



REPUBLIC OF BULGARIA
Ministry of Finance

CENTRAL GOVERNMENT DEBT AND GUARANTEES

2018



CENTRAL GOVERNMENT DEBT AND GUARANTEES

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Government Debt Directorate

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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
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ESROT	Electronic system for registering and servicing of trade in GS
EU	European Union
FSC	Financial Supervision Commission
IBRD	International Bank for Reconstruction and Development
ICM	International capital markets
SME	small and medium enterprises
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 2018

The financial sector is developing under a favourable macroeconomic environment, positive employment and income dynamics, as well as active demand for lending resources from economic agents, under low interest rates.

BANKING SYSTEM AND NON-BANKING FINANCIAL SECTOR

In 2018, the banking system in Bulgaria remained stable, under an ongoing process of asset quality improvement, high levels of capital adequacy and liquidity. At the end of the year, the liquidity coverage ratio was 294.1%¹ and the overall capital adequacy ratio was 20.4%.

The increase in loans and advances has made a significant contribution to the growth of assets in the banking system. At the end of 2018, they amount to BGN 105.6 billion, up 7.9% from a year earlier. The banking system's profit as of December 31, 2018 was BGN 1 678 million, showing a significant increase compared to the previous year (42.9%)². This is also reflected in an improvement in the system's profitability indicators. At the end of December 2018, the levels of return on assets and on balance sheet capital were 1.6% and 12.1% respectively, against 1.2% and 9.3% at the end of 2017.

Positive trends are also observed in the development of the non-banking financial sector. As of the end of 2018, net assets of the supplementary pension funds managed by pension insurance companies increased by 5.5% on an annual basis and reached an amount of BGN 13.4 billion, of which BGN 11.2 billion managed by universal pension funds.

Funds managed by the insurance companies in Bulgaria reached BGN 7.6 billion, or 4.8% more than in 2017³. Receivables of leasing companies in financial and operating leases increased by 12% in the period under review to a total of BGN 4

¹ Calculated as the ratio of liquidity buffer to net liquidity outflows.

² Based on data obtained on an individual basis.

³ According to Insurance statistics of the BNB.

billion. The total amount of credit claims of lending companies shrunk significantly by 11.3% to BGN 2.4 billion in the calendar year 2018 due to a decrease in non-performing loans. Assets managed by local and foreign investment funds amounted to BGN 3.9 billion at the end of the year, an increase of 9.3% compared to the end of 2017.

The total market capitalization of the Bulgarian Stock Exchange reached BGN 26.8 billion (24.8% of GDP) at the end of 2018, or 13.3% more than at the end of 2017⁴. The main BSE index – SOFIX lost 12.3% of its value. The other BSE indexes (BGBX 40 and BG TR30) also ended the year with a decrease with the exception of BG REIT, which increased by 4.3%. The number of transactions and the turnover on the BSE regulated market also marked a decrease in 2018 compared to the previous year.

Despite the weaker trade on the BSE during the year, there is no lack of positive news. A number of new initiatives are launched in 2018. Starting mid-October 2018, a voucher scheme was launched for support of small and medium-sized enterprises (SMEs) for their listing on the BSE. At the end of December 2018, the BSE received approval from the FSC for the creation of a new SME Growth Market aimed at reducing their administrative burden when registering for trading on the stock exchange or issuing securities. Through this market, SMEs will be able to raise capital under more favourable conditions and up to EUR 1 million without a prospectus. In the last quarter of 2018, a new over-the-counter transactions reporting module was launched, which was developed on basis of the Markets in Financial Instruments Directive (MiFID II) provisions requiring all EU-based investment firms to publish over-the-counter transactions in financial instruments.

LENDING TO THE PRIVATE SECTOR

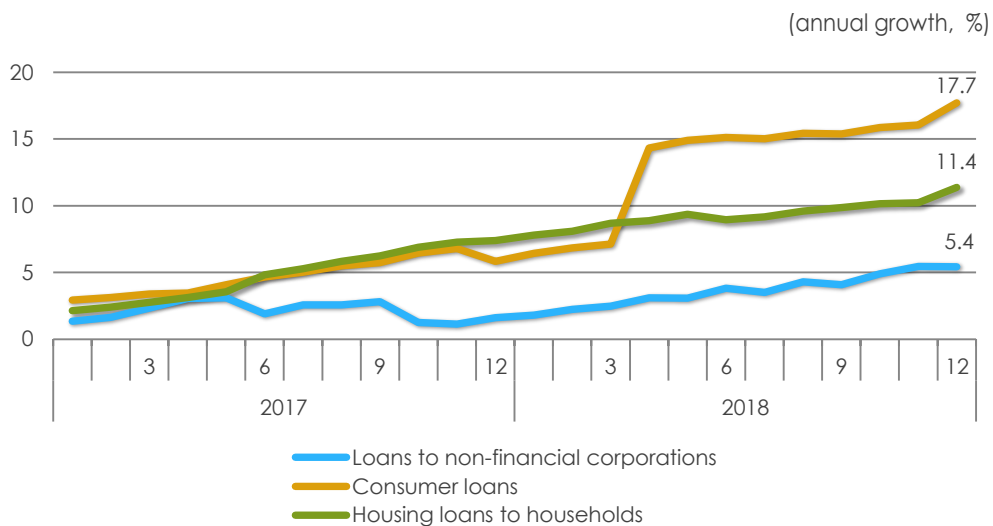
Private sector credit development has been on an upward trend throughout 2018, driven by the favourable macroeconomic environment, growing domestic demand and low credit interest rates. Acceleration of private sector credit is also accompanied by a steady downward trend in the proportion and amount of non-performing loans. Their share in the total amount of gross loans and advances decreased to 7.6% at the end of December. At the same time, deposits by the non-government sector continued to grow steadily. At the end of December, their annual increase was 7.3%. Household deposits, which increase at an accelerating rate during the year, are the main contributors to growth and at the end of 2018 their annual growth is 7.7% and that of non-financial corporations' deposits – 5.2%.

Private sector credit growth has accelerated to 8.4%. Both corporate loans, which increased by 5.4% compared to the end of 2017, and household loans, whose

⁴ According to Consolidated Annual Report on the Activity of Bulgarian Stock Exchange – Sofia Group in 2017 https://www.bse-sofia.bg/en/?page=FinancialReportDetails&extri_id=117684

growth was higher (11.2%), made a positive contribution to the dynamics. Consumer loans are a key factor for faster growth in household credit, up 17.7% on an annual basis from 5.8% at end of 2017. On the one hand, this acceleration reflects the effect of inclusion of a new reporting unit in the coverage of monetary statistics from April 2018 due to the transformation in the sector, while fundamental factors such as positive development of the labour market, including income and favourable expectations support consumer credit demand throughout the year on the other hand. Housing loans also contribute to the acceleration of household credit. At the end of 2018, their growth was 11.4% against 7.4% at the end of 2017. The amount of "other loans" decreased from March to the end of the year, thus also reflecting the effect of government payments on loans made under the National Program for the Energy Efficiency of Multi-Family Residential Buildings. Their decrease is 24.3% at the end of 2018.

