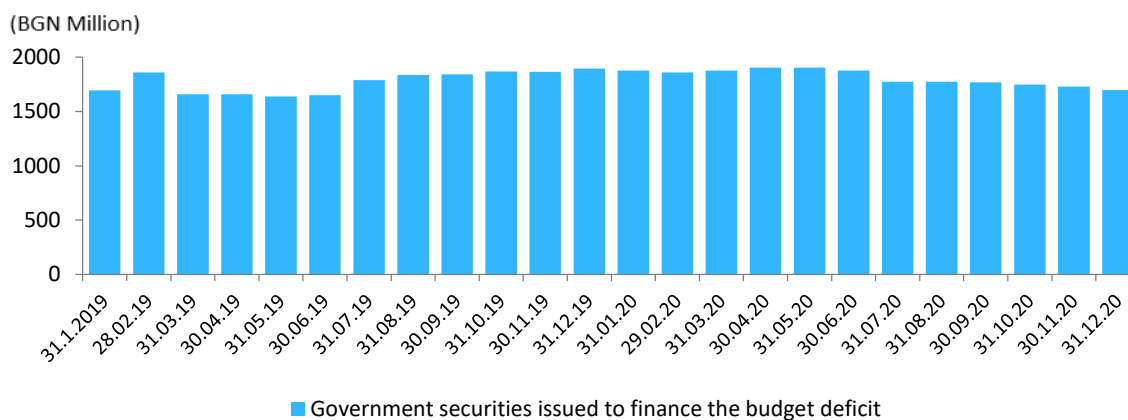
At the end of 2020, compared to the same period of 2019, there are changes in the investments of the different categories of holders of government debt instruments issued to finance the budget deficit. Banks' investments in government securities increased, while those of the other categories of holders (insurance companies and pension funds, local non-bank financial institutions, companies and individuals, and foreign investors) decreased. The largest share of these debt securities continued to be held by banks (69.9%), followed by insurance companies and pension funds (18.0%), local non-bank financial institutions, companies and citizens (11.2%) and foreign investors (0.9%).

## Holders of government securities issued to finance the budget deficit



Source: BNB

## Investments of non-bank financial institutions, companies and citizens in government securities issued to finance the budget deficit



Notes: 1. The BGN equivalent of government securities denominated in foreign currency is calculated at the exchange rate determined by the BNB, valid for the last working day of the relevant period; 2. Data on investments in government securities include local non-bank financial institutions, companies and citizens, and insurance companies and pension funds.

Source: BNB

## HOLDERS OF BULGARIAN BONDS ISSUED ON THE ICM

As of December 31, 2020, eight euro-denominated issues are in circulation on the international capital markets – 7-year (XS1208855616) with a maturity on March 26, 2022 and coupon 2,000%, 7-year (XS1382693452) with a maturity on March 21, 2023 and coupon 1.875%, 10-year (XS1083844503) with a maturity on September 3, 2024 and coupon

2.950%, 12-year (XS1208855889) with a maturity on March 26, 2027 and coupon 2.625%, 12-year (XS1382696398) with a maturity March 21, 2028 and coupon 3%, 10-year (XS2234571425) with a maturity September 23, 2030 and coupon 0.375%, 20-year (XS1208856341) with a maturity March 26, 2035 and coupon 3.125% and 30-year (XS2234571771) with a maturity on September 23, 2030 and coupon 1.375%.

**Bulgarian Eurobonds issued on international markets and held by residents-banking institutions and other sectors – by year of issue**

