



REPUBLIC OF BULGARIA

Ministry of Finance

CENTRAL GOVERNMENT DEBT AND GUARANTEES

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CENTRAL GOVERNMENT DEBT AND GUARANTEES

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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 |
| MS | Member State |
| EURATOM | European Atomic Energy Community |
| ESROT | The 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 |
| JICA | Japan International Cooperation Agency |

ANALYSIS OF THE FINANCIAL SECTOR AND IMPACT ON THE DEBT OF THE BULGARIAN ECONOMY IN 2021

BANKING SYSTEM AND NON-BANKING FINANCIAL SECTOR

Gross international foreign exchange reserves continued to ensure the stable functioning of the Currency Board, with their market value at the end of 2021 amounting to EUR 34.6 billion, or 12.2% more than at the end of the previous year. The main contribution to the increase in international currency reserves during the year was made by banknotes and coins in circulation and, to a lesser extent, the deposit of the Banking Department, reflecting the excess of gross international currency reserves over the monetary liabilities of the BNB. As of 31st December 2021, gross international currency reserves covered 8.5 months of imports of goods and non-factor services for 8.5 months, and their ratio to the country's short-term foreign debt was 226.5%.¹

In 2021, the banking system operated in a situation of continuing pandemic, and while the economic recovery had begun, but still some uncertainties persisted. Against this background and the ongoing measures of the Bulgarian National Bank (BNB) – macroprudential, including and those related to COVID-19, the banking system maintained a stable capital position and buffers, and continued to operate with high levels of liquidity. The total capital adequacy ratio was 22.62% at the end of 2021 and the liquidity coverage ratio at the end of December – 274.1%.²

The improved economic environment and confidence supported higher demand for loan resources during the year, after a substantial slowdown in credit growth for the private sector was reported in the previous year (2020). The growth of the banks' loan portfolio was also accompanied by an improvement in the asset quality in the system. The effect of the private moratorium³ on credit obligations to banks, which was extended until the end

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

² Calculated as the ratio of the liquidity buffer and net liquidity outflows;

³ Order for postponement and settlement of receivables owed to banks and their subsidiaries - financial institutions" in the sense of the Guidelines of the European Banking Authority EBA/GL/2020/02.

of 2021, also contributed to the accelerated lending and the continuing trend of reducing non-performing loans.

At the end of 2021, the assets of the banking system amounted to BGN 135.4 billion, which is 9.3% more than a year earlier. The net profit of the banking system at the end of December 2021 was BGN 1.4 billion, recording a significant increase compared to that achieved for the previous year (BGN 693 million). As a result of the increase in net profit, the system reports better return on assets (ROA) and return on equity (ROE). At the end of December 2021, ROA reached 1.05% (at 0.56% a year ago), and ROE – 8.57% (at 4.57% as of 31st December 2020).

Positive trends were observed in the development of the non-banking financial sector. By the end of 2021, net assets worth BGN 19.6 billion were accumulated in the supplementary pension insurance system. Compared to the end of 2020, the net assets of the pension funds registered an increase of 13.1 %.⁴

Funds managed by insurance companies in Bulgaria reached nearly BGN 10.1 billion at the end of 2021, or 10.1% more than at the end of 2020.⁵

The receivables of the leasing companies under financial and operating leases at the end of 2021 amounted to nearly BGN 4.6 billion and increase by 6.2% compared to a year earlier.⁶ The total amount of credit receivables of companies specializing in lending increased in the calendar year 2021 by 20.5% and amounted to BGN 3.7 billion, and the assets managed by local and foreign investment funds at the end of the year amounted to BGN 8.8 billion, marking an increase of 50.2% compared to the end of 2020.⁷

The total market capitalization of the Bulgarian Stock Exchange at the end of 2021 reached BGN 30.8 billion (24% of GDP), or by 8.6% more compared to the end of 2020. The main index of the BSE – SOFIX increased by 42% for the calendar 2021, after its weak positive change in the previous year. Similar growths (41.7% and 36.8%, respectively) were registered by BGBX 40 and BG TR30, and BG REIT grew by 19.1%. The number of new issues registered for trading on the BSE in 2021 totaled 224, compared to 30 in 2020. Among them, 183 issues registered on the multilateral trading system MTF BSE International, as well as 7

⁴ According to the Financial Supervision Commission (FSC), https://www.fsc.bg/wp-content/uploads/2022/05/Rezultati_2021.zip;

⁵ According to data from "Statistics of insurance activity" of the BNB;

⁶ According to data of the BNB;

⁷ According to data of the BNB.

new issues on the Beam Growth Market. The number of transactions and turnover on the BSE regulated market in 2021 increased significantly compared to the previous year.

In 2021, the investment class rating awarded to Bulgaria by the three leading rating agencies was retained. First was the Fitch Ratings assessment in February 2021. The country's long-term foreign and local currency credit rating of 'BBB' was affirmed and the outlook upgraded from stable to positive. The positive outlook reflected the reduction in macroeconomic risks stemming from the COVID-19 pandemic, supported by a more resilient economy and stable policy framework, as well as a continued gradual process towards the adoption of the euro. According to the rating agency, the short-term downside risks stemming from the pandemic and the uncertain outcome of the election were largely offset by the prospects for significant EU investment funding and the commitment to macroeconomic and fiscal stability, supported by the long-term functioning of a currency board regime and the participation of Bulgaria in the Exchange Rate Mechanism II (ERM II). At the end of July 2021, Fitch Ratings confirmed Bulgaria's long-term foreign and local currency credit rating of 'BBB' with a positive outlook. The country's rating was supported by the good external and fiscal position, the reliable political framework of EU membership and the long-term functioning of the currency board regime. The assessment was constrained by potential growth due to adverse demographic developments that may affect public finances in the long term.

At the end of May 2021, S&P Global Ratings also affirmed Bulgaria's long-term foreign and local currency credit rating at 'BBB', with the outlook remaining stable. According to the rating agency, the contraction of Bulgaria's economy up to this point has been relatively weak and mainly due to sustained domestic demand. The stable outlook reflected the expectation that, after a relatively limited contraction in the economy in 2020, the economic recovery over the next two years will not lead to imbalances in the external or financial sectors. This development would allow rapid fiscal consolidation and maintenance of low public debt. In the medium term until 2024, the large flow of funds from the EU under the previous and current multiannual financial framework, as well as the additional funds under the new "Next Generation EU" instrument, will provide a solid opportunity for Bulgaria's economic growth. At the end of November 2021, S&P Global Ratings confirmed Bulgaria's long-term foreign and local currency credit rating of 'BBB'. The outlook for the rating remained stable. According to the rating agency, the economic consequences of the pandemic appear to be manageable, despite the significant health impact. Reviving domestic demand, especially private consumption, and increased uptake of EU funds will boost growth prospects over the medium term. The funds allocated to Bulgaria from the previous and current Multiannual Financial Framework of the EU, as well as the additional

funds under the new "Next Generation EU" instrument, which the country will have at its disposal, are estimated at about 40% of the expected GDP in 2021.

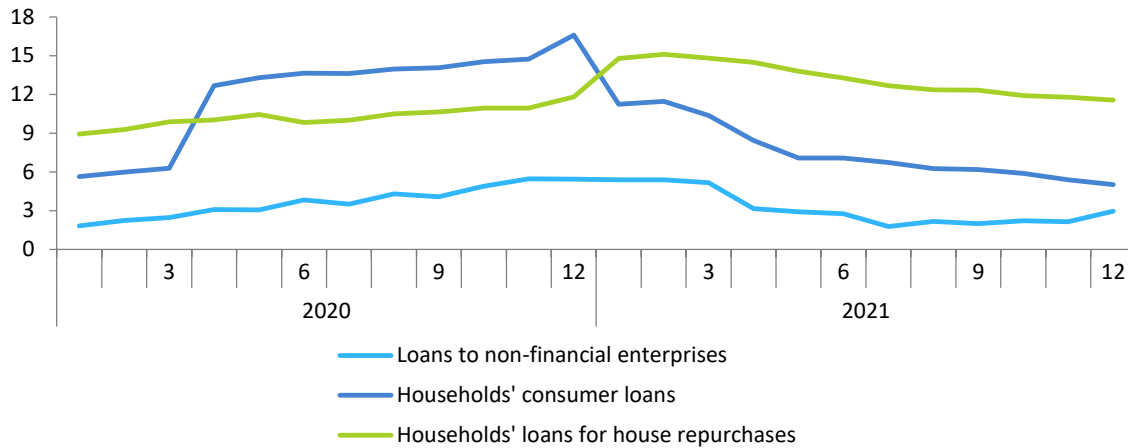
In 2021, the rating agency Moody's has no actions on the assessment of the rating for Bulgaria, but in several of its publications – two opinions on the rating in January and October, as well as an analysis of the rating in October, it indicates the strengths and weaknesses of the rating, as well as the outlook. The strengths are described as low public debt and high fiscal reserve, a strong commitment to the functioning of the currency board regime, EU membership and the Eurozone accession project, which provide an important basis for economic policy. The challenges that are institutional are the control of corruption and the rule of law. Other constraining factors are population ageing, emigration and labour market skills mismatches that dampen potential growth.

CREDIT TO THE PRIVATE SECTOR

After the slowdown in 2020, the dynamics of credit to the private sector is on the rise, accelerating more significantly after the first half of 2021. Its annual growth at the end of March was 4.6%, at the end of June – 6.4%, and at the end of the year it accelerated to 8.7%. By comparison, before the pandemic at the end of 2019, the annual growth was 9.3%. The accelerated upward development was due to appreciably higher demand from households and more moderate demand from companies. High competition in the banking sector also contributed to the supply-side factors for increased lending during the year.

At the end of December, loans to households increased by 13.4% compared to a year earlier, with an acceleration of both consumer and housing loans. Consumer loans increased by 12.2% compared to the end of 2020 (5% annual growth at the end of 2020), and the growth rate of housing loans reached a new peak of 16.5%, coming from 11.6% at the end of 2020. Besides with rising incomes, low interest rates and rising house prices, higher household credit demand may also be associated with rising inflationary expectations.

Credit to the Private sector (annual growth, %)



Source: BNB, MoF

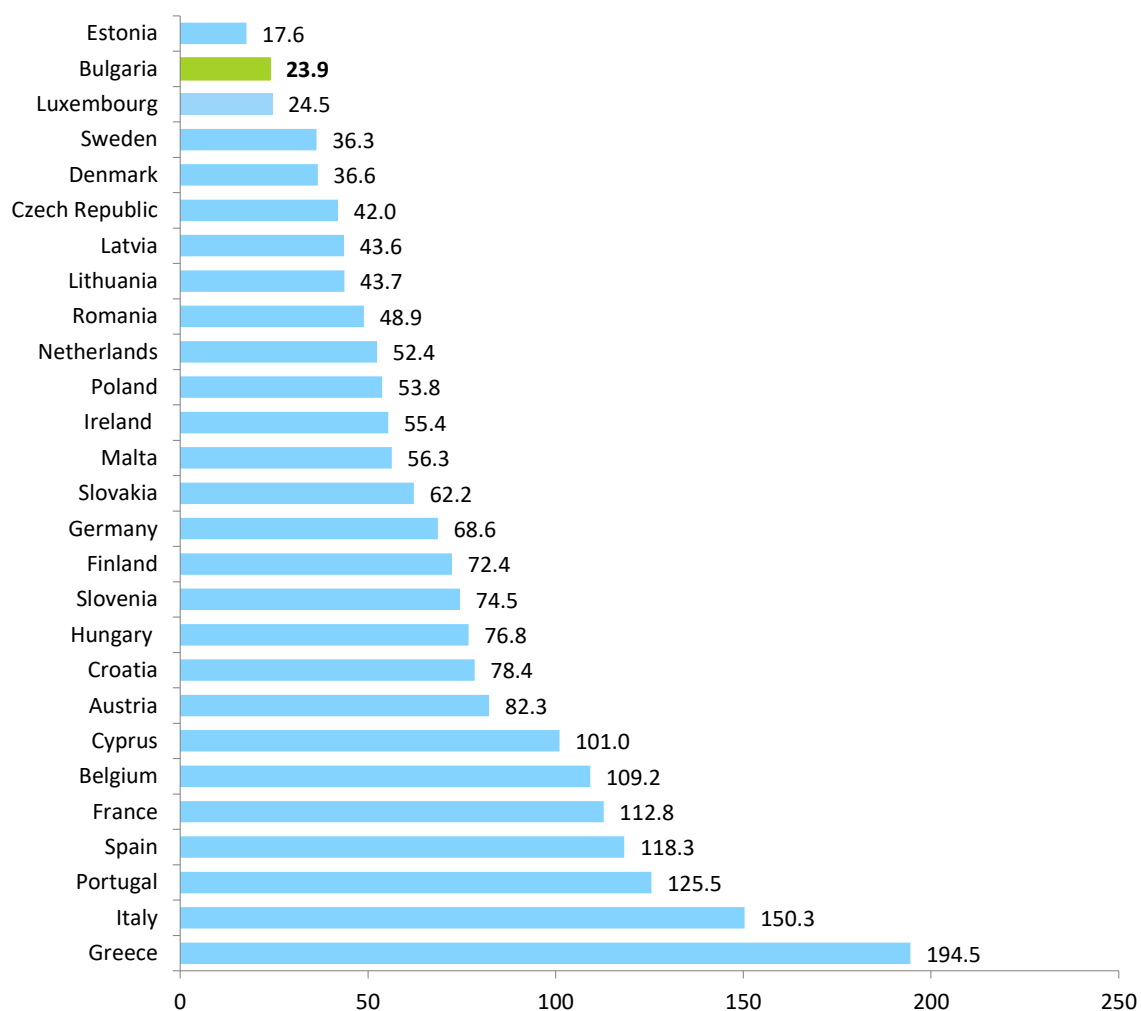
Given that private investment in 2021 deepened its decline, despite the economic recovery that has begun, the dynamics of credit to non-financial corporations (NFC) is developing much more optimistically. At the end of the year, NFCs credit increased by 4.6% compared to 3% at the end of 2020. Both regular credits, which increased by 7.3% compared to the previous year, and the recovery of the overdraft, which accelerated in the second half of the year to 5.6% yoy, contributed to that. For the whole of 2021, the overdraft increase is more than the average of the two years before the pandemic (2018 and 2019). This dynamic of the overdraft suggests rather a response to the higher demand of the firms and need for working capital due to significantly higher prices of raw materials and supplies.