Loans to private sector

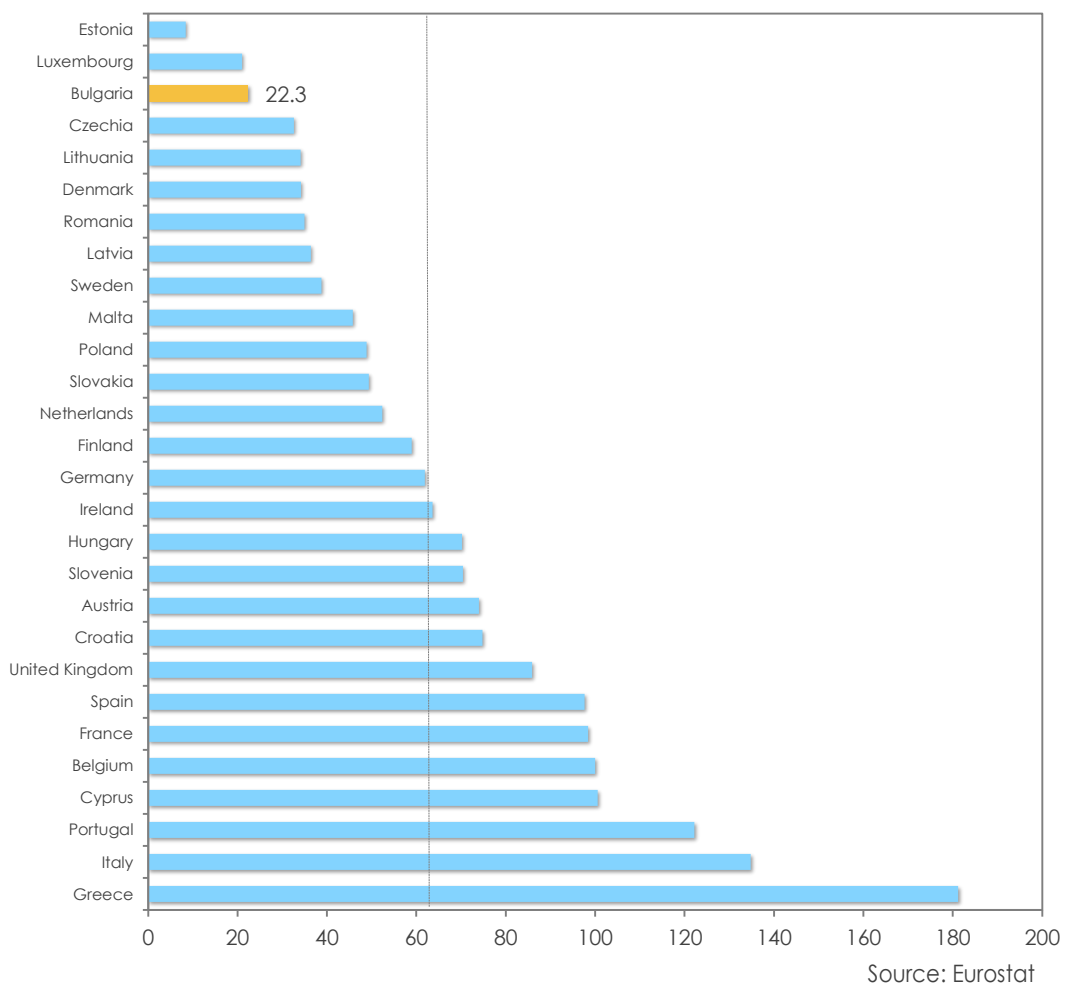


Source: BNB, MoF

IMPLEMENTATION OF DEBT CONVERGENCE CRITERION OF THE REPUBLIC OF BULGARIA

In 2018, on the basis of the latest annual data published by Eurostat in October 2019, with a value of General Government Debt/GDP ratio of 22.3%, the Republic of Bulgaria executes the 60% Maastricht convergence criterion and remains well below the average levels for EU-28 (80.4%) and EU-19 (85.9%) countries.

GENERAL GOVERNMENT DEBT/GDP OF EU MEMBER STATES AT THE END OF 2018



Compared to the 25.3% level recorded at the end of 2017, the indicator was decrease by 3 percentage points. Comparing the indicators of the 28 EU Member States, Bulgaria ranks third place after Estonia (8.4%) and Luxembourg (21.0%). According to Eurostat information published for 2018, fourteen Member States exceeded the 60% of GDP reference threshold, with a highest ratio registered for Greece (181.2%), Italy (134.8%) and Portugal (122.2%).

In the euro area (EC-19), the General Government Debt-to-GDP ratio is reduced from 87.8% at the end of 2017 to 85.9% at the end of 2018 and at the EU-28 level – from 82.1% to 80.4%.

In 2018 as well, with a major share of about 98% of the debt liabilities of the General Government sector and a component with the most significant impact on the sector's debt continues to be the Central Government sub-sector. The other two components – Local Government sub-sector and Social Insurance sub-sector – have almost a neutral impact on the total General Government Debt.

CREDIT RATING

CREDIT RATING OF BULGARIAN BONDS ISSUED ON ICM

Credit rating agency	Eurobonds issued on ICM with maturity:						
	2017	2024	2022	2027	2035	2023	2028
Moody's	Baa2	Baa2	Baa2	Baa2	Baa2	Baa2	Baa2
S&P	BBB	BBB-	BB+	BB+	BB+	BB+	BB+
Fitch	BBB-*	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-

* Note: The awarded credit rating has not been requested. Presently, the contractual relations between the Republic of Bulgaria and credit rating agency Fitch have been renewed as from 11.02.2013

Source: MoF

DYNAMICS OF SOVEREIGN CREDIT RATING FOR THE PERIOD 01.01.2009—31.12.2018

Credit 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
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

Credit agency	Date	Foreign currency rating		Local currency rating		Outlook
		Short term	Long term	Short term	Long term	
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
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 -		BBB-	Stable
Fitch	22.07.2016	F3	BBB -		BBB-	Stable
Fitch	02.06.2017	F3	BBB -		BBB-	Positive
Fitch	01.12.2017	F2	BBB		BBB	Stable
Fitch	01.06.2018	F2	BBB		BBB	Stable
Fitch	16.11.2018	F2	BBB		BBB	Stable

* Note: The awarded credit rating has not been requested. Presently, the contractual relations between the Republic of Bulgaria and credit rating agency Fitch have been renewed as from 11.02.2013

Source: MoF



CENTRAL GOVERNMENT DEBT

By the end of 2018 Central Government debt totalled BGN 23 892.5 million (EUR 12 216 million) in nominal terms, including external debt of BGN 17 786 million (EUR 9 093.9 million) and domestic debt of BGN 6 106.5 million (EUR 3 122.2 million). The debt decreased by BGN 1 722.4 million compared to the end of 2017. Central Government debt/GDP ratio at the end of 2018 is 21.8%.

CENTRAL GOVERNMENT DEBT

(BGN million)

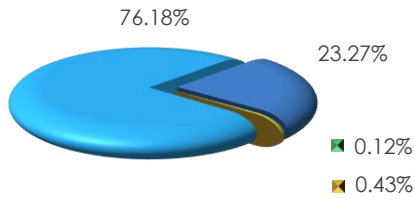
Structure	2017	2018
Domestic CG debt	7 624.5	6 106.5
I. GS issued for financing the budget	6 588.8	5 402.3
II. GS issued for structural reform	58.3	29.5
III. GS issued by units within the CG subsector	104.7	–
IV. Domestic government loans	722.9	466.6
V. Domestic loans of units within the CG subsector	149.9	208.0
External CG debt	17 990.4	17 786.0
I. Bonds	12 980.8	12 980.8
II. Loans	5 009.6	4 805.2
1. Government loans	1 878.1	1 806.6
1.1 Paris club	24.6	–
1.2 IBRD /World Bank/	688.3	553.5
1.3 European Union	1 165.2	1 155.3
1.4 CEDB	–	97.8
2. Schuldschein transferable loans	567.2	567.2
3. Government investment loans	1 396.4	1 257.0
4. External loans of units within the CG subsector	1 167.9	1 174.4
Central Government debt, total	25 614.9	23 892.5
GDP (BGN Million)	102 308	109 695
Total Central Government debt/GDP	25.0	21.8

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 available from the National Statistical Institute.