Types of Government Securities	2019	2020			
		I quarter	II quarter	III quarter	IV quarter
<b>2.95 %, 2024 г., /XS1083844503/ – 2014 issue</b>	<b>985.7</b>	<b>999.2</b>	<b>989.0</b>	<b>1006.6</b>	<b>989.3</b>
Owned by the banking sector	649.5	660.4	663.8	691.9	696.0
Owned by other sectors	336.2	338.8	325.2	314.7	293.3
<b>2%, 2022, /XS1208855616/ – 2015 issue</b>	<b>806.7</b>	<b>837.7</b>	<b>832.5</b>	<b>840.4</b>	<b>850.9</b>
Owned by the banking sector	704.8	726.4	727.3	738.4	749.2
Owned by other sectors	101.9	111.2	105.2	102.0	101.8
<b>2.625%, 2027, /XS1208855889/ – 2015 issue</b>	<b>635.1</b>	<b>622.5</b>	<b>634.8</b>	<b>634.4</b>	<b>625.6</b>
Owned by the banking sector	421.1	408.7	419.2	417.9	417.1
Owned by other sectors	214.0	213.8	215.6	216.5	208.6
<b>3.125%, 2035, /XS1208856341/ – 2015 issue</b>	<b>210.6</b>	<b>222.0</b>	<b>228.6</b>	<b>214.3</b>	<b>205.2</b>
Owned by the banking sector	69.5	68.1	68.0	71.0	71.6
Owned by other sectors	141.1	153.9	160.6	143.4	133.7
<b>1.875%, 2023, /XS1382693452/ – 2016 issue</b>	<b>829.2</b>	<b>825.6</b>	<b>824.5</b>	<b>829.1</b>	<b>840.2</b>
Owned by the banking sector	585.2	575.4	576.4	604.9	612.3
Owned by other sectors	244.0	250.2	248.2	224.2	227.9
<b>3%, 2028, /XS1382696398/ – 2016 issue</b>	<b>412.9</b>	<b>410.7</b>	<b>445.1</b>	<b>451.0</b>	<b>450.3</b>
Owned by the banking sector	268.3	265.2	278.9	294.8	294.0
Owned by other sectors	144.6	145.5	166.2	156.3	156.2
<b>Total (EUR million)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>594.2</b>	<b>631.8</b>
<b>2%, 2022, /XS1208855616/ – 2015 issue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>470.3</b>	<b>504.2</b>
Owned by the banking sector	-	-	-	123.9	127.6
Owned by other sectors	-	-	-	<b>26.6</b>	<b>17.2</b>
<b>2.625%, 2027, /XS1208855889/ – 2015 issue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.0</b>	<b>1.5</b>
Owned by the banking sector	-	-	-	21.6	15.7
<b>Owned by other sectors</b>	<b>3 880.1</b>	<b>3 917.6</b>	<b>3 954.6</b>	<b>4 596.6</b>	<b>4 610.6</b>

Note: Due to rounding, in the table some aggregate entries do not fully comply with their constituent numbers.

Source: BNB

In the case of the 7-year bond maturing in 2022, there is an increase in the share of securities held by residents from 64.5% at the end of 2019 to 68.1% at the end of 2020. As of December 31, 2020, they hold securities with nominal value EUR 851.0 million, which is an increase compared to the bonds held at the end of 2019 amounting to EUR 806.7 million. The total nominal value of the bonds held by the banks amounted to EUR 749.2 million, while the other sectors held EUR 101.8 million.

The largest share of securities held by residents is reported in the 7-year bond, maturing during 2023, which also marked an increase from 72.5% as of 31.12.2019 to 73.4% as of 31.12.2020 (which represents securities with a nominal value of 840.2 million Euro). The banking sector holds securities worth EUR 612.3 million and the other sectors EUR 227.9 million.

66.3% of the 10-year issue with a maturity in 2024, are held by residents. There is an increase in the share held by residents from EUR 985.7 million at the end of 2019 to EUR 989.3 million at the end of 2020. The banking sector holds bonds for EUR 696.0 million and the other sectors for a total of EUR 293.3 million.

A decrease in the share of securities held by residents is reported for the 12-year bond with a maturity during 2027 (from 63.5% to 62.6%). As of December 31, 2020, they hold securities with a nominal value of EUR 625.6 million, which is a decrease compared to the amount of bonds held at the end of 2019 worth EUR 635.1 million. The total nominal value of the bonds held by the banks' sector amounted to EUR 417.1 million, and the other sectors possess EUR 208.6 million.

As of 31.12.2020, 53.0% of the total amount of the 12-year issue with a maturity in 2028 are held by residents, which is an increase compared to the value of 48.6% at the end of the previous 2019. Banks sector has bonds for EUR 294.0 million and the other sectors for a total of EUR 156.3 million.

A downward movement in the securities held by residents was observed in the 20-year issue with a maturity in 2035 (a decrease from 24.8% to 24.2%). As of December 31, 2020, residents hold securities with a nominal value of EUR 205.3 million, which is a decrease from the levels at the end of 2019 worth EUR 210.6 million. The total nominal value of the bonds held by the banks sector amounted to EUR 71.6 million, and the other sectors hold EUR 133.7 million.

As at the end of the year residents owned EUR 631.8 million (50.5% of the face value) of the 10-year bond issued in 2020 with maturity during 2030. Banks hold securities worth EUR 504.3 million and other sectors EUR 127.6 million.