IMPLEMENTATION OF THE DEBT CONVERGENCE CRITERION OF THE REPUBLIC OF BULGARIA

Based on the latest data published by Eurostat⁸ on the deficit/surplus and debt of the Republic of Bulgaria, the General Government Debt at the end of 2021 amounted to BGN 33.3 billion (23.9% of GDP) compared to BGN 29.6 billion at the end of 2020 (24.5% of GDP).

General Government Debt/GDP of EU Member States at the end of 2021, %



Source: Eurostat

⁸ Data is published by Eurostat on 21st October 2022

Comparing the indicators of the EU-27 member states, the Republic of Bulgaria takes second place among the EU member states after Estonia (17.6%), with the General Government debt-to-GDP ratio significantly below the average levels for the countries in the EU-27 – 87.9% and in the Euro area – 95.4%, and significantly below the upper threshold of the Maastricht convergence criterion of 60%. At the end of 2021, fourteen Member States exceed the reference value of 60% of GDP, with the highest value of the ratio in the EU being registered for Greece (194.5%), Italy (150.3%) and Portugal (125.5%).

In 2021, the component with the most significant influence in the composition of the General Government sector debt⁹ continues to be the Central Government subsector debt (with a share of about 98%), with the main contribution to this being the government debt. The impact on the General Government debt of the other two subsectors - Local Government and Social Security Funds is minimal.



⁹ The General Government sector debt consists of the debt of the Central Government subsector (a predominant part of it is occupied by government debt), the Local Government subsector and the Social Security Funds subsector, subject to the principle of consolidation (elimination of those liabilities, whose corresponding financial assets are owned by institutional units from the General Government sector).

CREDIT RATING

Credit rating when issuing the Bulgarian bonds on the ICM

| 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

Credit rating as of 31.12.2021 of the Bulgarian bonds issued to the ICM

| 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 the sovereign credit rating for the period 01.01.2009 – 31.12.2021

| 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 |
| S&P | 28.05.2021 | A-2 | BBB | A-2 | BBB | Stable |
| S&P | 30.11.2021 | 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 |
| Fitch | 03.06.2016 | F3 | BBB - | - | BBB | Stable |
| Fitch | 22.07.2016 | F3 | BBB - | F3 | BBB- | Stable |

| Rating agency | Date | Foreign currency rating | | Local currency rating | | Outlook |
|---------------|------------|----------------------------|-----------|--------------------------|-----------|----------|
| | | Short term | Long term | Short term | Long term | |
| 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 |
| Fitch | 19.02.2021 | F2 | BBB | F2 | BBB | Positive |
| Fitch | 23.07.2021 | F2 | BBB | F2 | BBB | Positive |
| 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 |
| SCOPE RATINGS | 18.06.2021 | S-2 | BBB+ | S-2 | BBB+ | Stable |

Source: MoF



CENTRAL GOVERNMENT DEBT

The nominal amount of the Central Government¹⁰ debt at the end of 2021 amounts to BGN 32,527.8 million (EUR 16,631.2 million), of which BGN 23,607.1 million (EUR 12,070.1 million) is external debt and BGN 8,920.7 million (EUR 4,561.1 million) domestic debt. Compared to the end of 2020, the debt increased by BGN 3,677.0 million, as the main contribution to the formed nominal increase of the debt was the new domestic and external financing received during the year, exceeding the amount of the repayments. The Central Government debt-to-GDP ratio for 2021 is 23.4%.

The most substantial contribution to the dynamics of the Central Government debt, with a share of 96% belongs to the government debt assumed under the Government Debt Act.

Central Government Debt

(BGN million)

| Structure | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Domestic CG debt | 7 572.7 | 6 058.2 | 5 790.1 | 5 960.6 | 8 920.7 |
| I. Securities | 6 699.9 | 5 383.6 | 5 414.0 | 5 566.7 | 8 510.1 |
| 1. GS issued for financing the budget | 6 599.6 | 5 396.6 | 5 414.0 | 5 566.7 | 8 510.1 |
| 2. GS issued for the structural reform | -4.4 | -13.0 | - | - | - |
| 3. Securities issued by units within the CG subsector | 104.7 | - | - | - | - |
| II. Loans | 872.8 | 674.6 | 376.1 | 393.9 | 410.7 |
| 1. Government loans | 722.9 | 466.6 | 143.2 | 56.8 | 18.4 |
| 2. Domestic loans of units within the CG subsector | 149.9 | 208.0 | 232.8 | 337.1 | 392.2 |
| External CG debt | 17 916.3 | 17 708.1 | 17 635.5 | 22 890.2 | 23 607.1 |
| I. Bonds | 12 906.8 | 12 902.9 | 12 897.7 | 17 712.3 | 17 674.2 |
| II. Loans | 5 009.6 | 4 805.2 | 4 737.8 | 5 178.0 | 5 932.8 |

¹⁰ The Central Government Debt is the Central Government Debt pursuant to Council Regulation (EC) No. 479/2009 of 25 May 2009 on the application of the Protocol on the Excessive Deficit Procedure annexed to the Treaty establishing the European Community. The list of the units included in the central government subsector in addition to government bodies and institutions as per the European System of National and Regional Accounts in the Community (ESA 2010) and the Eurostat Manual on Government Debt and Deficit (EC) can be found [here](#).

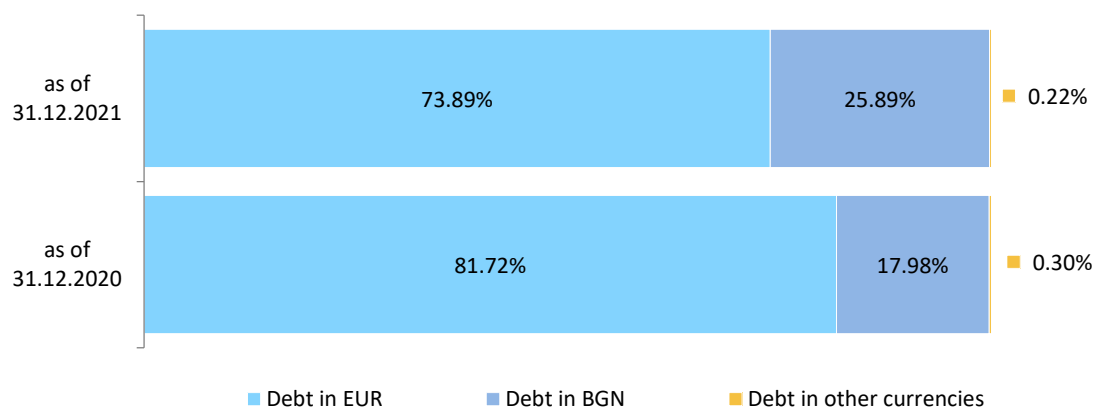
| Structure | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Government loans | 1 878.1 | 1 806.6 | 1 880.2 | 2 522.2 | 3 380.7 |
| 1.1 Paris Club | 24.6 | – | – | - | - |
| 1.2 IBRD /World Bank/ | 688.3 | 553.5 | 458.3 | 363.0 | 276.2 |
| 1.3 European Union (including EC and EIB) | 1 165.2 | 1 155.3 | 1 236.1 | 1 787.6 | 2 742.7 |
| 1.4 CEDB | – | 97.8 | 185.8 | 371.6 | 361.8 |
| 2. Transferable loans "Schuldschein" | 567.2 | 567.2 | 567.2 | 507.5 | 507.5 |
| 3. Government investment loans | 1 396.4 | 1 257.0 | 1 115.3 | 961.0 | 822.2 |
| 4. External loans of the units within the CG subsector | 1 167.9 | 1 174.4 | 1 175.2 | 1 187.2 | 1 222.4 |
| Central Government debt, total | 25 489.1 | 23 766.3 | 23 425.6 | 28 850.8 | 32 527.8 |
| GDP | 102 740.6 | 109 964.4 | 120 396.0 | 120 553.4 | 139 012.3 |
| Total Central Government debt /GDP, (%) | 24.8 | 21.6 | 19.5 | 23.9 | 23.4 |

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. The data correspond to the information published by Eurostat on the debt and deficit of the General Government on 21.10.2022; 5. Due to rounding, in the table some aggregate entries do not fully comply with their constituent numbers.

Source: MoF

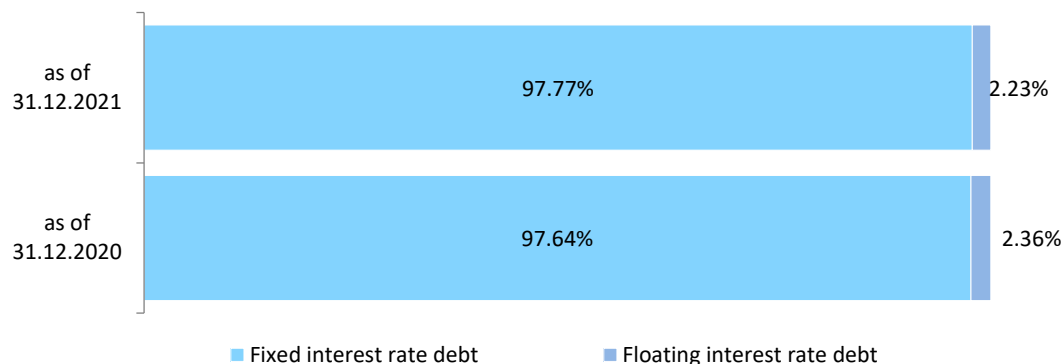
The dominant share in the currency structure of the Central Government debt is the debt in EUR with 73.9%, followed by the debt in BGN – 25.9% and that in other currencies (JPY) – 0.2%. In the interest rate structure, there is a dominant position of the fixed interest rate debt – 97.8%, at 2.2% with a floating interest rate.

Central Government Debt Currency Structure



Source: MoF

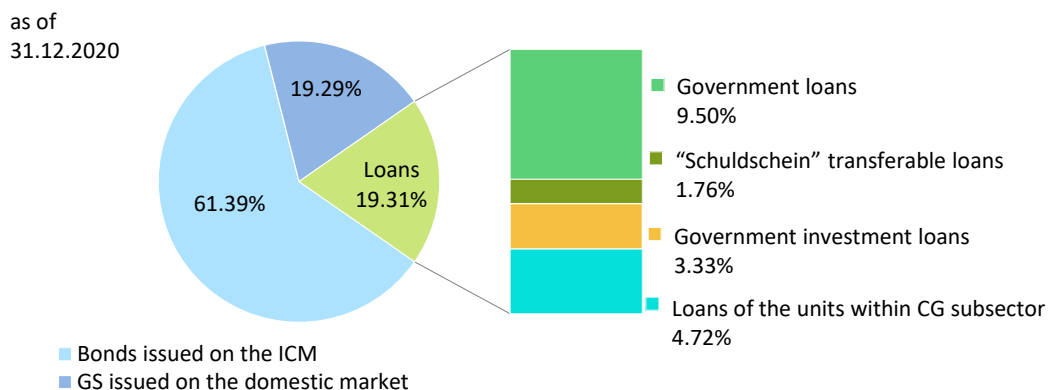
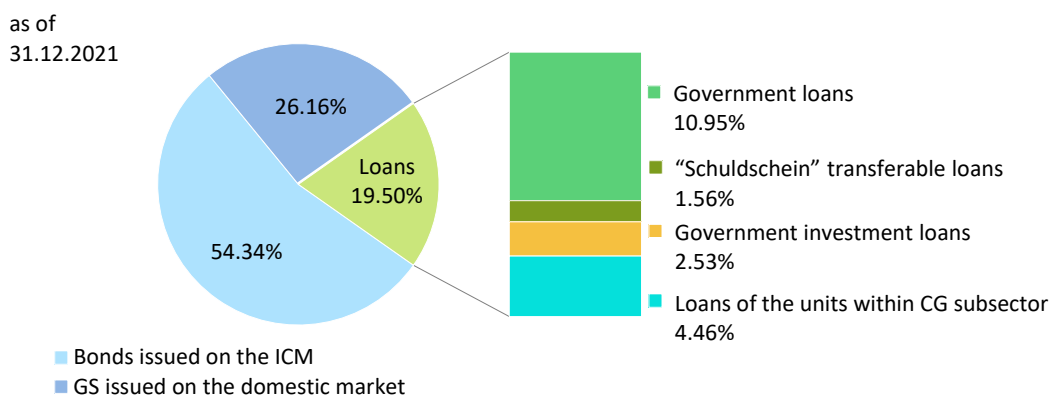
Central Government Debt Interest Rate Structure



Source: MoF

In the Central Government debt structure by instruments at the end of 2021, the largest share is held by bonds issued on international capital markets with 54.3%, followed by government securities issued on the domestic market with 26.2% and government loans with 19.5%.