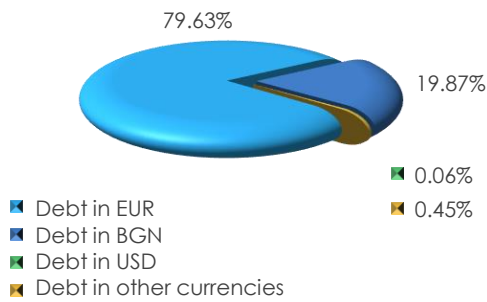
Source: MoF, NSI

Central Government Debt Currency Structure

as of 31.12.2017

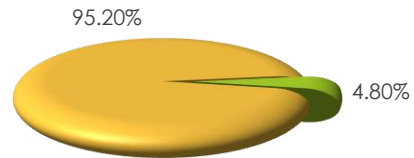


as of 31.12.2018

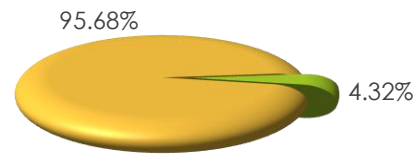


Central Government Debt Interest Rate Structure

as of 31.12.2017



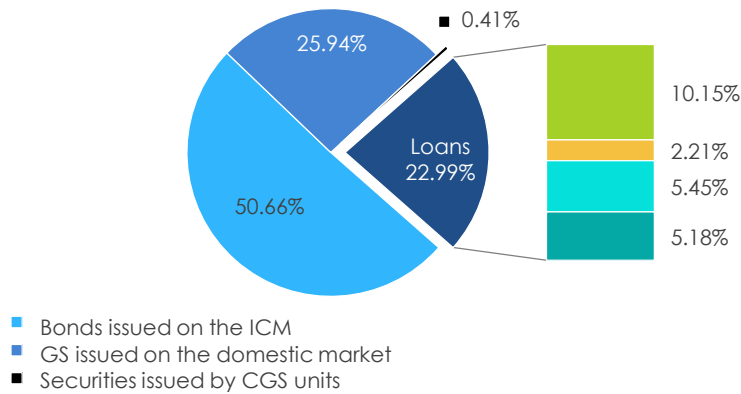
as of 31.12.2018



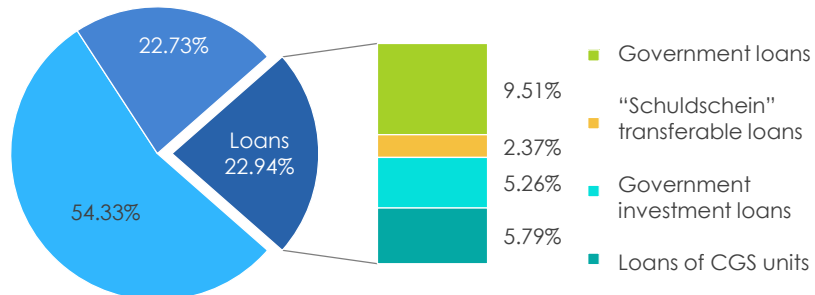
Source: MoF

Central Government Debt Structure by Instrument

as of 31.12.2017



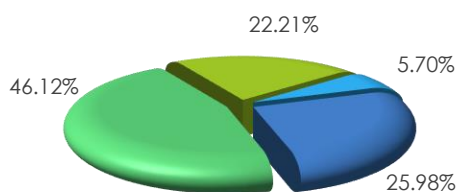
as of 31.12.2018



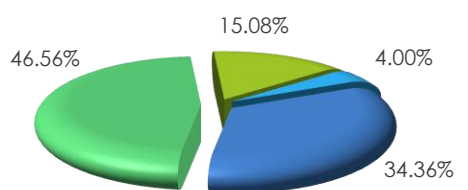
Source: MoF

Residual Maturity of Outstanding Central Government Debt

as of 31.12.2017



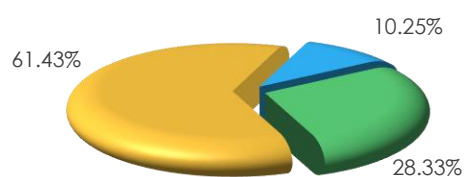
as of 31.12.2018



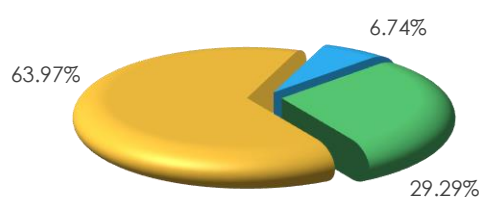
■ up to 1 year ■ from 1 to 5 years
■ from 5 to 10 years ■ over 10 years

Original Maturity of Outstanding Central Government Debt

as of 31.12.2017



as of 31.12.2018



■ over 5 years ■ from 5 to 10 years
■ over 10 years

Source: MoF

CENTRAL GOVERNMENT DOMESTIC DEBT

By end of 2018, Central Government domestic debt totalled in nominal terms BGN 6 106.5 million (EUR 3 122.2 million), which is 5.6% of GDP. Compared to the previous year it decreased by BGN 1 518 million (EUR 776.2 million).

Central Government Domestic Debt

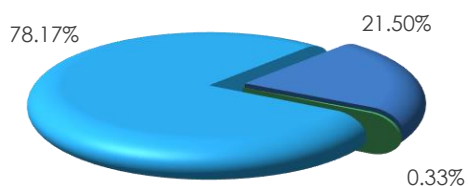
(BGN million)

Structure	2017	2018
CG domestic debt	7 624.5	6 106.5
I. GS issued for financing the budget	6 588.8	5 402.3
II. GS issued for structural reform	58.3	29.5
III. GS issued by units within the VG subsector	104.7	-
IV. Domestic government loans	722.9	466.6
V. Domestic loans of units within the CG subsector	149.9	208.0
GDP (BGN Million)	102 308	109 695
GDP (EUR Million)	52 309	56 086
CG domestic debt/GDP	7.5	5.6

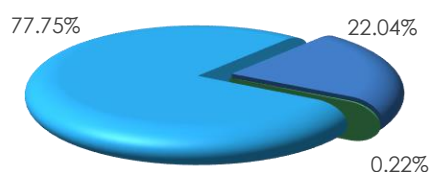
Source: MoF

Central Government Domestic Debt Currency Structure

as of 31.12.2017



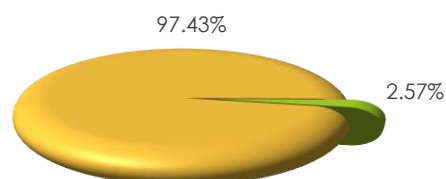
as of 31.12.2018



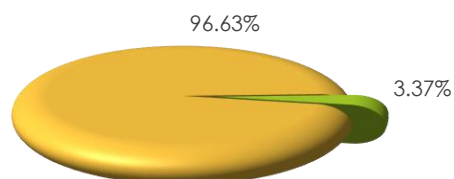
- Debt in BGN
- Debt in EUR
- Debt in USD

Central Government Domestic Debt Interest Rate Structure

as of 31.12.2017



as of 31.12.2018



- Fixed interest rate debt
- Floating interest rate debt

Source: MoF

CENTRAL GOVERNMENT EXTERNAL DEBT

By the end of 2018, CG external debt totalled in nominal value BGN 17 786 million (EUR 9 093.9 million). The CG external debt/GDP ratio is 16.2 %.