The lowest share of residents' holdings of securities was observed in the 30-year bond issued in 2020 with a maturity in 2050 (1.4%), with the nominal value of these securities at the end of the year reaching EUR 17.2 million. The banking sector owns EUR 1.5 million and the other sectors EUR 15.7 million.

With regard to bonds denominated in EUR issued before 2020, the banking sector marks an increase in nominal value as of 31 December 2020 compared to the end of the previous year (from EUR 2,698.3 million to EUR 2,840.1 million), with the increase observed in all of the issues. After the addition of the newly issued bonds launched in 2020, the banks owned securities worth EUR 3,345.8 million. The holders' distribution in regards of the total external securitized debt at the end of 2020 is 50.7% – residents and 49.3% – non-residents, compared to 58.9% – residents and 41.1% – non-residents, recorded at the end of 2019. Banks sector has 72.6% of the resident share (compared to 69.5% as of 31.12.2019).

At the end of 2020, the Bulgarian bonds denominated in EUR held by pension funds and insurance companies operating on the territory of the country amounted to the equivalent of BGN 2,157.6 million, which is an increase compared to the equivalent of BGN 2,144.7 million at face value at the end of 2019. An increase is reported in the 12-year issue of XS1382696398 with a maturity in 2028.

This increase, together with the investments in the newly issued bonds in 2020, outweigh the decrease in the balances of all other issues.

At the end of 2020, as a whole, pension and insurance companies hold 23.9% of the total securitized external debt held by residents (the same ratio was 28.3% at the end of 2019), with the predominance in favor of pension funds with 79.6 % of this volume, against 20.4% owned by insurance companies.



**Bulgarian Eurobonds issued on international markets and held by residents – pension funds and insurance companies – by year of issue**

Types of Government Securities	2019	2020			
		I quarter	II quarter	III quarter	IV quarter
<b>2.95%, 2024, XS1083844503 – 2014 issue</b>	<b>643 886</b>	<b>635 196</b>	<b>617 890</b>	<b>583 866</b>	<b>549 842</b>
Pension funds under SSC	580 650	572 825	552 568	519 610	485 115
Insurance companies under IC	63 236	62 371	65 322	64 256	64 728
<b>2%, 2022, XS1208855616 – 2015 issue</b>	<b>124 888</b>	<b>118 181</b>	<b>118 223</b>	<b>113 342</b>	<b>113 238</b>
Pension funds under SSC	106 362	100 083	100 092	96 540	96 456
Insurance companies under IC	18 526	18 097	18 132	16 802	16 783
<b>2.625%, 2027, XS1208855889 – 2015 issue</b>	<b>419 836</b>	<b>392 092</b>	<b>407 487</b>	<b>404 627</b>	<b>393 991</b>
Pension funds under SSC	327 247	308 411	312 434	307 255	295 247
Insurance companies under IC	92 589	83 681	95 053	97 372	98 744
<b>3.125%, 2035, XS1208856341 – 2015 issue</b>	<b>220 283</b>	<b>244 565</b>	<b>253 505</b>	<b>210 183</b>	<b>178 420</b>
Pension funds under SSC	77 554	105 680	134 611	89 966	54 476
Insurance companies under IC	142 729	138 884	118 894	120 217	123 944
<b>1.875%, 2023, XS1382693452 – 2016 issue</b>	<b>450 511</b>	<b>425 386</b>	<b>426 626</b>	<b>378 621</b>	<b>344 686</b>
Pension funds under SSC	406 096	382 138	385 061	336 959	302 912
Insurance companies under IC	44 415	43 248	41 565	41 662	41 774
<b>3 %, 2028, XS1382696398 – 2016 issue</b>	<b>285 298</b>	<b>274 337</b>	<b>336 082</b>	<b>303 292</b>	<b>307 499</b>
Pension funds under SSC	234 791	229 406	286 226	252 118	255 660
Insurance companies under IC	50 507	44 931	49 857	51 174	51 839
<b>0.375 %, 2030, XS2234571425 – 2020 issue</b>	-	-	-	<b>234 190</b>	<b>238 465</b>
Pension funds under SSC	-	-	-	198 825	197 001
Insurance companies under IC	-	-	-	35 365	41 463
<b>1.375 %, 2050, XS2234571771 – 2020 issue</b>	-	-	-	<b>38 371</b>	<b>31 477</b>
Pension funds under SSC	-	-	-	37 797	30 867
Insurance companies under IC	-	-	-	574	609
<b>Total (thousand BGN)</b>	<b>2 144 702</b>	<b>2 089 757</b>	<b>2 159 813</b>	<b>2 266 492</b>	<b>2 157 619</b>

Note: Due to rounding, in the table some aggregate entries do not fully comply with their constituent numbers.