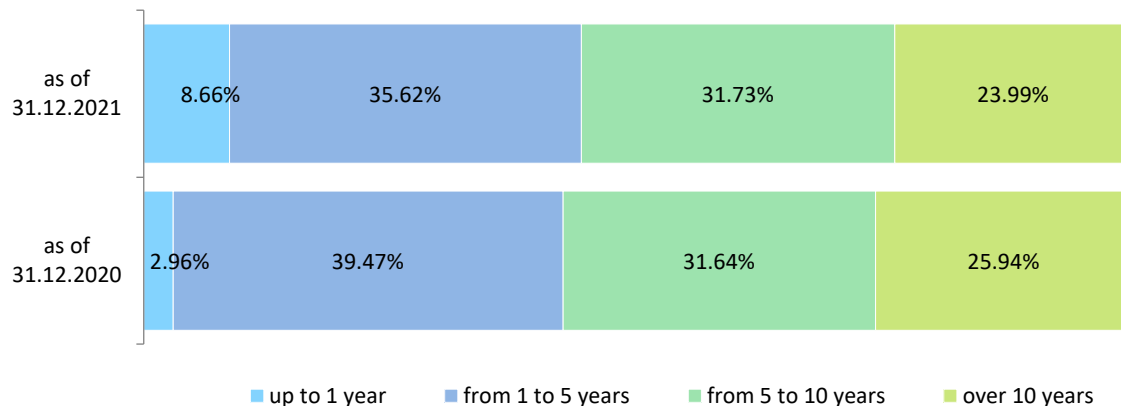
Central Government Debt Structure by instruments



Source: MoF

In the residual maturity structure, 8.7% represent debt payments up to 1 year, 35.6% – from 1 to 5 years, 31.7% – from 5 to 10 years, and 24.0% – over 10 years.

Residual maturity of Outstanding Central Government Debt



Source: MoF

In the maturity structure of the debt by original maturity, the largest share is held by debt instruments with a maturity of more than 10 years – 62.3%, followed by those with a maturity of 5 to 10 years – 29.0% and from 1 to 5 years – 8.6%. A minimum share of 0.1% is held by the debt up to 1 year.

Original maturity of the Central Government Debt Outstanding



Source: MoF

New financing and payments made under the Central Government debt in 2021

(million BGN)

| Structure | Received tranches/issued government securities (by principal)* | Payments made*, incl. | |
|--|--|-----------------------|-------------------------------|
| | | repayments | Interest, discounts, premiums |
| Domestic Central Government Debt | 3 927.3 | 1 001.5 | 133.8 |
| I. GS issued for financing the budget | 3 692.9 | 783.8 | 127.4 |
| II. Loans | 234.4 | 217.7 | 6.5 |
| 1. Government loans | 15.3 | 53.7 | 1.1 |
| 2. Domestic loans of units within the CG subsector | 219.1 | 164.0 | 5.4 |
| External Central Government Debt | 996.9 | 277.5 | 476.9 |
| I. Bonds | -38.6 | -0.6 | 373.6 |
| II. Loans | 1 035.5 | 278.1 | 103.2 |
| 1. Government loans | 999.4 | 140.9 | 38.6 |
| 1.1. IBRD /World Bank/ | 0.0 | 86.8 | 0.0 |
| 1.2. European Union (including EC and EIB) | 999.4 | 44.3 | 36.6 |
| 1.3. CEDB | 0.0 | 9.8 | 2.0 |
| 2. Transferable loans "Schuldschein" | 0.0 | 0.0 | 22.3 |
| 3. Government investment loans | 0.0 | 136.3 | 24.0 |
| 4. External loans of units within the CG subsector | 36.1 | 0.9 | 18.3 |
| Total for the Central Government debt | 4 924.2 | 1 279.0 | 610.7 |

* The data is consolidated within the Central Government subsector.

Source: MoF

CENTRAL GOVERNMENT DOMESTIC DEBT

The nominal amount of the Central Government domestic debt at the end of 2021 amounts to BGN 8,920.7 million (EUR 4,561.1 million), marking an increase compared to the previous year of BGN 2,960.1 million (EUR 1,488.6 million).

The Central Government domestic debt-to-GDP ratio increased to 6.4% from 4.9% at the end of 2020.

Central Government domestic debt

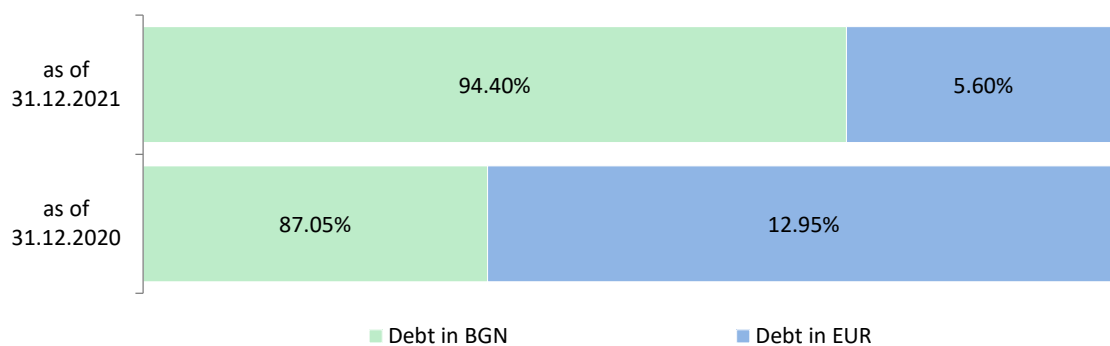
(million BGN)

| Structure | 2020 | 2021 |
|---|----------------|----------------|
| Domestic debt of the CG subsector | 5 960.6 | 8 920.7 |
| I. Securities | 5 566.7 | 8 510.1 |
| 1. Government securities issued for financing the budget | 5 566.7 | 8 510.1 |
| 2. Government securities issued for the structural reform | - | - |
| II. Loans | 393.9 | 410.7 |
| 1. Government loans | 56.8 | 18.4 |
| 2. Domestic loans of the units within the CG subsector | 337.1 | 392.2 |
| GDP | 120 553.4 | 139 012.3 |
| Central Government domestic debt /GDP, (%) | 4.9 | 6.4 |

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.

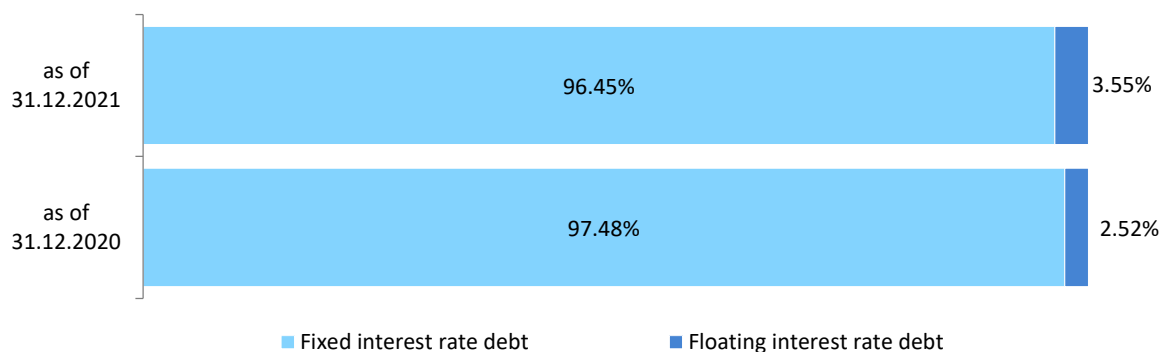
Source: MoF

Central Government Domestic Debt Currency Structure



Source: MoF

Central Government Domestic Debt Interest Rate Structure



Source: MoF

CENTRAL GOVERNMENT EXTERNAL DEBT

The nominal amount of the Central Government external debt at the end of 2021 amounted to BGN 23,607.1 million (EUR 12,070.1 million), increasing by BGN 716.9 million compared to 2020.

The Central Government external debt-to-GDP ratio decreased to 17.0% from 19.0% at the end of 2020.

Central Government External Debt

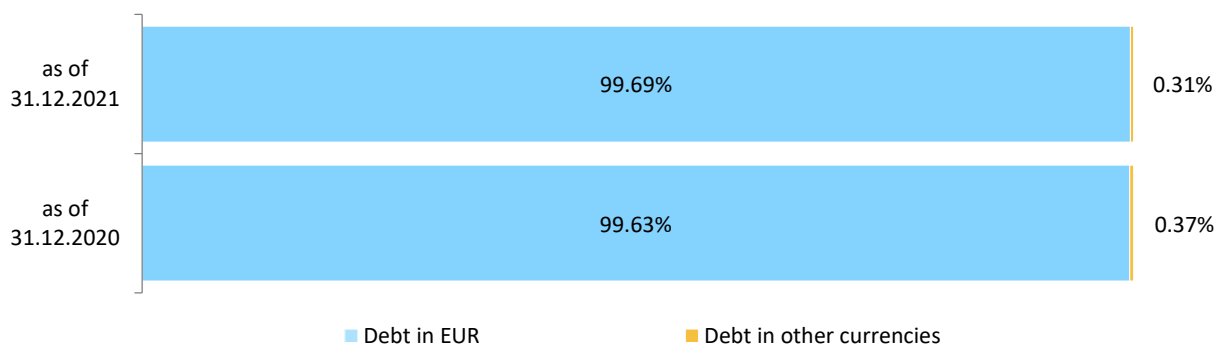
(million BGN)

| Structure | 2020 | 2021 |
|--|-----------------|-----------------|
| External debt of the CG subsector | 22 890.2 | 23 607.1 |
| I. Bonds | 17 712.3 | 17 674.2 |
| II. Loans | 5 178.0 | 5 932.8 |
| 1. Government loans | 2 522.2 | 3 380.7 |
| 1.1 IBRD /World Bank/ | 363.0 | 276.2 |
| 1.2 European Union (including EC and EIB) | 1 787.6 | 2 742.7 |
| 1.3 CEDB | 371.6 | 361.8 |
| 2. Transferable loans "Schuldschein" | 507.5 | 507.5 |
| 3. Government investment loans | 961.0 | 822.2 |
| 4. External loans of units within CG subsector | 1 187.2 | 1 222.4 |
| GDP | 120 553.4 | 139 012.3 |
| Central Government external debt/GDP, (%) | 19.0 | 17.0 |

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.