CENTRAL GOVERNMENT EXTERNAL DEBT

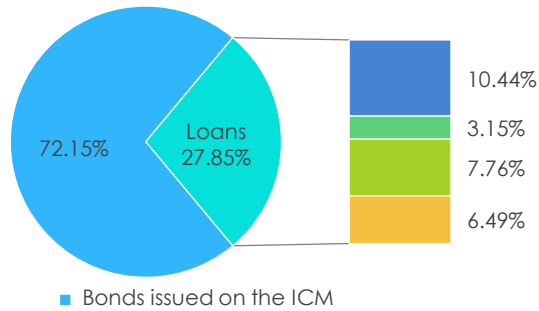
(BGN million)

Structure	2017	2018
External CG debt	17 990.4	17 786.0
I. Bonds	12 980.8	12 980.8
II. Loans	5 009.6	4 805.2
1. Government loans	1 878.1	1 806.6
1.1 Paris club	24.6	-
1.2 IBRD /World Bank/	688.3	553.5
1.3 European Union	1 165.2	1 155.3
1.4 CEDB	-	97.8
2. Schuldschein transferable loans	567.2	567.2
3. Government investment loans	1 396.4	1 257.0
4. External loans of units within the CG subsector	1 167.9	1 174.4
GDP (BGN Million)	102 308	109 695
GDP (EUR Million)	52 309	56 086
Total CG external debt / GDP (%)	17.6	16.2

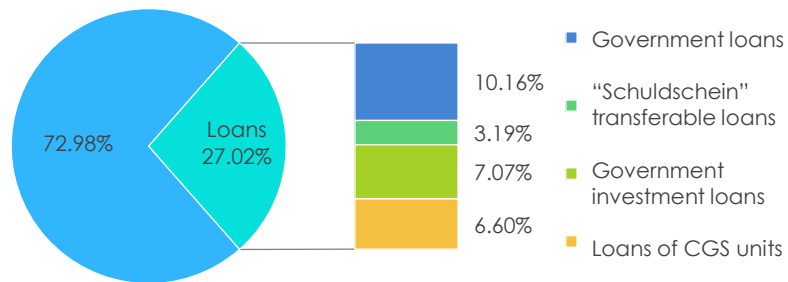
Source: MoF, NSI

Structure of Central Government Debt by Instrument

as of 31.12.2017



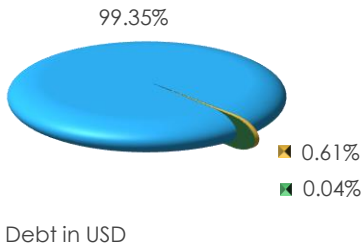
as of 31.12.2018



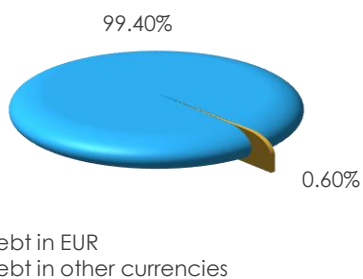
Source: MoF

Central Government External Debt Currency Structure

as of 31.12.2017

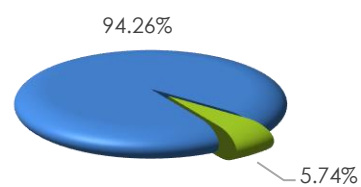


as of 31.12.2018

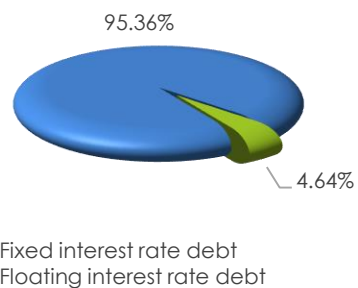


Central Government External Debt Interest Rate Structure

as of 31.12.2017



as of 31.12.2018



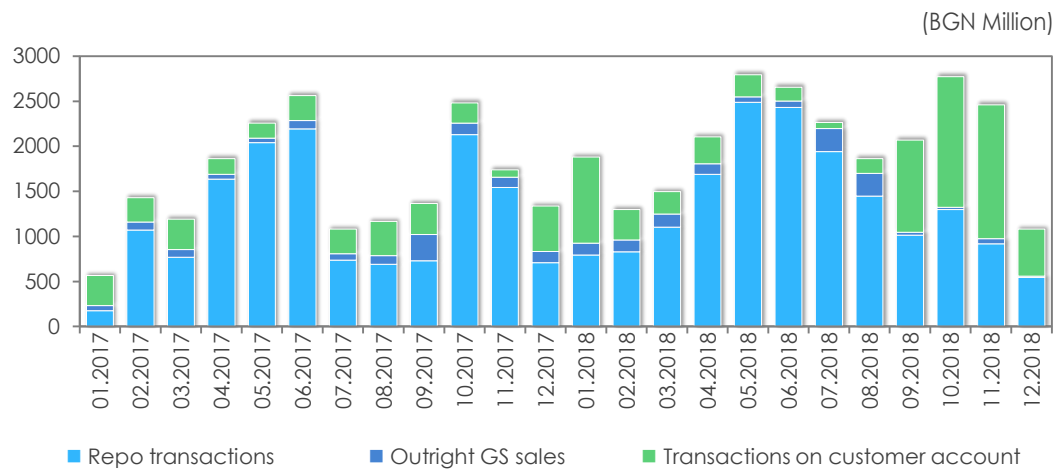
Source: MoF

GOVERNMENT SECURITIES MARKET

REVIEW OF THE SECONDARY GS MARKET

In 2018, the total volume of GS transactions and operations registered in the system for registration and settlement of GS at BNB (BNBGSSS) amounts to BGN 31 660.2 million, compared to BGN 22 050.2 million in 2017, which is an increase by 43.6%. The volume of repo transactions increased by 14.4% compared to 2017, and their share remains the highest in the total volume of transactions registered in BNBGSSS – 52.1%. Best preferred by the banks remain repo deals concluded for a period of four to seven days (31.2%), mainly with BGN GS issues, aimed at provision of daily liquidity. The volume of registered transactions for sale and purchase of GS for the whole year was BGN 2 165.5 million, which is 18.6% less than the previous year. Of these, BGN 1 289.7 million were transactions between participants in ESROT and BGN 875.8 million were transactions between participants and customers. The volume of transactions between clients of participants in ESROT was BGN 1 029.3 million. Operations of blocking and unblocking of GS issued on the domestic market on account of registered pledges on GS established under the Special Pledges Act and for securing available cash funds in the accounts of budget organizations in banks in accordance with the Public Finance Act had a total volume of BGN 6 916.3 million, their share being 21.8% respectively. In the context of the backdrop of low or even negative Euro area interest rates and the lack of appropriate investment alternatives on the domestic capital market, sovereign debt issued on the domestic market remains a preferred investment by market participants and their customers. During the year, yields of long-term benchmark 10-year-and-6-month maturity issue ranged from 0.9% in January to 0.7% in December, down from 2017 (from 1.8% in January to 1% in December). Overall, the trade was quite dynamic, with peak volumes traded in May, June and October. GS along the whole range of debt curve were traded with a marked prevalence of BGN and EUR-denominated GS with approximately 5-year residual period until maturity date. This was due to the lower supply of long-term GS on the secondary market by institutional investors – pension funds and insurance companies, which held in their portfolios GS they have purchased in order to ensure a better yield in the long term. The trend established in recent years of the volume of trading in the secondary market for GS to exceed many times the volume of trading in the Bulgarian stock exchange was preserved in 2018 as well.