Source: FSC

## LOAN FINANCING

In 2020, the disbursed funds amounted to BGN 1,251.7 million, on already negotiated loans, of which BGN 331.5 million on domestic loans and BGN 794.2 million on external ones. Domestic loans are liabilities of the institutional units of the subsector according to the requirements of the European System of Accounts (ESA'2010) and Eurostat.

The disbursement of state loans amounted to BGN 782.3 million, of which BGN 195.6 million under the Framework Loan Agreement between Council of Europe Development Bank (CEDB) and the Republic of Bulgaria Mechanism for co-financing projects implemented with funds from the EU under the operational programs co-financed by the European Structural and Investment Funds for the programming period 2014–2020 and BGN 586.7 million under the Financing Agreement between the Republic of Bulgaria and the EIB for financing the project “Bulgaria – co-financing under the EU Funds 2014-2020 (SPL) ”. ▼

# CENTRAL GOVERNMENT GUARANTEED DEBT

In nominal value, the size of the CG guaranteed debt at the end of 2020 amounts to BGN 252.4 million, of which BGN 72.4 million is domestic debt and BGN 180.0 million is external debt. The reported increase is mainly due to the disbursement of the state-guaranteed loan from the EIB for the implementation of the Gas Interconnector Greece-Bulgaria project and the issued state guarantee under the European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, established by the Council Regulation (EU) 2020/672 of 19 May 2020.

The CG guaranteed debt/GDP ratio is 0.2%.

## CG Guaranteed debt

(BGN million)

Structure	2016	2017	2018	2019	2020
<b>CG Guaranteed debt</b>	359.3	265.0	184.4	142.1	252.4
<b>I. CG Domestic guarantees</b>	69.2	73.9	75.2	74.1	72.4
1. Guarantees under the Student and Doctoral Candidate Loans Act	69.2	73.9	75.2	74.1	72.4
<b>II. CG External guarantees</b>	290.1	191.1	109.2	68.0	180.0
1. IBRD (World Bank)	18.6	13.0	7.8	2.6	0.0
2. European Union (including EIB)	2.7	3.1	3.6	4.3	146.7
3. Other	268.8	175.0	97.8	61.1	33.3
GDP	95 390.5	102 740.6	109 964.2	120 395.2	119 951.1
<b>CG Guaranteed debt/GDP, (%)</b>	0.4	0.3	0.2	0.1	0.2

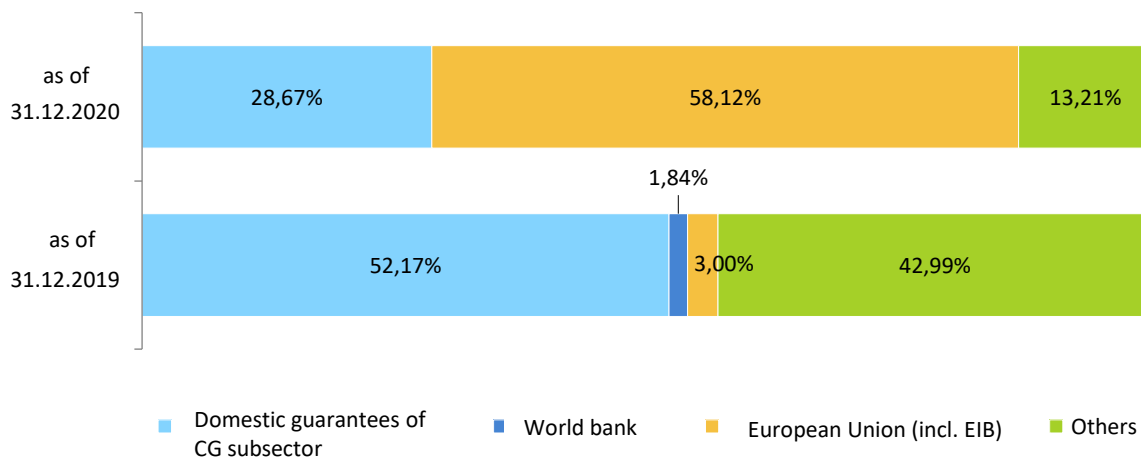
Notes: 1. Debt at nominal value; 2. The conversion of the debt in BGN is according to the central exchange rate of the BNB for the respective currencies at the end of the period; 3. GDP data are from the National Statistical Institute; 4. Due to rounding, in the table some aggregate entries do not fully comply with their constituent numbers.