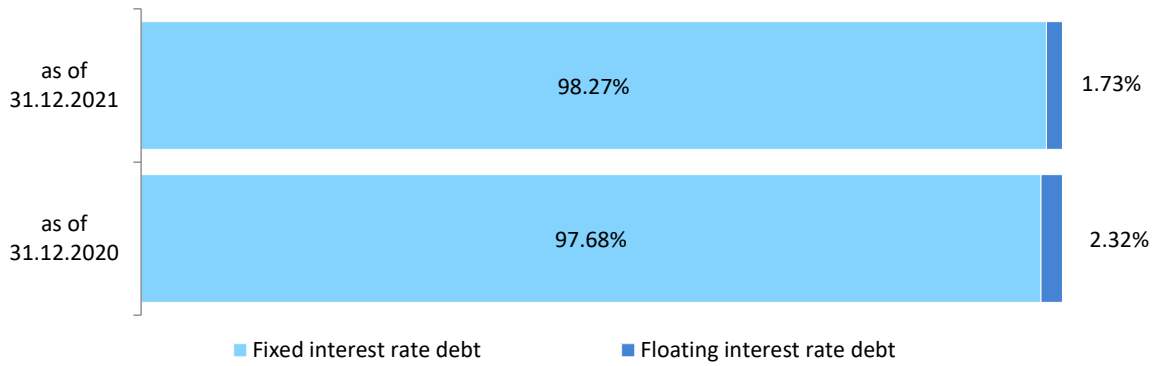
Source: MoF

Central Government External Debt Currency Structure



Source: MoF

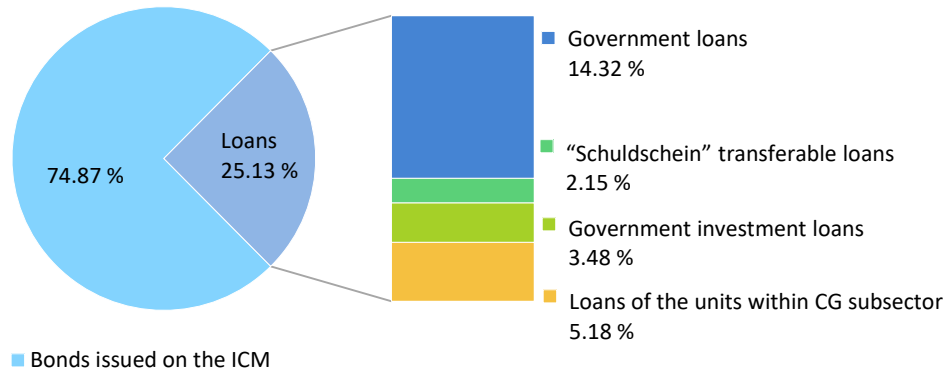
Central Government External Debt Interest Rate Structure



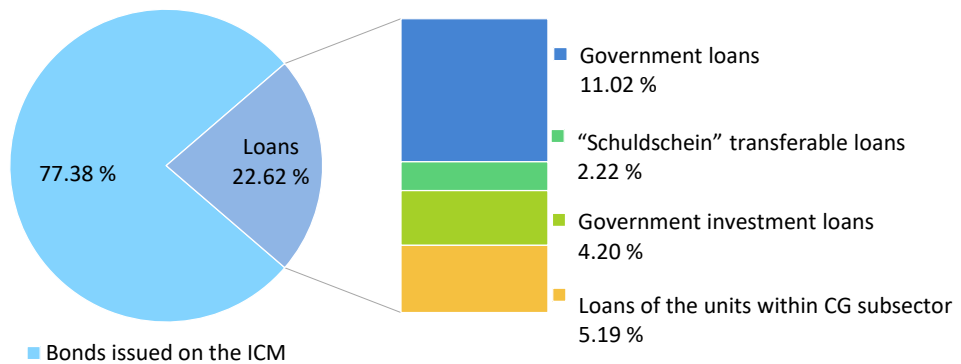
Source: MoF

Structure of Central Government External Debt by Instruments

as of
31.12.2021



as of
31.12.2020



Source: MoF

DEBT SOURCES OF FINANCING

ISSUES OF GOVERNMENT SECURITIES ON THE DOMESTIC MARKET

In 2021, the issuance of government securities on the domestic market was in line with the envisaged restrictions set in the 2021 State Budget Act, the Government Debt Management Strategy for the period 2021–2023, and the issuance policy of the Ministry of Finance for 2021.

During the year, 11 auctions were held, at which four issues of government securities with a total nominal value of BGN 3,800 million were placed, of which: government securities with a maturity of 3.5 years and a nominal value of BGN 500 million; Government securities with a maturity of 5 years and a nominal value of BGN 1,700 million; Government securities with a maturity of 7.5 years and a nominal value of BGN 500 million and government securities with a maturity of 10.5 years and a nominal value of BGN 1,100 million. The auction for 10.5-year bonds held on 8 March 2021 ended without an approved amount.

Government securities auctions held in 2021

| Date of the auction | Date of payment | Issue no | Date of the issue | Due date | Maturity in years | Coupon | Currency | Annual average yield* | Average price | Coverage ratio | Proposed quantity | Quantity requested | Approved Quantity (Nominal) |
|---------------------|-----------------|--------------|-------------------|----------|-------------------|--------|----------|-----------------------|---------------|----------------|-------------------|--------------------|-----------------------------|
| 15/02/21 | 17/02/21 | BG2040021219 | 17/02/21 | 17/08/31 | 10.5 | 0.10% | BGN | 0.14% | 99.58 | 1.85 | 300 000 000 | 555 650 000 | 300 000 000 |
| 22/02/21 | 24/02/21 | BG2030021112 | 24/02/21 | 24/02/26 | 5 | 0.00% | BGN | -0.17% | 100.85 | 2.10 | 200 000 000 | 420 400 000 | 200 000 000 |
| 08/03/21 | 10/03/21 | BG2040021219 | 17/02/21 | 17/08/31 | 10.5 | 0.10% | BGN | - | - | 1.77 | 200 000 000 | 353 550 000 | - |
| 22/03/21 | 24/03/21 | BG2030021112 | 24/02/21 | 24/02/26 | 5 | 0.00% | BGN | -0.10% | 100.47 | 1.53 | 300 000 000 | 458 500 000 | 300 000 000 |
| 07/09/21 | 09/09/21 | BG2030021112 | 24/02/21 | 24/02/26 | 5 | 0.00% | BGN | -0.15 % | 100.66 | 2.12 | 200 000 000 | 423 850 000 | 200 000 000 |
| 20/09/21 | 23/09/21 | BG2040021219 | 17/02/21 | 17/08/31 | 10.5 | 0.10% | BGN | 0.20% | 99.02 | 1.69 | 300 000 000 | 508 150 000 | 300 000 000 |
| 11/10/21 | 13/10/21 | BG2030021112 | 24/02/21 | 24/02/26 | 5 | 0.00% | BGN | -0.02% | 100.09 | 1.23 | 500 000 000 | 612 600 000 | 500 000 000 |
| 25/10/21 | 27/10/21 | BG2040021219 | 17/02/21 | 17/08/31 | 10.5 | 0.10% | BGN | 0.53% | 95.87 | 1.04 | 500 000 000 | 517 900 000 | 500 000 000 |
| 08/11/21 | 10/11/21 | BG2030021112 | 24/02/21 | 24/02/26 | 5 | 0.00% | BGN | 0.27% | 98.84 | 1.27 | 500 000 000 | 634 460 000 | 500 000 000 |
| 15/11/21 | 17/11/21 | BG2030121110 | 17/11/21 | 17/05/25 | 3.5 | 0.00% | BGN | 0.13% | 99.54 | 1.97 | 500 000 000 | 983 964 000 | 500 000 000 |
| 22/11/21 | 24/11/21 | BG2040121217 | 24/11/21 | 24/05/29 | 7.5 | 0.25% | BGN | 0.49% | 98.27 | 1.62 | 500 000 000 | 808 745 000 | 500 000 000 |

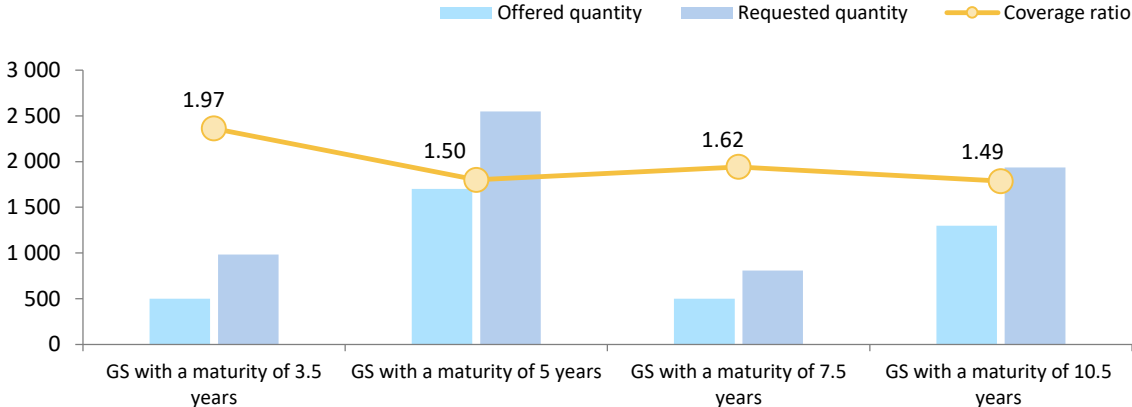
* Average annual yield calculated on a basis ISMA-International Yield (%)

Source: MoF

During the year, an average coverage ratio of 1.57 was achieved, with government securities offered on the domestic market with a total nominal value of BGN 4,000 million

and an amount requested by market participants of BGN 6,277.8 million. Average coverage ratios, based on requested volumes by types of government securities are: 1.97 for 3.5-year; 1.50 for 5-year; 1.62 for the 7.5-year and 1.49 for government securities with a maturity of 10.5 years.

Coverage ratio of issued government securities in 2021



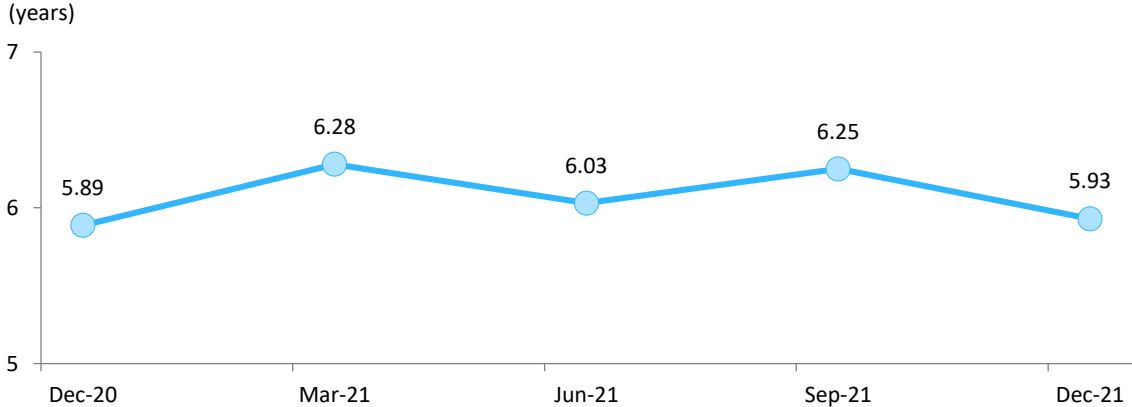
Source: MoF

Maturity structure of issued government securities as of the end of 2021



Source: MoF

Remaining maturity of outstanding issues, in years



Source: MoF

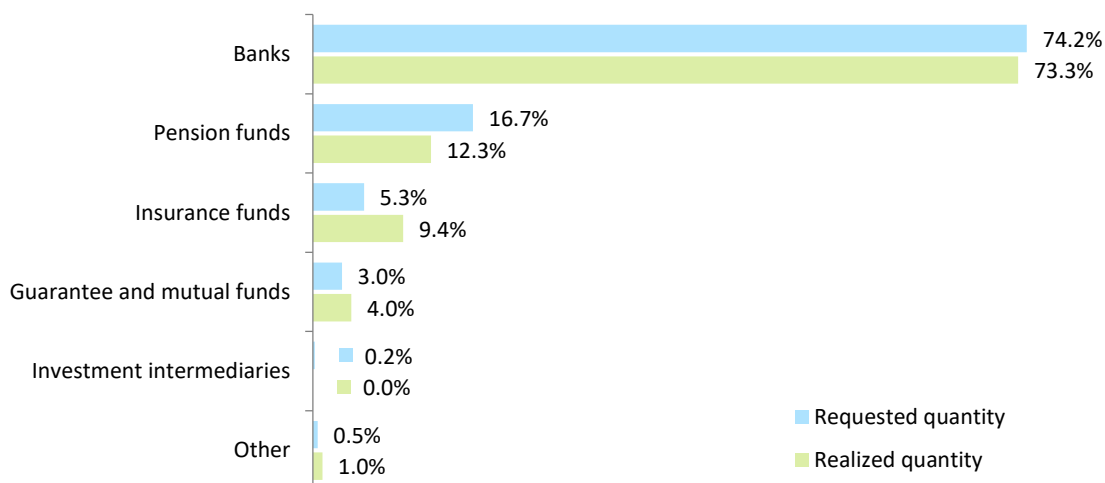
DISTRIBUTION OF THE INVESTOR BASE AND DEVELOPMENT OF THE PRIMARY MARKET OF GOVERNMENT SECURITIES IN 2021

Four issues of government securities with a total nominal value of BGN 3.8 billion were placed on the primary market of government securities, and eleven auctions were held, of which: one auction for government securities with a maturity of 3.5 years, five for government securities with a maturity of 5 years, one for government securities with a maturity of 7.5 years and four for government securities with a maturity of 10.5 years. The auction held on 8 March 2021 for 10.5-year government securities ended without an approved amount.

The issue with a 3.5-year maturity attracted great investor interest with bids received at the auction in the amount of BGN 984 million. The largest volume was declared by banks with orders for a nominal value of BGN 730.5 million, followed by pension funds with orders for BGN 164.0 million, insurance companies for BGN 52.5 million, guarantee and mutual funds for BGN 30 million, investment intermediaries for BGN 2.0 million and other investors with orders for BGN 5.0 million.

The distribution of the approved amount of government securities with a volume of BGN 500 million is as follows: banks – BGN 366.6 million, pension funds – BGN 61.4 million, insurance companies – BGN 47.0 million, guarantee and mutual funds – BGN 20.0 million and other investors – BGN 5.0 million.