VOLUME BY TYPES OF TRANSACTIONS IN TRADABLE GS

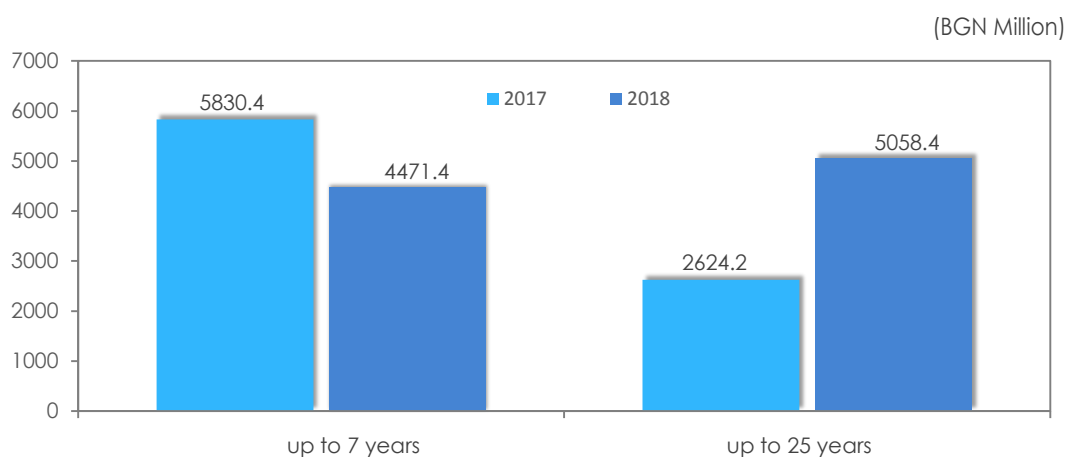


Notes: 1. The volume of repo transactions includes reverse repo transactions and those executed during the same day; 2. Transactions in GS denominated in foreign currency are given in BGN equivalence according to BNB exchange rate for the respective currency valid on the date of transaction.

Source: BNB

Participants in ESROT experienced no difficulties and ensured duly the necessary securities and funds in BGN and EUR for execution of the settlement of transactions in GS with delivery versus payment (DvP), where the average settlement ratio⁵ for the year stood at 100%.

STRUCTURE OF TRANSACTIONS ON INTER-BANK MARKET BY TERM OF GS



Note: 1. The BGN Equivalent of GS denominated in foreign currency is calculated on the BNB exchange rate valid for the day of the transaction; 2. The volume of repo transaction do not include reverse repo transactions.

Source: BNB

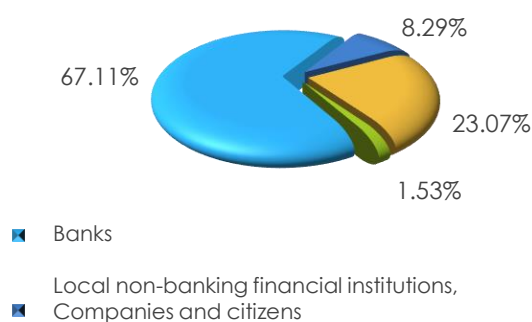
⁵ The settlement ratio stands for the percentage ratio of the number of transactions for which the settlement has been made at the respective date to the total number of transactions for the respective period, for which the registration and settlement were due to be made in the system.

During the year, in BNBGSSS as a support system of TARGET2-BNB, were registered transactions in long-term EUR-denominated and payable GS with a total volume of EUR 1 008.9 million (or BGN 1 973.3 million), where the 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.

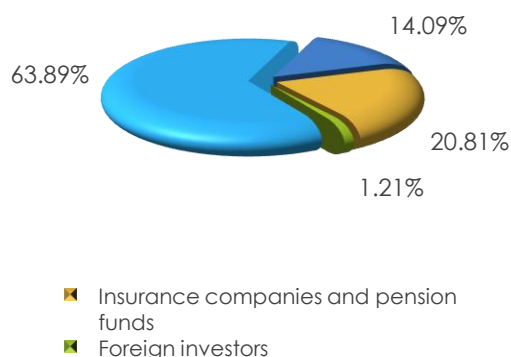
As a result of the decrease in the total volume of government securities in circulation, compared to the end of 2017, there has been a change in investment in sovereign debt issued to finance the budget deficit for different categories of holders. There is a decrease in investments in GS from banks, insurance companies and pension funds, as well as from foreign investors, while an increase in investments is observed from local non-banking financial institutions, companies and citizens. The largest share of these debt securities is still owned by banks (63.9%), followed by insurance companies and pension funds (20.8%), local non-banking financial institutions, companies and citizens (14.1%) and foreign investors (1.2%).

HOLDERS OF GS ISSUED TO FINANCE BUDGET DEFICIT

as of 31.12.2017



as of 31.12.2018



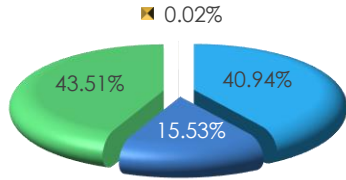
Source: BNB

Exposures of GS issued in support of the structural reform for separate categories of investors decreased as compared to the preceding year as a result of the partial repayments of these exposures, and the allocation by types of holders as of 31.12.2018 was, as follows: 41.2% in banks, 15.7% in insurance companies and pension funds, 43.1% in portfolios of local non-banking financial institutions, companies and individuals, and 0.01% in foreign investors.

HOLDERS OF GS DENOMINATED IN FOREIGN CURRENCIES ISSUED IN SUPPORT OF THE STRUCTURAL REFORM

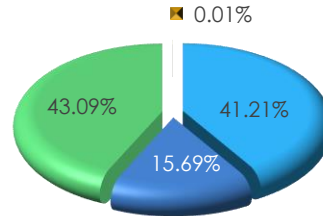
(BGN Million)

as of 31.12.2017



- Banks
- Insurance companies and pension funds

as of 31.12.2018



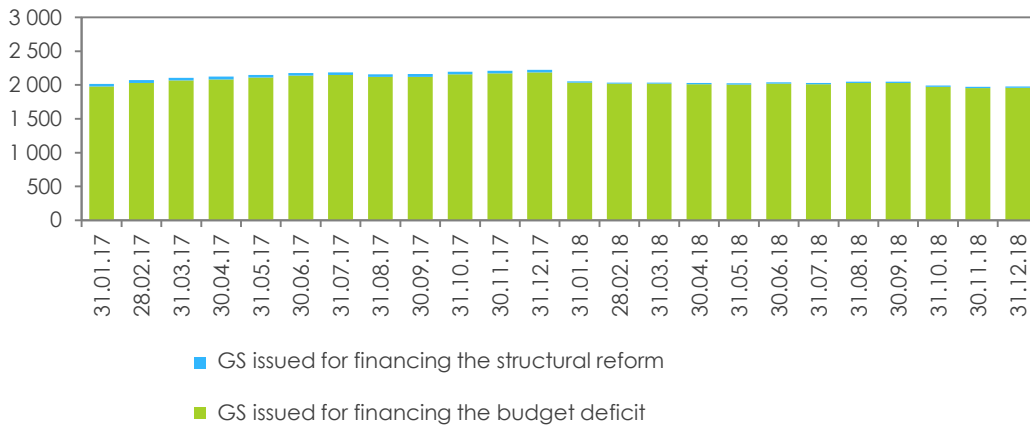
- Local non-banking financial institutions, companies and citizens
- Foreign investors

Notes: 1. GS blocked by holders are included; 2. The BGN Equivalent of GS denominated in foreign currency is calculated on the BNB exchange rate valid for the last working day of the respective period; 3. According to data from BNB and participants in ESROT.