Source: MoF

In the structure of CG guaranteed debt by creditors, there is a redistribution in the relative share of the individual sectors compared to the one reported in 2019. The dominant share of 58.1% is occupied by the sector "European Union (including the EIB)", which from 2020 includes the issued guarantees under the SURE instrument, followed by the domestic guarantees issued on the basis of the Student and Doctoral Candidate Loans Act under the Student Loans Program with a share of 28.7% and the sector "Other", including the issued

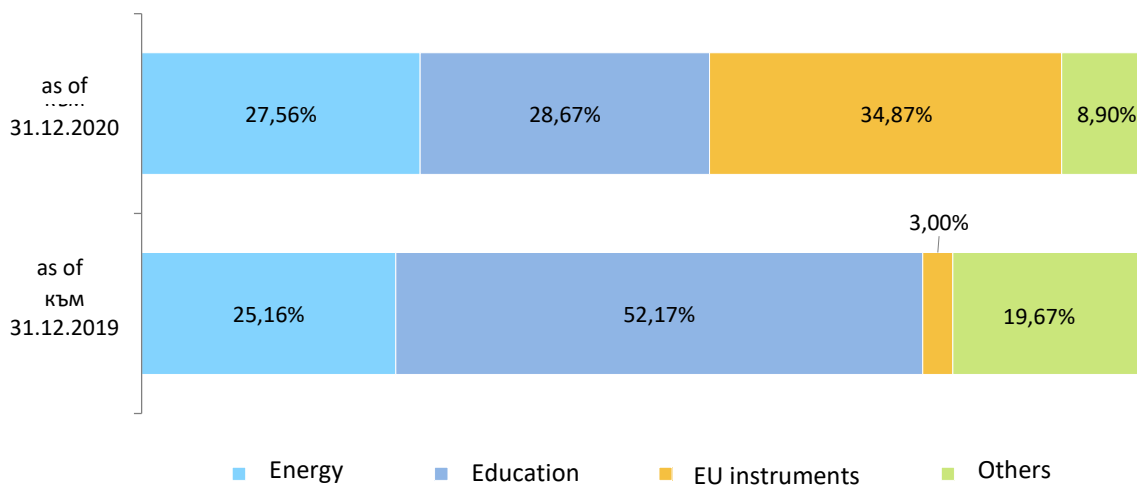
guarantees on loans with Euratom and JBIC creditors with a share of 13.2% of the total guaranteed debt of the subsector.

### Structure of the CG guaranteed debt by creditors



Source: MoF

### Structure of the CG guaranteed debt by sector

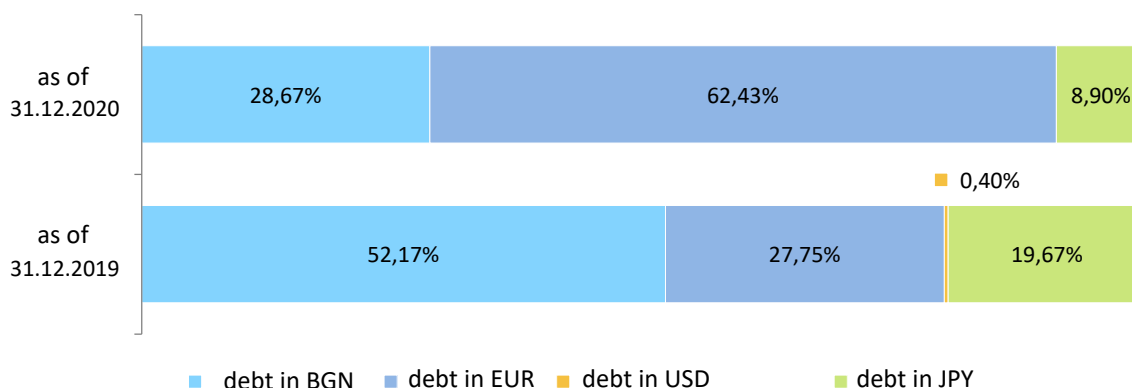


Source: MoF

As of 31 December 2020, in the structure of the guaranteed debt of the CG subsector by sector the largest relative share belongs to the EU Instruments sector with 34.9%, followed by the “Education” sector with 28.7%, the “Energy” sector – 27.6% and the “Others” sector by 8.9%.