Government securities with a maturity of 3.5 years

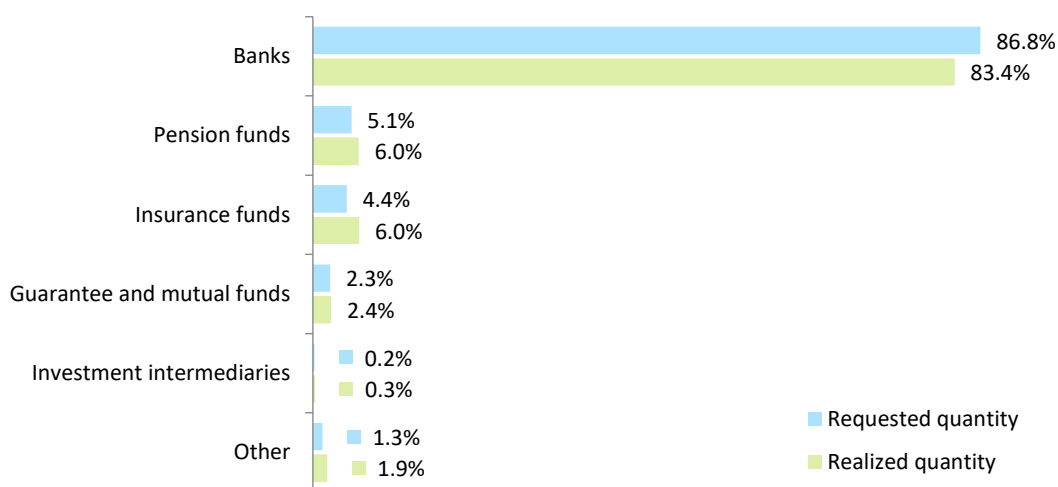


Source: MoF

The analysis of investor interest shows that at the auctions held for the sale of government securities with a maturity of 5 years, out of the submitted orders in the amount of BGN 2,549.8 million, the banks claimed a nominal amount of BGN 2,212.0 million, the pension funds for BGN 128.9 million, insurance companies for BGN 113.0 million, guarantee and mutual funds for BGN 57.9 million, investment intermediaries for BGN 6.0 million and other investors for BGN 32.0 million.

The distribution of the approved amount of government securities in a volume of BGN 1,700 million is as follows: banks – BGN 1,417.9 million, pension funds – BGN 101.7 million, insurance companies – BGN 102.5 million, guarantee and mutual funds – BGN 40.9 million, investment intermediaries – BGN 5.0 million and other investors – BGN 32.0 million.

Government securities with a maturity of 5 years

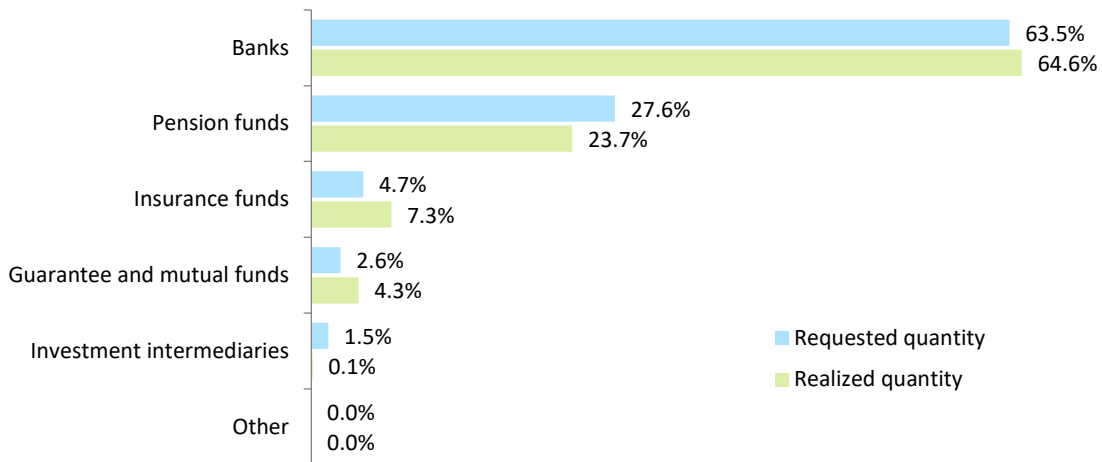


Source: MoF

The issue with a maturity of 7.5 years, like the one with a maturity of 3.5 years, enjoyed increased interest. The total amount of orders received at the auction reached BGN 808.7 million, of which the amount claimed by banks was BGN 513.5 million, pension funds – BGN 223.2 million, and insurance companies – BGN 38.1 million, by the guarantee and mutual funds for BGN 21.4 million and by investment intermediaries for BGN 12.5 million.

The distribution of the approved amount of government securities of BGN 500 million is as follows: banks – BGN 323.1 million, pension funds – BGN 118.7 million, insurance companies – BGN 36.3 million, guarantee and mutual funds – BGN 21.4 million and investment intermediaries – BGN 0.5 million.

Government securities with a maturity of 7.5 years

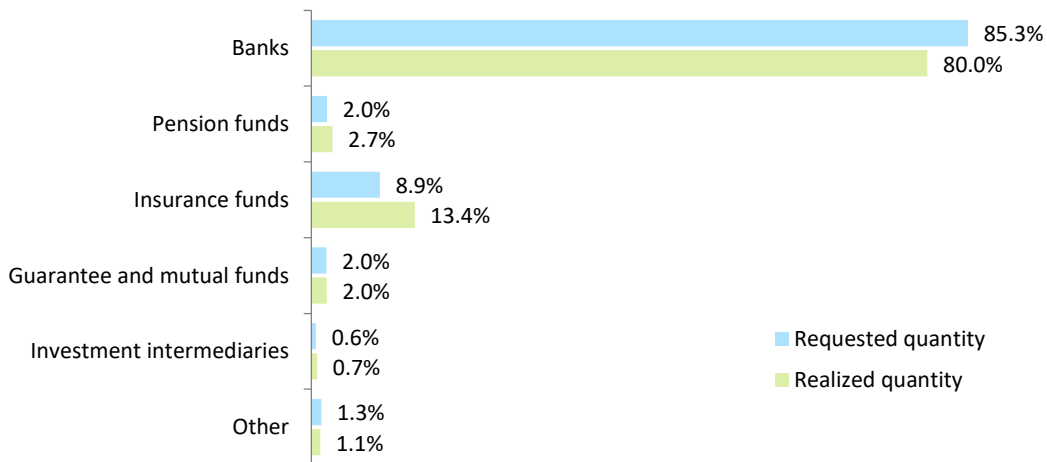


Source: MoF

For the bond issued in 2021 with a maturity of 10.5 years, orders with a total nominal value of BGN 1,935.3 million were submitted at the auctions, exceeding the offered quantity by about 1.5 times. The orders requested by the banks are for a nominal amount of BGN 1,650.7 million, by pension funds – for BGN 39.0 million, by insurance companies – for BGN 172.1 million, by guarantee and mutual funds – for BGN 37.8 million, by investment intermediaries – for BGN 11.0 million and by other investors – for BGN 24.7 million.

The distribution of the approved amount of government securities of BGN 1,100 million is as follows: banks – BGN 880.2 million, pension funds – BGN 30.0 million, insurance companies – BGN 147.5 million, guarantee and mutual funds – BGN 21.8 million, investment intermediaries – BGN 8.0 million and other investors – BGN 12.5 million.

Government securities with a maturity of 10.5 years



Source: MoF

SECONDARY MARKET OF GOVERNMENT SECURITIES

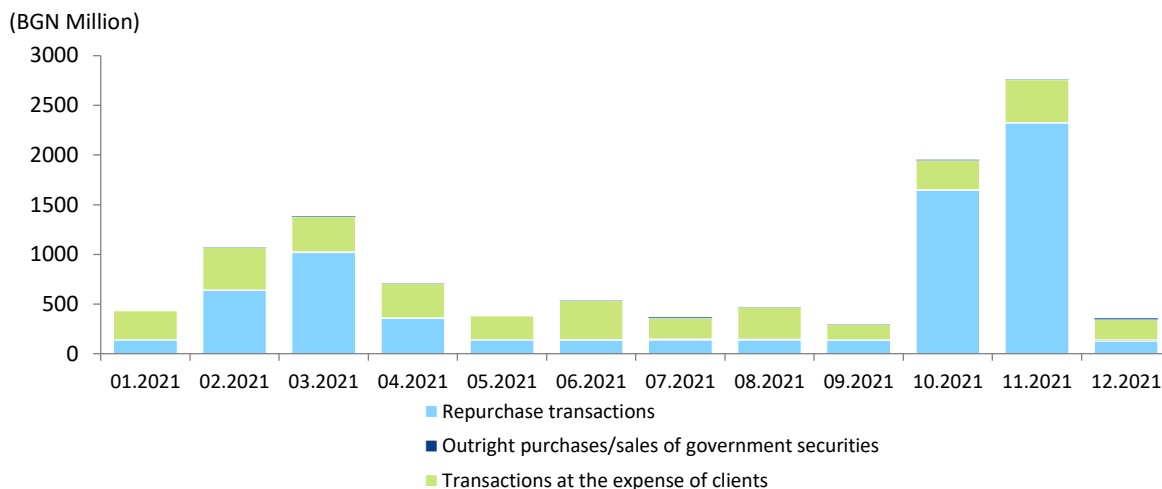
In 2021, the total volume of registered transactions and operations with government securities in the system for registration and settlement of government securities in the BNB (BNBGSSS¹¹) amounted to BGN 15,817.4 million, compared to BGN 17,337.5 million for 2020, which is a decrease compared to the previous period by 8.8%. The volume of repo transactions decreased by 6.2% compared to 2020, but their share continues to be the highest in the total volume of transactions registered in BNBGSSS – 44.0%. Repo transactions concluded for a period of one day (66.2%), mainly with BGN issues of government securities, remain the most preferred by the banks, with the aim of ensuring daily liquidity. The volume of registered transactions for the purchase and sale of government securities for the year was BGN 566.7 million, which is 41.6% less compared to the previous year, of which BGN 48.1 million were between banks – participants in ESROT. The volume of transactions between ESROT participants and clients is BGN 2,551.7 million, and that between participants' clients is BGN 606.5 million. Operations on blocking and unblocking of government securities issued on the domestic market in connection with established special pledges on government securities for securing available funds on accounts of budgetary organizations in banks, according to the Public Finance Act and the Special Pledges Act, have a total volume of BGN 5,134.9 million, respectively their share is 32.5%.

Against the background of low interest rates in the Euro area and the lack of suitable investment alternatives in the local capital market, government debt instruments issued on the domestic market remain a preferred investment by market participants. During the year, the yield of the long-term benchmark issue with a maturity of 10 years and 6 months ranged from 0.14% to 0.44%, with a change in its value compared to 2020 (from 0.12% to 0.68%). In general, trading was dynamic, with peaks in traded volumes during the months of November, October and March. Government securities were traded in all maturities, with the most liquid issues being government securities denominated in BGN, with a remaining term to maturity of about 5 years. This is due to the weaker supply of long-term government securities on the secondary market by institutional investors – pension funds and insurance companies, which retain the government securities purchased by them in their portfolios and do not offer them for further trading. In 2021, the trend observed in

¹¹ BNBGSSS includes the Electronic System for Registration and Servicing of Trade in Government Securities (ESRSTGS) and the System for Settlement of Government Securities (SSGS).

recent years continued for the volume of the secondary market of government securities to repeatedly exceed that registered on the Bulgarian stock market.

Volume of types of transactions with marketable government securities

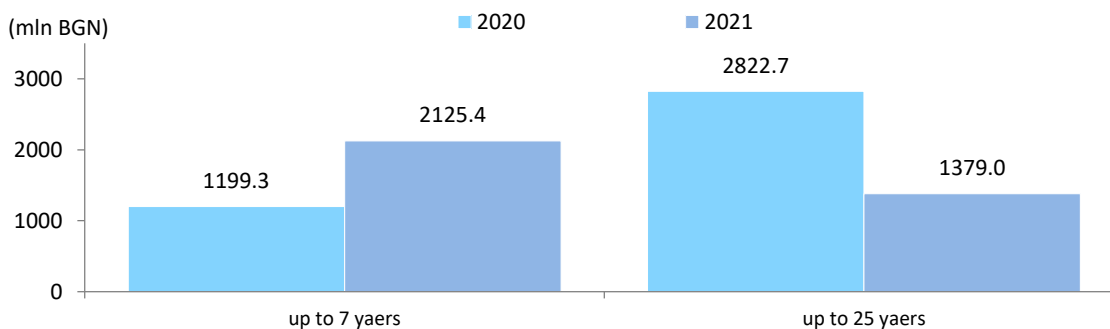


Notes: 1. The volume of transactions includes the reverse repo transactions concluded during the period; 2. The BGN equivalent of transactions with government securities denominated in foreign currency is calculated at the exchange rate determined by the BNB on the day of the transaction.

Source: BNB

ESROT participants had no difficulties and provided the necessary securities and cash in BGN and EUR in a timely manner to carry out the settlement of government securities transactions with delivery versus payment (DvP), with the average settlement coefficient¹² for the year being 100%.