Source: BNB

INVESTMENT BY NON-BANKING FINANCIAL INSTITUTIONS, COMPANIES AND INDIVIDUALS IN GS ISSUED FOR FINANCING THE BUDGET DEFICIT AND IN SUPPORT OF THE STRUCTURAL REFORM

(BGN Million)



Notes: 1. The BGN Equivalent of GS denominated in foreign currency is calculated on the BNB exchange rate valid for the last day of the respective period; 2. Government Securities Investments data includes local non-banking financial institutions, companies and citizens, and insurance companies and pension funds.

Source: BNB

HOLDERS OF BULGARIAN BONDS ISSUED ON ICM

As of 31 December 2018, six EUR-denominated issues were in circulation in the international capital markets- XS1083844503 with maturity on 3 September 2024 and a coupon of 2.950%, XS1208855616 with maturity on 26 March 2022 and a coupon of 2.000%, XS1208855889 with maturity on 26 March 2027 and a coupon of 2,625%, XS1208856341 with a maturity on 26 March, 2035 and a coupon of 3.125%, XS1382693452 with a maturity on 21 March, 2023 and a coupon of 1.875% and XS1382696398 with a maturity on 21 March, 2028, and a coupon of 3%.

The issue maturing in 2024 is held predominantly by residents. A significant increase was registered in the stake held by residents from EUR 814.7 million at the end of 2017 to EUR 953.4 million at the end of 2018. The Banks sector holds bonds for EUR 639.2 million and other sectors – for a total of EUR 314.2 million.

The largest share of securities held by residents goes to the bonds with maturity in 2022. As of 31 December 2018, they held securities with a nominal value of EUR 914.3 million, which accounts for 73% of the total volume of the issue, against 27% for non-residents. The total nominal value of bonds held by the Banks sector amounted to EUR 748.3 million and those held by other sectors amounted to EUR 166 million.

For the 2027 bond, securities held by residents at the end of 2018 amounted to EUR 616.5 million or 62% of the total volume of the issue. The Banks sector owned EUR 391.2 million and other sectors – EUR 225.3 million.

BULGARIAN EUROBONDS ISSUED ON THE INTERNATIONAL MARKETS, HELD BY RESIDENT-BANK INSTITUTIONS AND OTHER SECTORS

Types of GS	2017	2018			
	Q4	Q1	Q2	Q3	Q4
2.95 %, 2024, XS1083844503	814.7	876.16	881.0	920.1	953.4
Held by Banks sector	561.5	607.12	607.3	649.0	639.2
Held by the other sectors	253.3	269.04	273.7	271.1	314.2
2 %, 2022, XS1208855616	861.8	867.67	874.2	888.2	914.3
Held by Banks sector	723.7	723.39	726.5	733.0	748.3
Held by the other sectors	138.0	144.28	147.8	155.1	166.0
2.625 %, 2027, XS1208855889	652.3	615.3	607.0	616.3	616.5
Held by Banks sector	433.9	405.9	397.8	390.3	391.2
Held by the other sectors	218.3	209.5	209.2	226.0	225.3
3.125 %, 2035, XS1208856341	242.1	229.6	233.4	182.7	178.0
Held by Banks sector	132.5	132.5	133.3	77.6	65.7
Held by the other sectors	109.6	97.1	100.2	105.1	112.3
1.875 %, 2023, XS1382693452	728.8	771.3	774.9	764.5	782.
Held by Banks sector	549.2	577.2	575.5	567.8	557.7
Held by the other sectors	179.6	194.1	199.4	196.7	224.2
3 %, 2028, XS1382696398	392.7	377.8	376.2	377.6	365.5
Held by Banks sector	246.4	237.7	235.8	241.4	229.4
Held by the other sectors	146.3	140.2	140.3	136.2	136.1
Total (EUR million)	3 692.3	3 737.9	3 746.7	3 749.4	3 809.7

Source: BNB

The percentage of external bonds held by residents at the end of 2018 was lowest for bonds with maturity in 2035 – 20%, against 80% for non-resident. Of the total volume of securities held by residents amounting to EUR 178 million, Banks sector held bonds of the issue amounting to EUR 65.7 million and other sectors – amounting to 112.3 million.

The share of the bond with a maturity in 2023 held by residents is 68% (EUR 782 million) of its total amount. Banks sector holds securities amounting to EUR 557.7 million and other sectors – EUR 224.2 million.

The issue maturing in 2028 is held predominantly by non-residents, with a ratio to the total bond amount of 57%. Banks sector holds bonds for EUR 229.4 million and other sectors – for a total of EUR 136.1 million.

The ratio of holders of the total external securitized debt by the end of 2018 is 57.4% – residents and 42.6% – non-residents.

BULGARIAN EUROBONDS ISSUED ON INTERNATIONAL MARKETS, HELD BY RESIDENTS- PENSION FUNDS, PENSION INSURANCE, INSURANCE AND HEALTH INSURANCE COMPANIES

Type of GS	2017	2018			
	Q4	Q1	Q2	Q3	Q4
2.95 %, 2024, XS1083844503	499 409	531966	538 887	519 377	603 813
Pension funds under SIC	409 739	441 568	448 366	433 934	518 018
Insurance companies under IC	87 970	90 398	90 521	85 443	85 795
2 %, 2022, XS1208855616	208 958	213 509	220 180	220 394	245 467
Pension funds under SIC	190 293	194 831	201 448	201 633	226 662
Insurance companies under IC	18 665	18 678	18 732	18 761	18 805
2.625 %, 2027, XS1208855889	435 644	396 790	397 425	431 203	427378
Pension funds under SIC	340 949	306 657	307 154	349 612	345 397
Insurance companies under IC	94 695	90 133	90 271	81 591	81 981
3.125 %, 2035, XS1208856341	169 460	128 148	128 520	129 560	126 682
Pension funds under SIC	45 342	19 529	21 284	21 543	18 354
Insurance companies under IC	124 118	108 619	107 236	108 017	108 328
1.875 %, 2023, XS1382693452	352 368	368 778	377 057	372 175	424 255
Pension funds under SIC	303 779	314 823	322 820	319 019	373 421
Insurance companies under IC	48 589	53 955	54 237	53 156	50 834
3 %, 2028, XS1382696398	301 886	267 379	264 931	256 623	263 974
Pension funds under SIC	251 229	223 268	220 914	212 158	219 230
Insurance companies under IC	50 657	44 111	44 017	44 465	44 744
Total (BGN thousand)	1 967 725	1 906 570	1 927 000	1 929 332	2 091 569

Source: FSC

At the end of 2018 Bulgarian Eurobonds held by local pension funds, pension and insurance companies amounted to BGN 2 091.6 million, with a prevalence of the pension funds with 81% in this volume against 19% of those held by insurance companies. ▼

CENTRAL GOVERNMENT GUARANTEED DEBT

In nominal value, the size of the CG guaranteed debt at the end of 2018 amounted to BGN 177.2 million, of which BGN 68 million is domestic debt and BGN 109.2 million – external debt. The reported decrease is due mainly to CG guaranteed debt repayments made during the year.