At the end of 2020 the dominant position in the currency structure of the guaranteed debt of the CG subsector was held by the debt in EUR – 62.4%, followed by the debt in BGN – 28.7% and the debt in JPY – 8.9%. The debt in USD has been fully repaid.

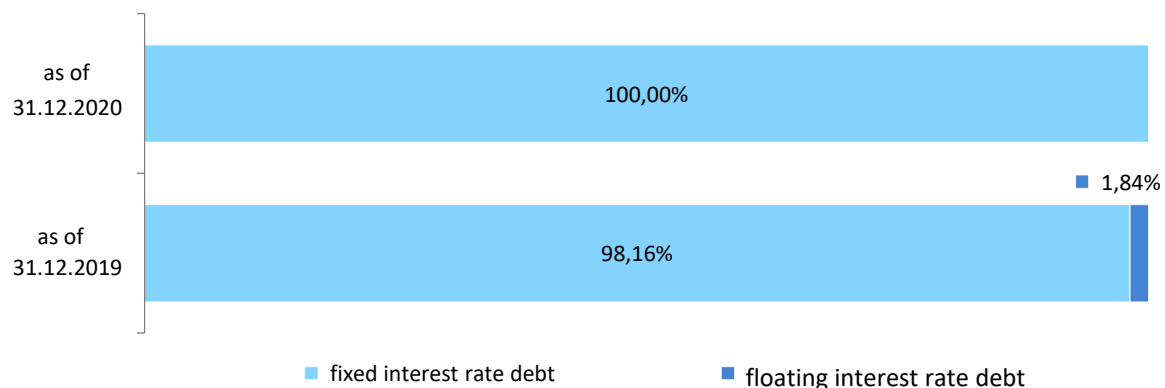
#### Currency structure of CG guaranteed debt



Source: MoF

At the end of 2020 the interest rate structure of the guaranteed debt of the CG subsector consists entirely of fixed interest rates.

#### Interest rate structure of the CG guaranteed debt



Source: MoF

The new financing under the Central Government guaranteed debt for 2020 amounted to BGN 150.5 million, and the payments made during the reviewed period amounted to BGN 42.9 million, including BGN 39.5 million repayment of principal and BGN 3.4 million interest payments.

In 2020, following the outbreak of the pandemic caused by COVID-19 at European Union (EU) level, the European instrument for temporary support to mitigate unemployment

risks in an emergency (SURE) and the Pan-European Guarantee Fund in response to COVID-19 were established. The country's participation in them was ensured by amending the State Budget Act for 2020, providing for the possibility for the National Assembly to ratify the relevant guarantee agreements during the year.

In September 2020, the National Assembly ratified the Voluntary Guarantee Agreement under Art. 11 of Council Regulation (EU) 2020/672 SURE – European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, between the European Commission and the Republic of Bulgaria in the amount of EUR 107 466 500 (210 186 204.70 BGN).

In October 2020, the National Assembly also ratified the Agreement on Contribution between the Republic of Bulgaria and the EIB with regard to the Pan-European Guarantee Fund in response to COVID-19 and the Guarantee Agreement at first demand between the Original Guarantors and the Acceding Guarantors and the EIB in the amount of EUR 51 251 027.24 (BGN 100 238 296.60).

#### New financing and payments made under the CG guaranteed debt in 2020

(BGN million)

Structure	Received loans (tranches)	Payments made, including	
		repayments (principal)	Interest
<b>I. CG Domestic guarantees</b>	<b>8.1</b>	<b>9.9</b>	<b>1.8</b>
1. Guarantees under the Student and Doctoral Candidate Loans Act	8.1	9.9	1.8
<b>II. CG External guarantees</b>	<b>142.4</b>	<b>29.6</b>	<b>1.6</b>
1. IBRD (World Bank)	-	2.6	-
2. European Union (including EIB)	142.4	-	-
3. Other	-	27.0	1.6
<b>CG guaranteed debt</b>	<b>150.5</b>	<b>39.5</b>	<b>3.4</b>

Notes: 1. The BGN equivalent of received new external financing and of incurred payments is calculated according to BNB central exchange rate for the respective currencies to BGN, valid till 4 p.m. on the day of the respective operation.