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



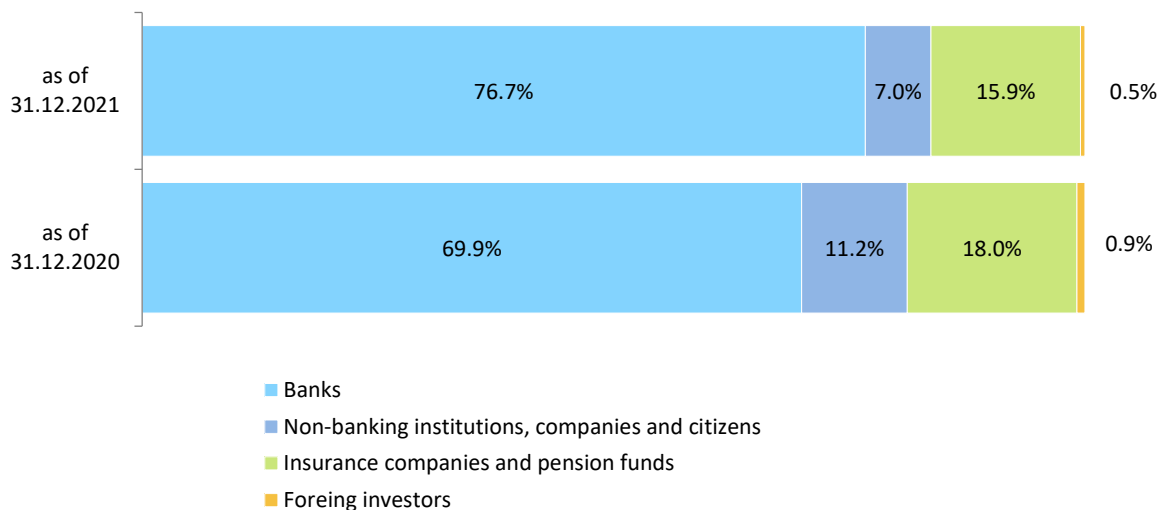
Notes: 1. The BGN equivalent of transactions with government securities denominated in foreign currency is calculated at the exchange rate determined by the BNB on the day of the transaction; 2. The volume of repo transactions does not include reverse repo transactions.

Source: BNB

¹² The settlement ratio is the ratio between the number of transactions for which settlement was carried out on the specified date to the total number of transactions for the reporting period for which registration and settlement in the system should have been carried out.

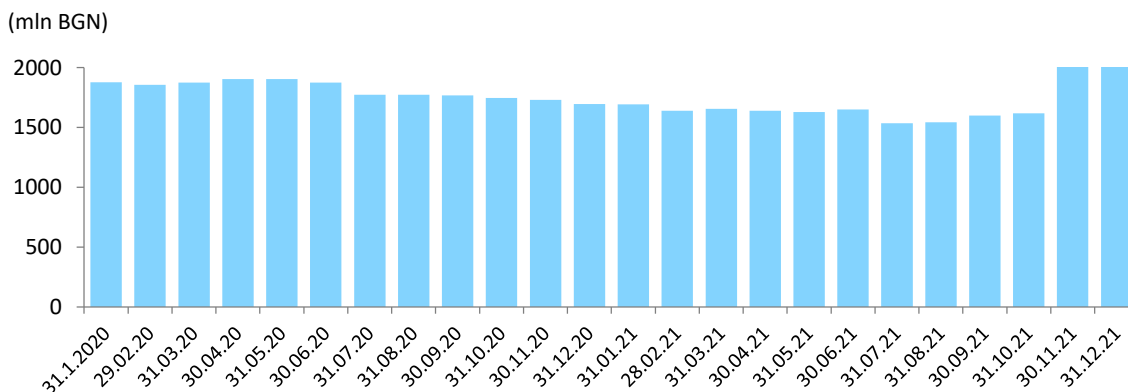
During the year, BNBSSS, as an auxiliary system in TARGET2-BNB, registered transactions with long-term government securities, denominated and payable in euros, with a total volume of EUR 6.7 million (or BGN 13.0 million), and payments were made not only through accounts of banks in the national system component TARGET2-BNB, but also through accounts of banks in other system components of central banks in TARGET2.

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 according to the exchange rate determined by the BNB, valid for the last working day of the relevant period; 2. Data on investments in government securities includes local non-bank financial institutions, companies and citizens, and insurance companies and pension funds.

Source: BNB

At the end of 2021, compared to the same period of 2020, there was a change in investments in government debt instruments issued to finance the budget deficit, among

the different categories of holders. At banks and insurance companies and pension funds, investments in government securities are increasing, while at local non-bank financial institutions, companies and citizens, and at foreign investors, there is a decrease in investments in government securities. The largest share of these debt securities continues to be owned by banks (76.7%), followed by insurance companies and pension funds (15.9%), local non-bank financial institutions, companies and citizens (7.0%) and foreign investors (0.5 %).

HOLDERS OF BULGARIAN BONDS ISSUED ON THE ICM

As of 31 December 2021, there are eight euro-denominated issues in circulation on the international capital markets as follows: 7-year (XS1208855616) with maturity 26 March 2022 and coupon 2.000%, 7-year (XS1382693452) with maturity 21 March 2023 and coupon 1.875%, 10-year (XS1083844503) with maturity 3 September 2024 and coupon 2.950%, 12-year (XS1208855889) with a maturity of 26 March 2027 and coupon 2.625%, 12-year (XS1382696398) with a maturity of 21 March 2028 and coupon of 3%, 10-year (XS2234571425) with a maturity of 23 September 2030 and coupon of 0.375%, 20-year (XS1208856341) with a maturity of 26 March 2035 and coupon of 3.125% and 30-year (XS2234571771) with a maturity of 23 September 2050 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 | 2020 | 2021 | | | |
|---|-------|-----------|------------|-------------|------------|
| | | I quarter | II quarter | III quarter | IV quarter |
| 2.95 %, 2024, XS1083844503 – issue 2014 | 989.3 | 973.7 | 952.1 | 952.3 | 921.2 |
| Owned by the banking sector | 696.0 | 695.4 | 705.4 | 705.7 | 698.5 |
| Owned by other sectors | 293.3 | 278.3 | 246.7 | 246.6 | 222.7 |
| 2 %, 2022, XS1208855616 – issue 2015 | 850.9 | 860.4 | 864.9 | 862.4 | 855.6 |
| Owned by the banking sector | 749.2 | 804.9 | 809.5 | 807.0 | 807.0 |
| Owned by other sectors | 101.8 | 55.4 | 55.4 | 55.4 | 48.6 |
| 2.625 %, 2027, XS1208855889 – issue 2015 | 625.6 | 608.8 | 602.2 | 610.0 | 618.7 |
| Owned by the banking sector | 417.1 | 398.3 | 401.9 | 411.2 | 418.8 |
| Owned by other sectors | 208.6 | 210.6 | 200.3 | 198.8 | 199.9 |
| 3.125 %, 2035, XS1208856341 – issue 2015 | 205.2 | 209.4 | 206.7 | 211.9 | 199.1 |
| Owned by the banking sector | 71.6 | 71.6 | 72.0 | 76.0 | 77.4 |

| Types of Government Securities | 2020 | 2021 | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | | I quarter | II quarter | III quarter | IV quarter |
| Owned by other sectors | 133.7 | 137.9 | 134.7 | 135.9 | 121.7 |
| 1.875 %, 2023, XS1382693452 – issue 2016 | 840.2 | 843.5 | 845.4 | 845.6 | 812.8 |
| Owned by the banking sector | 612.3 | 652.0 | 653.4 | 653.4 | 653.0 |
| Owned by other sectors | 227.9 | 191.5 | 192.0 | 192.2 | 159.8 |
| 3 %, 2028, XS1382696398 – issue 2016 | 450.3 | 429.5 | 422.2 | 413.4 | 419.1 |
| Owned by the banking sector | 294.0 | 297.2 | 302.2 | 311.8 | 318.0 |
| Owned by other sectors | 156.2 | 132.3 | 120.1 | 101.6 | 101.1 |
| 0.375 %, 2030, XS2234571425 – issue 2020 | 631.8 | 672.5 | 642.7 | 704.3 | 706.4 |
| Owned by the banking sector | 504.2 | 539.5 | 545.1 | 601.8 | 605.4 |
| Owned by other sectors | 127.6 | 133.0 | 97.6 | 102.6 | 101.0 |
| 1.375 %, 2050, XS2234571771 – issue 2020 | 17.2 | 28.2 | 28.2 | 24.7 | 23.3 |
| Owned by the banking sector | 1.5 | 12.5 | 12.5 | 12.5 | 11.0 |
| Owned by other sectors | 15.7 | 15.7 | 15.7 | 12.2 | 12.3 |
| Total (EUR million) | 4 610.6 | 4 626.1 | 4 564.4 | 4 624.7 | 4 556.3 |

Note: Due to rounding, some total items in the table do not comply with their constituent numbers.

Source: BNB

In the case of the 7-year issue maturing in 2022, there was a slight increase in the share of securities owned by residents from 68.08% at the end of 2020 to 68.45% at the end of 2021. As of 31.12.2021, they held securities with a nominal value EUR 855.6 million, which represents an increase compared to the bonds held at the end of 2020 amounting to EUR 850.9 million. The total nominal value of the bonds held by the banking sector amounts to EUR 807 million, and that of the other sectors – to the value of EUR 48.6 million.

The largest share of securities held by residents is reported for the 7-year bond with maturity 2023 – 71.05% as of 31.12.2021, with a decrease compared to 31.12.2020, when the share of residents from holders of the emission is 73.44 %. As of 31.12.2021, the banking sector owns securities worth EUR 653.0 million, and the other sectors – EUR 159.8 million.

Of the 10-year issue maturing in 2024, 61.7% are held by residents. There is a decrease in the share held by residents from EUR 989.3 million at the end of 2020 to EUR 921.2 million at the end of 2021. The banking sector holds bonds for EUR 698.5 million, and the other sectors – for a total of EUR 222.7 million.

A decrease in the share of securities held by residents is reported for the 12-year bond with a maturity of 2027 (from 62.56% to 61.87%). As of 31 December 2021, they hold bonds with a nominal value of EUR 618.7 million, which is a decrease compared to the bonds held at the end of 2020 of EUR 625.6 million. The total nominal value of the bonds held by the banking sector amounts to EUR 418.8 million, and that of the other sectors – to EUR 199.9 million.

As of 31.12.2021, the 12-year issue maturing in 2028 is held by residents in a ratio of 49.3% to the total amount of securities, which represents a decrease compared to the value of 52.97% at the end of the previous year 2020. The banking sector holds bonds for EUR 318.0 million, and the other sectors – for a total of EUR 101.1 million.

A slight downward movement of the securities held by residents was observed in the 20-year issue maturing in 2035 (down from 22.81% to 22.13%). As of 31 December 2021, residents hold bonds with a nominal value of EUR 199.1 million, which represents a decrease from bonds held at the end of 2020 worth EUR 205.2 million. The total nominal value of the bonds held by the banking sector amounts to EUR 77.4 million, and that of the other sectors – to EUR 121.7 million.

In the case of the 10-year bond issued in 2020 with a maturity of 2030, towards the end of 2021 there was an increase in the share of resident holders – they owned securities for EUR 706.4 million (56.51% of the face value), while at the end in 2020, residents owned EUR 631.8 million (50.54% of the face value). Banks hold securities for EUR 605.4 million, and other sectors – for EUR 101.0 million.

The ratio of holders for all external securitized debt at the end of 2021 is 49.87% – residents and 50.13% – non-residents. The banking sector owns 78.8% of the resident share (compared to 72.6% as of 31.12.2020).

At the end of 2021, the Bulgarian Eurobonds owned by pension funds and insurance companies operating on the territory of the country amounted to the equivalent of BGN 1,523.2 million, which is a decrease compared to the securities owned at the end of 2020 with the equivalent of BGN 2,157.6 million face value. The decrease is observed in the securities owned by pension funds and amounts to BGN 697.6 million, while the amount of Bulgarian Eurobonds owned by insurance companies has increased by BGN 63.2 million. The decrease in bonds owned by pension funds outweighs the increase in insurance companies, which leads to a smaller share of these two groups of investors in Bulgarian Eurobonds owned by residents.