The CG guaranteed debt/GDP ratio is 0.2%.

CG GUARANTEED DEBT

(BGN million)

	2017	2018
CG guaranteed debt	259.7	177.2
I. CG domestic guarantees	68.6	68.0
1. Guarantees under the Student and Doctoral Candidate Loans Act	68.6	68.0
II. CG external guarantees	191.1	109.2
1. IBRD /World Bank/	13.0	7.8
2. EIB	3.1	3.6
3. Other	175.0	97.7
CG guaranteed debt /GDP (%)	0.3	0.2

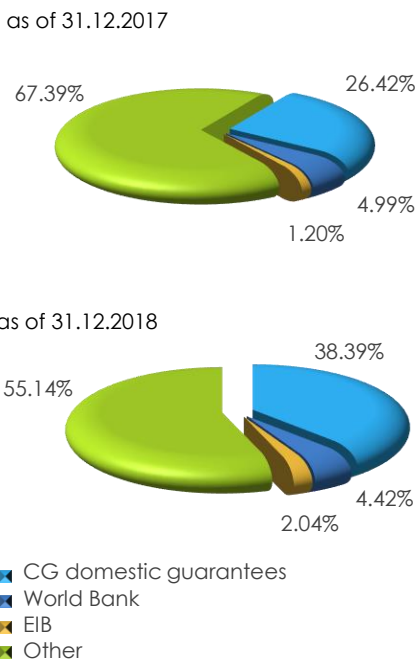
Notes: 1. The debt amount is as per nominal value; 2. The recalculation of debt in BGN is as per BNB central exchange rate for the relevant currencies as at the end of the period.

Source: MoF

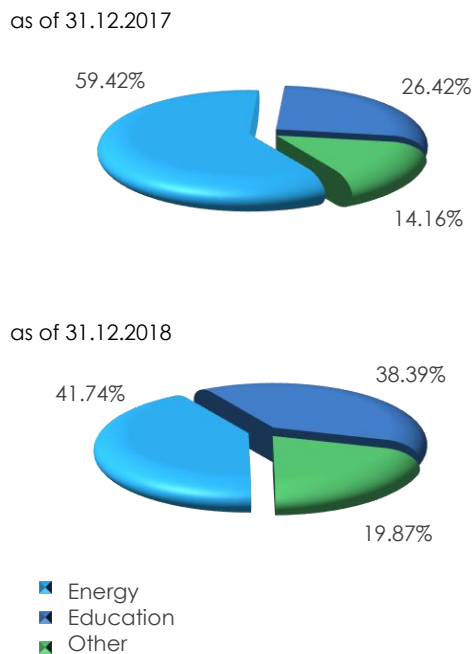
In the structure of the CG guaranteed debt by creditors, the share of “other” (Euratom and JBIC) retains its dominant position, down 12.3 percentage points compared to the level reported in 2017, or 55.1%. The relative share of the CG guaranteed to IBRD and EIB is up to 4.4% and 2% respectively.

The share of CG domestic guarantees issued under the Student and Doctoral Candidate Loans Act under the Student Loans Program increased by 12 percentage points to 38.4% of the CG guaranteed debt total amount.

STRUCTURE OF THE CG GUARANTEED DEBT BY CREDITORS



STRUCTURE OF THE CG DEBT BY SECTORS

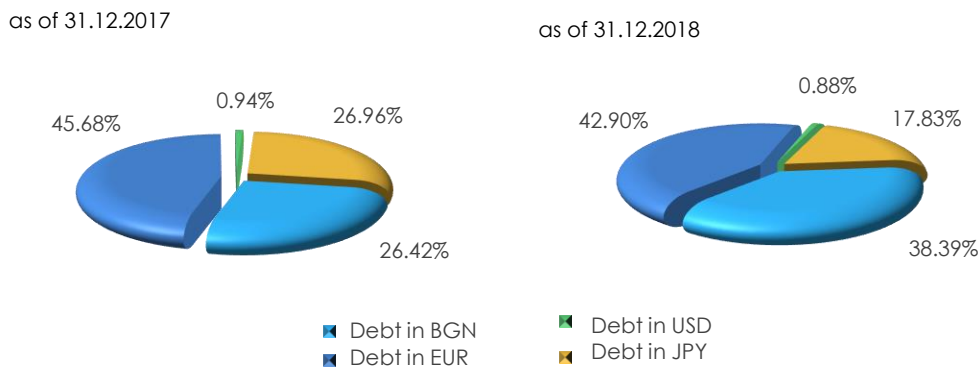


Source: MoF

Within the structure of CG guaranteed debt by sectors as of 31 December 2018 the largest relative share belonged again to the energy sector – 41.7%, decreasing compared to the previous year level, at the expense of the increase of the sectors "education"- 38.4 and "other" - 19.9%.

The dominant position in the currency structure of the government guaranteed debt at the end of 2018 was held by debt denominated in EUR – 42.9%, followed by debt denominated in BGN – 38.4%. Debt denominated in JPY and USD reached 17.8% and 0.9% respectively.

CURRENCY STRUCTURE OF CG GUARANTEED DEBT



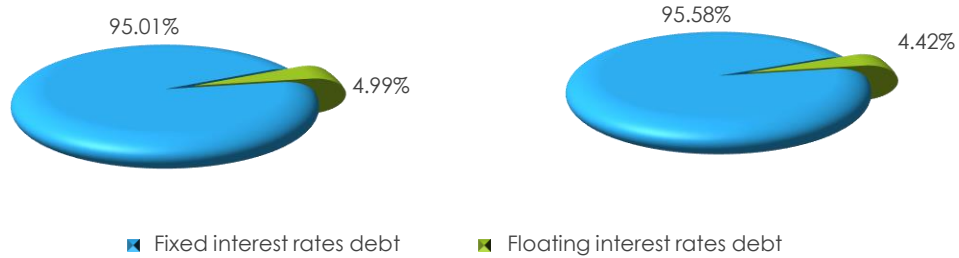
Source: MoF

At the end of 2018, debt with fixed interest rates continues to prevail in the interest rate structure of the CG guaranteed debt. Its value slightly increased to 95.6%, while the debt with floating interest rates decreased to 4.4%.

INTEREST RATE STRUCTURE OF CG GUARANTEED DEBT

as of 31.12.2017

as of 31.12.2018



Source: MoF

The new financing under CG guaranteed debt in 2018 amounted to BGN 12.4 million and payments made during the period under review amounted to BGN 104 million, of which BGN 98.6 million were for repayment of principal and BGN 5.4 million for interest payments.

No new guarantees in the CG sector were issued under external loan agreements during the period under review.

NEW FINANCING AND PAYMENTS MADE UNDER THE CG GUARANTEED DEBT IN 2018

(BGN million)

Structure	Received loans (tranches)	Payments made, incl.	
		Repayments (principal)	interest
I. CG domestic guarantees	11.9	12.5	1.9
1. Guarantees under the Student and Doctoral Candidate Loans Act	11.9	12.5	1.9
II. CG external guarantees	0.5	86.1	3.5
1. IBRD /World Bank/	-	5.2	0.1
2. EIB	0.5	-	-
3. Other	-	80.9	3.4
CG guaranteed debt	12.4	98.6	5.4

Note: 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 payment.