Source: MoF

# GOVERNMENT AND GOVERNMENT GUARANTEED DEBT

## Government debt

(BGN million)

Structure	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>I. Domestic government debt</b>	4 981.0	6 289.6	8 251.8	7 283.3	6 724.6	6 711.6	5 454.1	5 479.5	5 643.6
Government securities issued for financing the budget	4 763.4	6 108.2	8 091.9	7 148.7	6 622.0	6 647.7	5 421.7	5 479.5	5 643.6
Government securities issued for the structural reform	217.6	181.5	159.8	134.6	102.6	63.9	32.4	0.0	0.0
<b>II. External government debt</b>	8 692.6	7 828.9	13 850.6	15 430.8	19 026.5	16 822.5	16 611.6	16 543.5	21 861.1
Bonds	5 070.5	3 399.6	6 525.4	10 939.0	14 838.9	12 980.8	12 980.8	12 980.8	17 870.4
Paris club	147.8	123.1	98.5	73.9	49.3	24.6	0.0	0.0	0.0
IBRD (World Bank)	1 290.0	1 208.7	1 091.1	1 001.0	846.7	688.3	553.5	458.3	363.0
European Union	361.4	743.5	874.6	1 167.9	1 167.9	1 165.2	1 155.3	1 236.1	1 787.6
Other	0.0	567.2*	3 500.9**	567.2*	567.2*	567.2*	665.0***	753.0***	879.1***
Government investment loans	1 822.9	1 786.7	1 760.1	1 681.8	1 556.6	1 396.4	1 257.0	1 115.3	961.0
<b>Government debt, total</b>	<b>13 673.6</b>	<b>14 118.5</b>	<b>22 102.3</b>	<b>22 714.1</b>	<b>25 751.1</b>	<b>23 534.1</b>	<b>22 065.8</b>	<b>22 023.0</b>	<b>27 504.8</b>
GDP (BGN million)	82 238.6	81 954.9	83 884.9	89 362.3	95 390.5	102 740.6	109 964.2	120 395.2	119 951.0
Total government debt/GDP, (%)	16.6	17.2	26.3	25.4	27.0	22.9	20.1	18.3	22.9

\* "Schuldschein" assignable loans

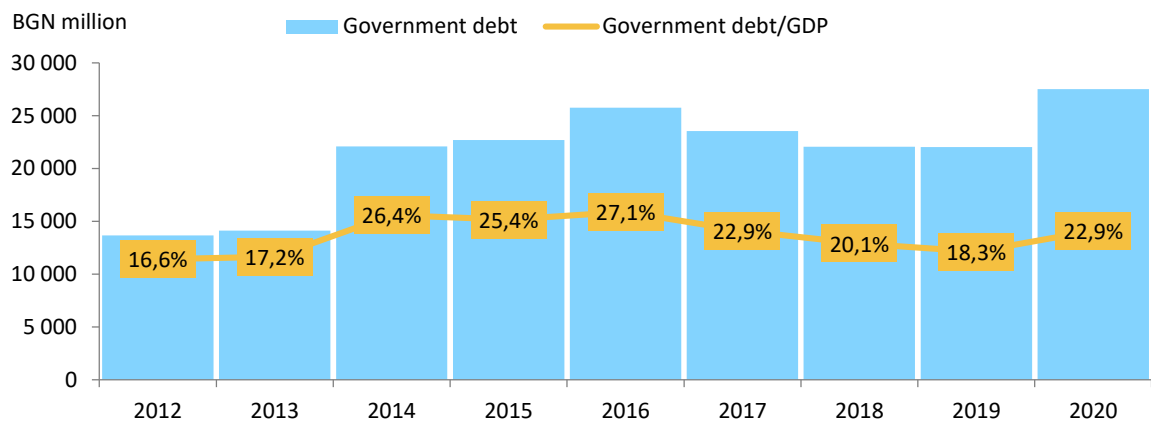
\*\* "Schuldschein" assignable loans and bridge loan "Bridge-to-bond loan"

\*\*\* "Schuldschein" assignable loans and bridge loan "Bridge-to-bond loan" and loans from CEDB

Notes: 1. The amount of the debt is in nominal value; 2. The conversion of the debt in BGN is as per the BNB central exchange rates for the respective foreign currencies at the end of the respective periods; 3. GDP data are available from the NSI; 4. Due to rounding, in the table some aggregate entries do not fully comply with their constituent numbers.