At the end of 2021, pension and insurance companies, as a whole, owned 17.1% of all securitized external debt held by residents, and at the end of 2020 their share was 23.9%, with the preponderance in favor of pension funds with 67% of this volume, against 33% owned by insurance companies (at the end of 2020, the ratio was 79.6% owned by pension funds against 20.4% for 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 | 2020 | 2021 | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | | I quarter | II quarter | III quarter | IV quarter |
| 2.95 %, 2024, XS1083844503 – issue 2014 | 549 842 | 512 926 | 445 326 | 429 281 | 384 519 |
| Pension funds under SSC | 485 115 | 448 688 | 380 993 | 366 637 | 316 926 |
| Insurance companies under the IC | 64 728 | 64 238 | 64 333 | 62 644 | 67 593 |
| 2 %, 2022, XS1208855616 – issue 2015 | 113 238 | 16 460 | 16 451 | 16 427 | 16 424 |
| Pension funds under SSC | 96 456 | 0 | 0 | 0 | 0 |
| Insurance companies under the IC | 16 783 | 16 460 | 16 451 | 16 427 | 16 424 |
| 2.625 %, 2027, XS1208855889 – issue 2015 | 393 991 | 381 683 | 363 800 | 362 217 | 369 294 |
| Pension funds under SSC | 295 247 | 286 036 | 268 404 | 263 641 | 271 103 |
| Insurance companies under the IC | 98 744 | 95 647 | 95 395 | 98 575 | 98 191 |
| 3.125 %, 2035, XS1208856341 – issue 2015 | 178 420 | 171 678 | 162 159 | 216 510 | 181 921 |
| Pension funds under SSC | 54 476 | 52 362 | 44 201 | 44 647 | 12 850 |
| Insurance companies under the IC | 123 944 | 119 316 | 117 958 | 171 863 | 169 071 |
| 1.875 %, 2023, XS1382693452 – issue 2016 | 344 686 | 230 077 | 230 349 | 229 837 | 198 700 |
| Pension funds under SSC | 302 912 | 189 074 | 189 329 | 188 942 | 157 805 |
| Insurance companies under the IC | 41 774 | 41 002 | 41 020 | 40 895 | 40 895 |
| 3 %, 2028, XS1382696398 – issue 2016 | 307 499 | 240 324 | 225 825 | 178 837 | 178 113 |
| Pension funds under SSC | 255 660 | 190 811 | 176 361 | 124 768 | 124 260 |
| Insurance companies under the IC | 51 839 | 49 512 | 49 464 | 54 070 | 53 853 |
| 0.375 %, 2030, XS2234571425 – issue 2020 | 238 465 | 232 363 | 163 242 | 173 328 | 171 606 |
| Pension funds under SSC | 197 001 | 193 955 | 119 080 | 117 096 | 115 397 |
| Insurance companies under the IC | 41 463 | 38 408 | 44 163 | 56 233 | 56 209 |
| 1.375 %, 2050, XS2234571771 – issue 2020 | 31 477 | 29 790 | 28 964 | 22 471 | 22 659 |
| Pension funds under SSC | 30 867 | 29 213 | 28 402 | 21 622 | 21 812 |
| Insurance companies under the IC | 609 | 577 | 561 | 849 | 847 |
| Total (BGN, thousand) | 2 157 619 | 1 815 301 | 1 636 117 | 1 628 908 | 1 523 236 |

Note: Due to rounding some total sums in the table do not comply with their constituents.

Source: FSC

LOANS FINANCING

In 2021, were disbursed funds under loans amounted to BGN 1,270.0 million, of which BGN 234.4 million were domestic loans and BGN 1,035.5 million external loans. In the case of external loans, the main share is occupied by the disbursement in the amount of BGN 999.4 million under the Loan Agreement between the European Union and the Republic of Bulgaria for temporary support in order to mitigate the risks of unemployment in extraordinary circumstances (SURE) as a result of COVID-19.

The disbursements under loans of the institutional units within CG subsector, according to the requirements of the European System of Accounts (ESA'2010) and Eurostat, amount to BGN 255.2 million, of which domestic loans – BGN 219.1 million, and external loans – BGN 36.1 million.



CENTRAL GOVERNMENT GUARANTEED DEBT

In nominal terms, the amount of the Central Government guaranteed debt at the end of 2021 amounted to BGN 555.0 million (EUR 283.8 million), marking an increase of BGN 302.6 million (EUR 154.7 million) compared to the level reported at the end of 2020, mainly due to the disbursements under the external guarantees of the subsector.

In the structure of the debt, the dominant share is held by external guaranteed debt, amounting to BGN 487.8 million (EUR 249.4 million), while the domestic guaranteed debt is BGN 67.1 million (EUR 34.3 million).

The Central Government guaranteed debt-to-GDP ratio for 2021 is 0.4%.

Central Government guaranteed debt (million BGN)

| Structure | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------------|--------------|--------------|--------------|--------------|
| Central Government Guaranteed debt | 265.0 | 184.4 | 142.1 | 252.4 | 555.0 |
| I. CG Domestic guarantees | 73.9 | 75.2 | 74.1 | 72.4 | 67.1 |
| 1. Guarantees under the Student and Doctoral Candidate Loans Act | 73.9 | 75.2 | 74.1 | 72.4 | 67.1 |
| II. CG External guarantees | 191.1 | 109.2 | 68.0 | 180.0 | 487.8 |
| 1. IBRD /World Bank/ | 13.0 | 7.8 | 2.6 | 0.0 | 0.0 |
| 2. European Union (including EC and EIB) | 3.1 | 3.6 | 4.3 | 146.7 | 470.4 |
| 3. Others (JICA, Euratom ¹³) | 175.0 | 97.8 | 61.1 | 33.3 | 17.4 |
| GDP | 102 740.6 | 109 964.4 | 120 396.0 | 120 553.4 | 139 012.3 |
| CG Guaranteed debt/GDP, (%) | 0.3 | 0.2 | 0.1 | 0.2 | 0.4 |

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.

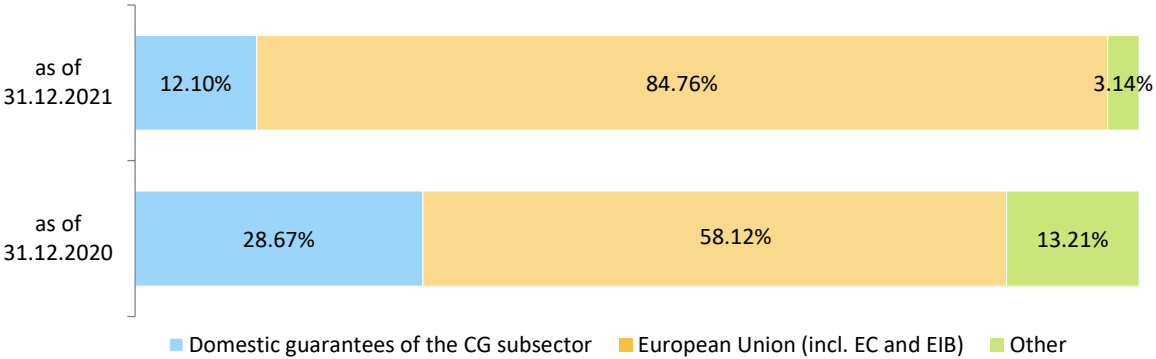
Source: MoF

In the structure of the Central Government guaranteed debt by creditors at the end of 2021, a dominant share of 84.8% is occupied by the “European Union” (including EC and EIB),

¹³ until 2020 inclusive

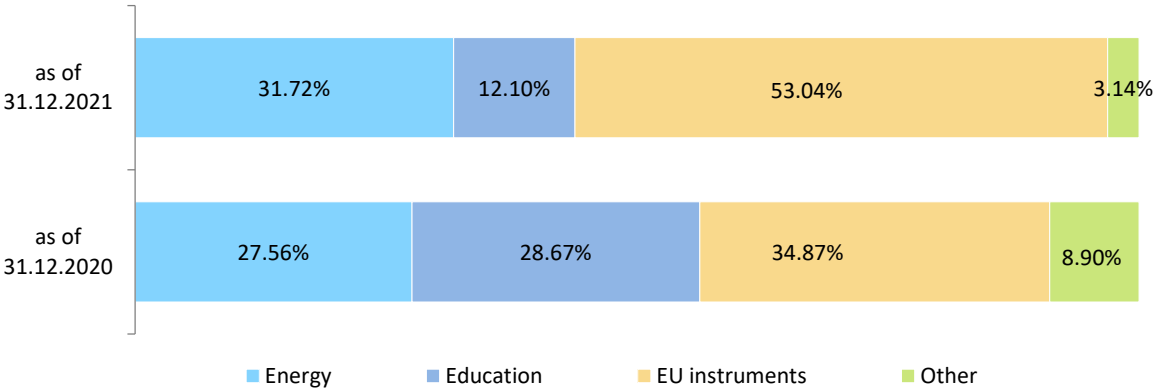
followed by the domestic guarantees issued on the basis of the Student and Doctoral Candidate Loans Act under the Student Loans Program with a share of 12.1% and the "Other" sector, including the guarantees issued on the loan from the JICA with a share of 3.1% of the total amount of the Guaranteed debt of the subsector.

Structure of the Central Government guaranteed debt by creditors



Source: MoF

Structure of the Central Government guaranteed debt by sectors

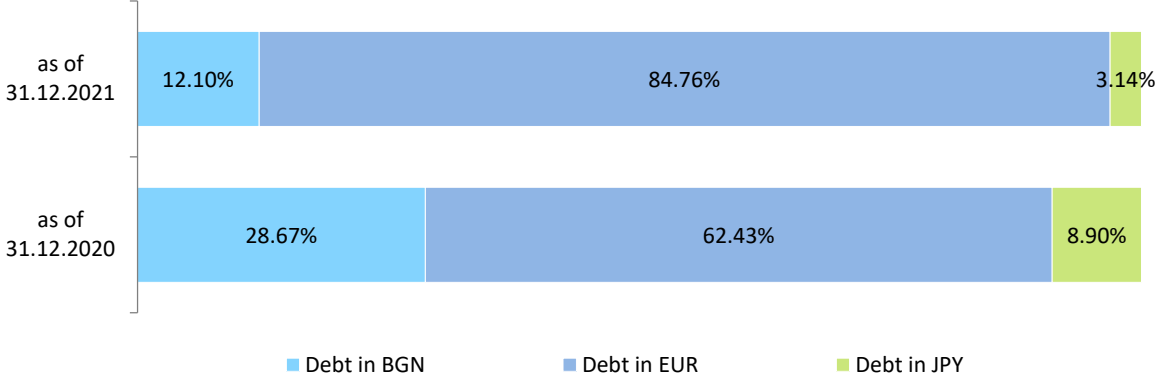


Source: MoF

As of 31 December 2021, in the structure of the Central Government guaranteed debt by sectors, the largest relative share is held by the "EU Instruments" sector with 53.0%, followed by the "Energy" sector – 31.7%, the "Education" sector – with 12.1%, and "Other" sector – with 3.1%.

The leading position in the currency structure of the Central Government guaranteed debt by the end of 2021 is held by the debt in EUR – 84.8%, followed by the debt in BGN – 12.1% and the debt in JPY – 3.1%.

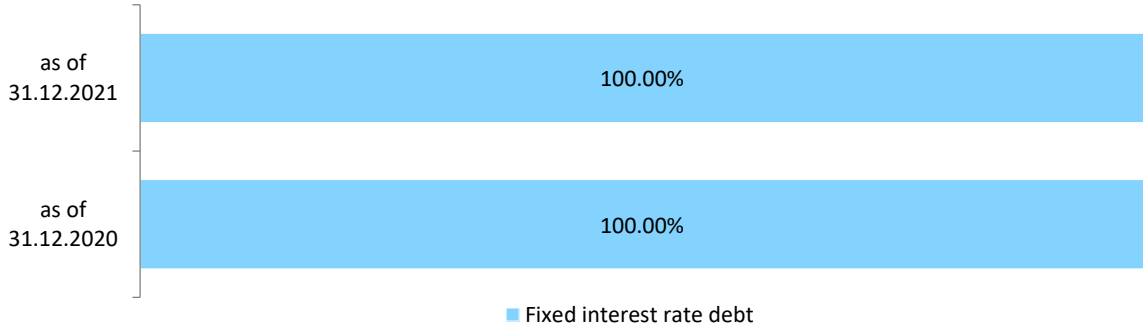
Currency structure of the CG guaranteed debt



Source: MoF

As of the end of 2021, 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 received financing under the Central Government guaranteed debt for 2021 amounts to BGN 330.8 million, and the payments made during the reviewed period amount to BGN 31.4 million, including BGN 27.5 million principal repayments and BGN 3.9 million interest payments.

Disbursements were made mainly under external guarantees issued under the loan from the EIB for financing the project "Intersystem Gas Connection Greece-Bulgaria" (BGN 118.1 million), as well as in line with two European instruments created to overcome the

consequences of the pandemic, caused by COVID-19 (the European Instrument for Temporary Support to Mitigate Unemployment Risks in Extraordinary Circumstances (SURE) – BGN 105.4 million and the Pan-European Guarantee Fund – BGN 100.2 million).

New financing and payments made under Central Government guaranteed debt in 2021

(BGN million)

| Structure | Received loans (tranches) | Payments made, incl. | |
|--|------------------------------|-----------------------------|------------|
| | | repayments (prin- cipal) | interest |
| I. CG Domestic guarantees | 7.1 | 12.3 | 2.7 |
| 1. Guarantees under the Student and Doctoral Candidate Loans Act | 7.1 | 12.3 | 2.7 |
| II. CG External guarantees | 323.7 | 15.2 | 1.2 |
| 1. IBRD /World Bank/ | 0.0 | 0.0 | 0.0 |
| 2. European Union (including EC and EIB) | 323.7 | 0.0 | 0.2 |
| 3. Other (JICA) | 0.0 | 15.2 | 1.0 |
| Total CG guaranteed debt | 330.8 | 27.5 | 3.9 |

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

The nominal amount of the Government debt ¹⁴ at the end of 2021 amounts to BGN 31,218.0 million (EUR 15,961.5 million), of which BGN 22,580.9 million (EUR 11,545.4 million) is external debt and BGN 8,637.1 million (EUR 4,416.1 million) – domestic debt. Compared to the level in 2020, the debt increased by BGN 3,713.2 million as a result of the domestic government securities issued during the year, the disbursements under government loan in line with the European Instrument for Temporary Support in order to mitigate the risks of unemployment in exceptional circumstances as a result of the outbreak of COVID-19 (SURE) (OJ, L 159/1 of 20 May 2020) and repayments made. The Government debt-to-GDP ratio is 22.5%.