Source: MoF ▼

GOVERNMENT AND GOVERNMENT GUARANTEED DEBT

Government debt

(BGN million)

Structure	2011	2012	2013	2014	2015	2016	2017	2018
Domestic government debt	4 808.0	4 981.0	6 289.6	8 251.8	7 283.3	6 724.6	6 711.6	5 454.1
Government securities issued for financing the budget	4 220.5	4 763.4	6 108.2	8 091.9	7 148.7	6 622.0	6 647.7	5 421.7
Government securities issued for the structural reform	252.5	217.6	181.5	159.8	134.6	102.6	63.9	32.4
External government debt	6 821.2	8 692.6	7 828.9	13 850.6	15 430.8	19 026.5	16 822.5	16 611.6
Bonds	3 242.9	5 070.5	3 399.6	6 525.4	10 939.0	14 838.9	12 980.8	12 980.8
Paris club	172.4	147.8	123.1	98.5	73.9	49.3	24.6	-
IBRD /World Bank/	1 397.8	1 290.0	1 208.7	1 091.1	1 001.0	846.7	688.3	553.5
European Union	263.6	361.4	743.5	874.6	1 167.9	1 167.9	1 165.2	1 155.3
Others	0.0	0.0	567.2*	3 500.9**	567.2*	567.2*	567.2*	665.0***
Government investment loans	1 734.8	1 822.9	1 786.7	1 760.1	1 681.8	1 556.6	1 396.4	1 257.0
Called government guarantees	9.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total government debt	11 629.1	13 673.6	14 118.5	22 102.3	22 714.1	25 751.1	23 534.1	22 065.8
GDP (BGN million)	80 682	82 209	81 919	83 857	89 333	95 092	102 308	109 695
Total government debt/GDP	14.4	16.6	17.2	26.4	25.4	27.1	23.0	20.1

* "Schuldschein" assignable loans

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

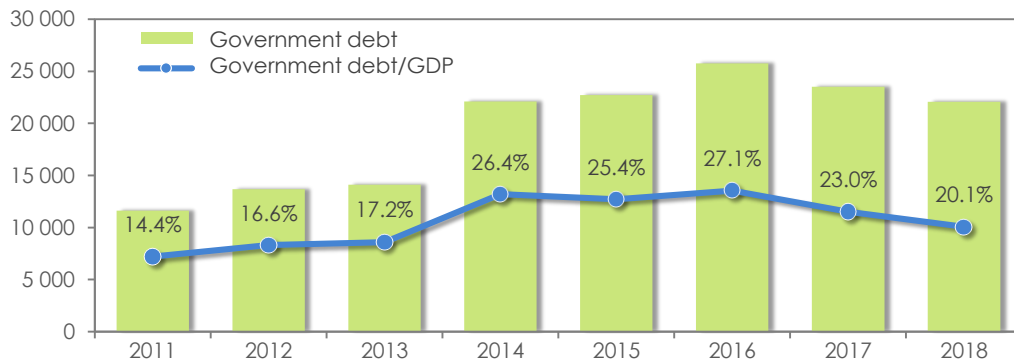
*** "Schuldschein" assignable loans and bridge loan "Bridge-to-bond loan" and loans from DBCE

Notes: 1. The amount of the debt is in nominal terms; 2. The conversion of the debt in EUR as per the BNB central exchange rates for the respective foreign currencies at the end of respective periods; 3. GDP data are proved by the National Statistical Institute.

Source: MoF, NSI

Government Debt Dynamics

(BGN million)



Source: MoF

Government Guaranteed Debt

(BGN million)

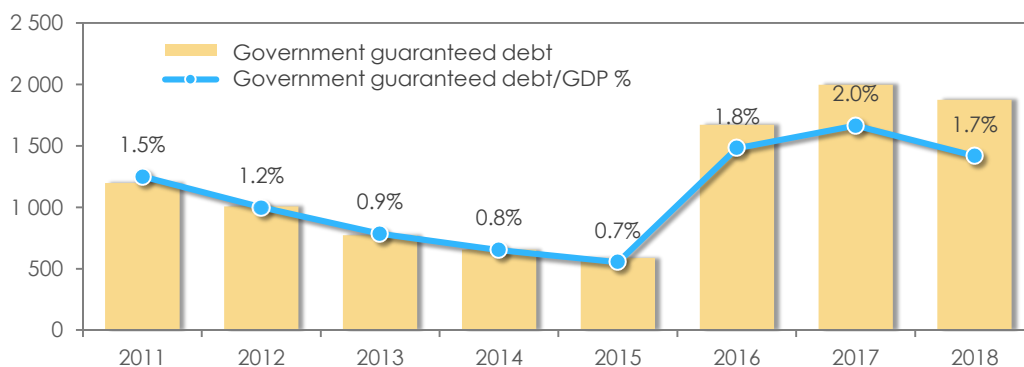
	2011	2012	2013	2014	2015	2016	2017	2018
Government guaranteed debt	1196.6	1008.3	773.1	654.7	587.0	1673.4	1996.8	1876.6
I. Domestic government guaranteed debt	11.9	23.6	35.4	47.7	58.5	65.5	68.6	68.1
1. Guarantees under the Student and Doctoral Candidate Loans Act	11.9	23.6	35.4	47.7	58.5	65.5	68.6	68.1
II. External government guaranteed debt	1184.8	984.7	737.7	607.1	528.4	1607.8	1928.2	1808.6
1. IBRD /World Bank/	87.0	70.1	52.1	35.6	23.8	507.6	560.6	594.6
2. EIB	3.9	2.5	1.6	1.6	2.0	2.7	3.1	3.6
3. EBRD	36.8	27.0	17.3	7.5	1.8	586.7	586.7	586.8
4. Other	1057.0	885.1	666.7	562.4	500.9	510.8	777.7	623.6
Government guaranteed debt/GDP (%)	1.5	1.2	0.9	0.8	0.7	1.8	2.0	1.7

Notes: 1. The debt amount is as per nominal value; 2. The recalculation of debt in BGN is as per BNB central exchange rate for the relevant currencies as at the end of the period.

Source: MoF

Government Guaranteed Debt Dynamics

(BGN million)



Source: MoF ▼

DEVELOPMENT OF GOVERNMENT SECURITIES (GS) MARKET

In 2018, in connection with the status acquired from E-Bond (electronic functionality of the Bloomberg Professional platform) of the Multilateral Trading System (MTF), pursuant to § 9 of the Final Provisions of the Ordinance Amending Ordinance No. 5 of 2007 on the Terms and Conditions for Acquisition, Registration, Payment and Trade in Government Securities (promulgated SG, issue 29 of 2017), Rules for Admission to Trading of Government Securities on the E-Bond Bulgaria MTF Operated by Bloomberg Trading Facility Limited and / or its subsidiaries and completion of transactions in the Bulgarian National Bank were updated and adopted for the purposes of trading in GS on the MTF.

Given the changing regulations in the sovereign debt field, the process of building an integrated information system "System for Monitoring, Analysis, Registration and Trading of Government Securities" (SMART) has started for the purposes of monitoring the secondary GS market.

In connection with the steps taken to secure remote control by the MoF over Primary Government Securities Dealers (PGSD), a VPN channel was established offering a secure encrypted data transfer link through which market information is provided by the GS primary dealers. ▲