Source: MoF

## Government Debt Dynamics



Source: MoF

## Government guaranteed debt

(BGN million)

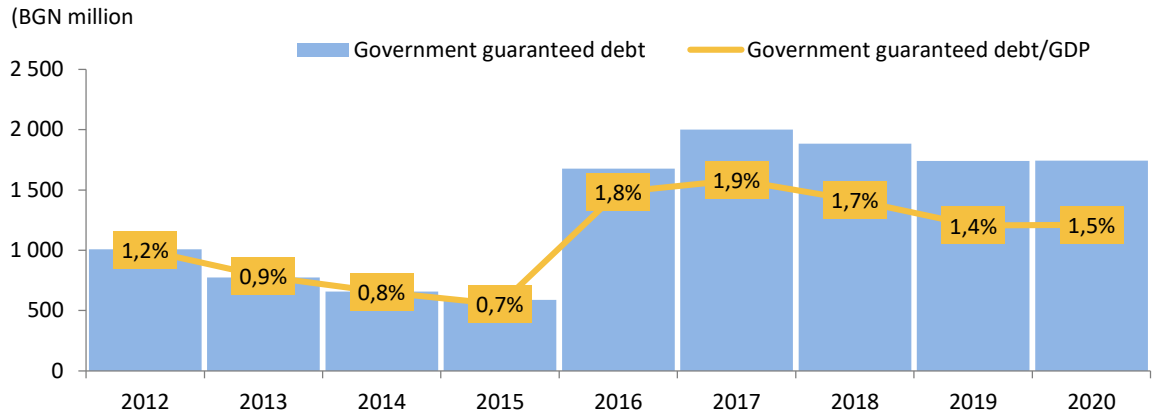
Structure	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>I. Domestic government guaranteed debt</b>	23.9	36.2	49.0	60.8	69.1	73.9	75.2	74.1	72.4
Guarantees under the Student and Doctoral Candidate Loans Act	23.9	36.2	49.0	60.8	69.1	73.9	75.2	74.1	72.4
<b>II. External government guaranteed debt</b>	984.7	737.7	607.1	528.4	1 607.8	1 928.2	1 808.6	1 667.3	1 670.9
IBRD (World Bank)	70.1	52.1	35.6	23.8	507.6	560.6	594.6	589.4	586.7
European Union (including EIB)	2.5	1.6	1.6	2.0	2.7	3.1	3.6	4.3	146.7
EBRD	27.0	17.3	7.5	1.8	586.7	586.7	586.7	586.7	586.7
Other	885.1	666.7	562.4	500.9	510.8	777.7	623.6	486.9	350.7
<b>Government guaranteed debt, total</b>	1 008.6	773.8	656.1	589.3	1 677.0	2 002.0	1 883.8	1 741.4	1 743.2
GDP (BGN million)	82 238.6	81 954.9	83 884.9	89 362.3	95 390.5	102 740.6	109 964.2	120 395.2	119 951.0
Government guaranteed debt/GDP, (%)	1.2	0.9	0.8	0.7	1.8	1.9	1.7	1.4	1.5

Notes: 1. The amount of the debt is in nominal value; 2. The conversion of the debt in BGN is according to the central exchange rate of the BNB for the respective currencies at the end of the period. 3. GDP data are available from the NSI; 4. Due to rounding, in the table some aggregate entries do not fully comply with their constituent numbers.

Source: MoF



## Government Guaranteed Debt Dynamics



Source: MoF



## DEVELOPMENT OF GOVERNMENT SECURITIES MARKET

During 2020, efforts to expand the scope of monitoring of the secondary market of government securities (GS) and control over the systems for registration of transactions with them continued, and in this regard the joint "Guidelines on the preparation and provision of information for the purpose of regulation and control over the registration of secondary market transactions in government securities" of the Ministry of Finance and the BNB was adopted.

In addition, the „Instructions on the reporting of the criteria for selection of Primary Dealers of Government Securities" were updated to include in the scope of criterion 2 of the Criteria for selection of primary dealers of the customer segment of the domestic government securities, traded on the secondary market.

In 2020, the process of drafting an Ordinance for supplementing Ordinance № 15 of 2007 on control over government securities transactions with the establishment of a Committee of Primary Dealers in Government Securities (the Committee) started. The establishment of the Committee aims at regular exchange of information and recommendations between the issuer and the primary dealers of government securities, as well as subsequent change of the Criteria for selection of primary dealers of government securities in order to add quality criteria aimed at synchronization with the established good practices in all Member States of the European Union, including the setting of quotation obligations for primary dealers of government securities (PDs of GS). In addition, in order to optimize the process of information provision by the sub-depositaries of government securities, there is a possibility for creating and maintaining an information system in the Ministry of Finance.

In view of the changing regulations in the field of sovereign debt in 2020, the realization of the integrated information system for monitoring the secondary market of government securities (System for monitoring, analysis, registration and trading of government securities/SMART) continued. ▲