In the structure of the government debt, the domestic debt increased from 20.5% at the end of 2020 to 27.7%, at the expense of the reduction of the external debt from 79.5% to 72.3% at the end of 2021. The share of debt denominated in BGN increased from 17.8% at the end of 2020 to 26.2%, with a decrease in the share of debt in EUR and in other currencies to levels of 73.6% and 0.2% respectively at the end of 2021. The debt interest structure continues to be dominated by debt with fixed interest rates – 98.7% (98.1% at the end of 2020).

In the maturity structure of the government debt by residual maturity at the end of 2021, the debt from 1 to 5 years is 33.6% (39.3% in 2020), from 5 to 10 years – 33.1% (31.2% for 2020), over 10 years – 24.5% (26.7% for 2020), and up to 1 year – 8.9% (3.0% at the end of 2020).

The average residual maturity of the government debt as of 31.12.2021 is 8 years and 2 months.

¹⁴ The debt assumed under the Government Debt Act

Structure and dynamics of Government debt

(million BGN)

| Structure | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| I. Domestic government debt | 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 | 8 637.1 |
| 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 | 8 637.1 |
| 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 | 0.0 |
| II. External government debt | 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 | 22 580.9 |
| 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 | 17 870.4 |
| Paris Club | 147.8 | 123.1 | 98.5 | 73.9 | 49.3 | 24.6 | 0.0 | 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 | 276.2 |
| European Union (including EC and EIB) | 361.4 | 743.5 | 874.6 | 1 167.9 | 1 167.9 | 1 165.2 | 1 155.3 | 1 236.1 | 1 787.6 | 2 742.7 |
| Other (CEDB, Transferable loans "Schuldschein") | 0.0 | 567.2* | 3 500.9** | 567.2* | 567.2* | 567.2* | 665.0*** | 753.0*** | 879.1*** | 869.4*** |
| 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 | 822.2 |
| Government debt | 13 673.6 | 14 118.5 | 22 102.3 | 22 714.1 | 25 751.1 | 23 534.1 | 22 065.8 | 22 023.0 | 27 504.8 | 31 218.0 |
| GDP | 82 645.9 | 82 241.8 | 84 150.3 | 89 599.8 | 95 390.5 | 102 740.6 | 109 964.4 | 120 396.0 | 120 553.4 | 139 012.3 |
| Total government debt/GDP, (%) | 16.6 | 17.2 | 26.3 | 25.4 | 27.0 | 22.9 | 20.1 | 18.3 | 22.8 | 22.5 |

* Transferable "Schuldschein" loans;

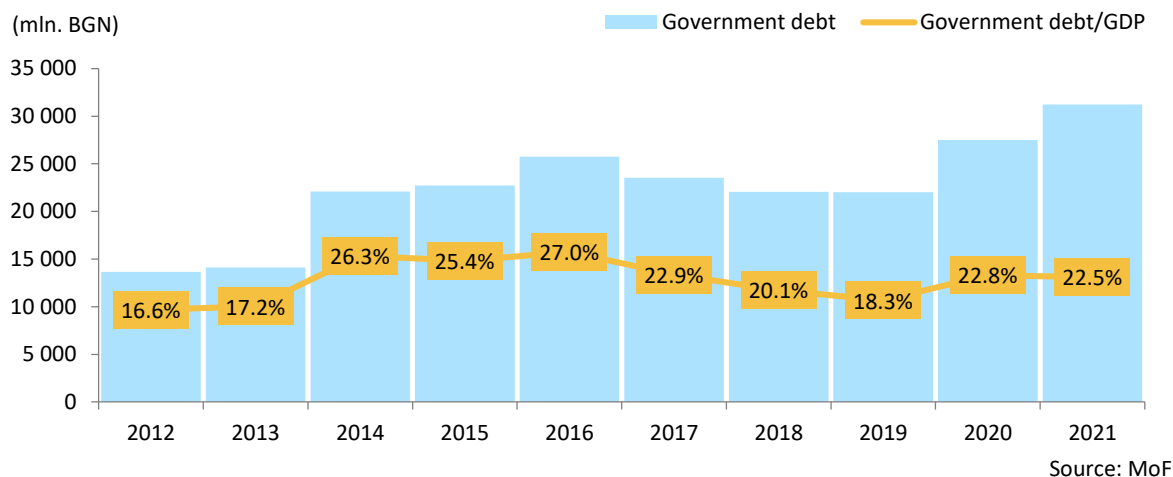
**Transferable "Schuldschein" loans and "Bridge-to-bond loan";

*** Schuldschein transferable loans and CEDB loan.

Note: 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

Government Debt Dynamics



New financing and payments made under the Government debt in 2021

(BGN, million)

| Structure | Received tranches/issued government securities (principal) | Payments made, incl. | |
|---|--|------------------------|--------------|
| | | Repayments (principal) | interest |
| Domestic government debt | 3 758.4 | 799.2 | 129.9 |
| I. Government securities issued for financing the budget | 3 758.4 | 799.2 | 129.9 |
| External government debt | 999.4 | 277.1 | 460.9 |
| I. Bonds | 0.0 | 0.0 | 376.0 |
| II. Loans | 999.4 | 277.1 | 84.9 |
| 1. IBRD/World Bank | 0.0 | 86.8 | 0.0 |
| 2. European Union (including EC and EIB) | 999.4 | 44.3 | 36.6 |
| 3. Others (JICA, CEDB, KfW, transferable loans "Shuldschein") | 0.0 | 9.8 | 24.3 |
| 4. Government investment loans | 0.0 | 136.3 | 24.0 |
| Total for Government Debt | 4 757.8 | 1 076.3 | 590.8 |

Source: MoF

GOVERNMENT GUARANTEED DEBT

At the end of 2021, the Government guaranteed debt amounted to BGN 1,938.9 million (EUR 991.3 million), compared to BGN 1,743.2 million (EUR 891.3 million) at the end of 2020. The Government guaranteed debt-to-GDP ratio is 1.4%.

Compared to 2020, the Government guaranteed debt increased by about BGN 200 million mainly due to the disbursements of funds under the guarantees issued in line with the EU instruments (SURE and Pan-European Guarantee Fund) and under the loan for financing the project "Intersystem Gas Connection Greece – Bulgaria“.

In the structure of Government guaranteed debt, external debt occupies 96.5% (95.8% at the end of 2020), and the share of domestic government guarantees is 3.5% (4.2% at the end of 2020). The debt with fixed interest rate increased to 96.3% (92.9% at the end of 2020) and the debt with floating interest rate decreased to 3.7% (7.1% at the end of 2020). The share of debt in EUR reached 90.6% (88.2% at the end of 2020), and the debt in other currencies and in BGN decreased to 6.0% (7.7% at the end of 2020) and 3.5% (4.2% at the end of 2020).

Structure and dynamics of Government guaranteed debt

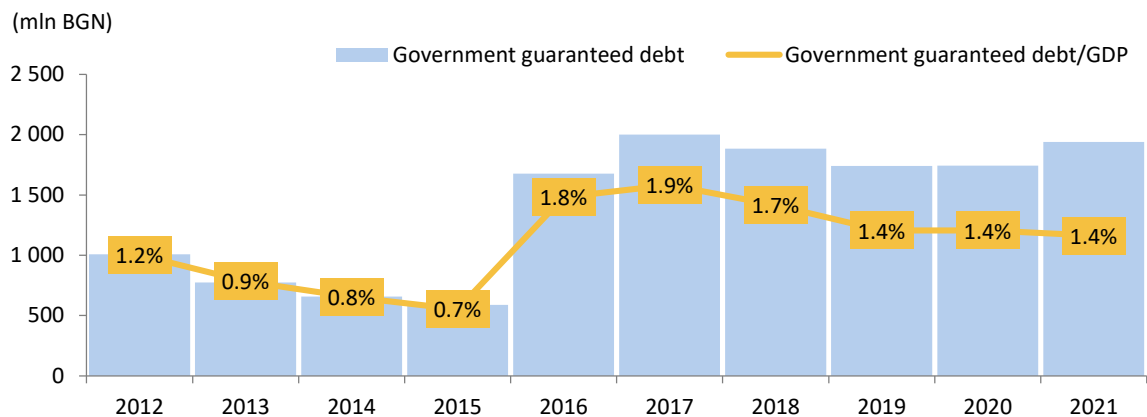
(BGN, million)

| Structure | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|----------------|--------------|--------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
| I. Domestic government guaranteed debt | 23.9 | 36.2 | 49.0 | 60.8 | 69.1 | 73.9 | 75.2 | 74.1 | 72.4 | 67.1 |
| 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 | 67.1 |
| II. External government guaranteed debt | 984.7 | 737.7 | 607.1 | 528.4 | 1 607.8 | 1 928.2 | 1 808.6 | 1 667.3 | 1 670.9 | 1 871.8 |
| IBRD /World Bank/ | 70.1 | 52.1 | 35.6 | 23.8 | 507.6 | 560.6 | 594.6 | 589.4 | 586.7 | 586.7 |
| European Union (including EC and EIB) | 2.5 | 1.6 | 1.6 | 2.0 | 2.7 | 3.1 | 3.6 | 4.3 | 146.7 | 470.4 |
| EBRD | 27.0 | 17.3 | 7.5 | 1.8 | 586.7 | 586.7 | 586.7 | 586.7 | 586.7 | 586.7 |
| Others (JICA, CEDB, KfW) | 885.1 | 666.7 | 562.4 | 500.9 | 510.8 | 777.7 | 623.6 | 486.9 | 350.7 | 227.9 |
| Government guaranteed debt | 1 008.6 | 773.8 | 656.1 | 589.3 | 1 677.0 | 2 002.0 | 1 883.8 | 1 741.4 | 1 743.2 | 1 938.9 |
| GDP | 82 645.9 | 82 241.8 | 84 150.3 | 89 599.8 | 95 390.5 | 102 740.6 | 109 964.4 | 120 396.0 | 120 553.4 | 139 012.3 |
| Government guaranteed debt/GDP, (%) | 1.2 | 0.9 | 0.8 | 0.7 | 1.8 | 1.9 | 1.7 | 1.4 | 1.4 | 1.4 |

Note: 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

Dynamics of Government guaranteed debt



Source: MoF

New financing and payments made under the Government guaranteed debt in 2021

(BGN, million)

| Structure | Loans received (principal) | Payments made, incl. | |
|--|-------------------------------|----------------------|-------------|
| | | repayments | interest |
| Domestic government guaranteed debt | 7.1 | 12.3 | 2.7 |
| 1. Guarantees under Student and Doctoral Candidate Loans Act | 7.1 | 12.3 | 2.7 |
| External government guaranteed debt | 323.7 | 119.0 | 22.4 |
| 1. IBRD /World Bank/ | 0.0 | 0.0 | 9.2 |
| 2. European Union (including EC and EIB) | 118.1 | 0.0 | 0.2 |
| 3. EBRD | 0.0 | 0.0 | 8.9 |
| 4. Others (JICA, CEDB, KfW) | 205.6 | 119.0 | 4.0 |
| Total for Government guaranteed debt | 330.8 | 131.3 | 25.1 |

Source: MoF

DEVELOPMENT OF GOVERNMENT SECURITIES MARKET

In line with established practice in EU member states, Ordinance № 15 of 4 October 2007 on the Control over Transactions in Government Securities, issued by the Minister of Finance and the Governor of the Bulgarian National Bank, was amended at the beginning of 2021, resulting in the establishment of a Committee of the PD of the State Securities (Committee) between the Minister of Finance and the PD¹⁵ of the Government Securities. The Committee has advisory functions and serves for the mutual exchange of information and recommendations between the issuer and the PD of the government securities. After conducting an active dialogue within the Committee, at the end of 2021, Criteria for the selection of Primary Dealers of Government Securities and Instructions on the reporting of the Criteria for the selection of Primary Dealers of Government Securities of the Minister of Finance¹⁶ were drawn up and subsequently approved by the Minister of Finance, in which qualitative criteria were added and obligations were defined of PDs to maintain firm quotations of government securities (market-making) at the relevant trading venues. With reference to the mentioned above, a technical method was created for reporting the performance of PD, which is part of the "System for Monitoring, Analysis, Registration and Trading of Government Securities" (SMART).

The actual activity of establishing SMART started in the beginning of 2021. Three of the modules of the system – "Application Administration", "Incoming Data" and "Register of Short Sales" were completed within the year.

Simultaneously, the MoF took a legislative initiative in the direction of ensuring the process of providing information by the Financial Supervision Commission to the MoF with a view to fully implementing Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 regarding short sales and certain aspects of credit default swaps, in relation to Art. 17a, para. 1 of the Government Debt Act.

¹⁵ https://www.minfin.bg/upload/45945/en-spisak-PD-na-DCK_2021.pdf

¹⁶ Annex 1 of the Minister of Finance [Order No. 1358 of 31.12.2021](#)