



REPUBLIC OF BULGARIA

Ministry of Finance

CENTRAL GOVERNMENT DEBT AND GUARANTEES

2022



CENTRAL GOVERNMENT DEBT AND GUARANTEES

ANNUAL BULLETIN / 2022

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ISSN 2534-8892

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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 2022

BANKING SYSTEM AND NON-BANKING FINANCIAL SECTOR

Gross international foreign exchange reserves continued to ensure the stable functioning of the Currency Board. Their market value at the end of 2022 amounted to EUR 38.4 billion, thus reporting a growth of 11.1% compared to the end of the previous year. The main contribution to the slight slowdown in the growth of the liabilities of the Issue Department came from the lower growth of banknotes and coins in circulation. In 2022, they had the largest contributions to the increase in gross international reserves, while the bank reserves and the government deposit in the BNB also contributed to a lesser extent. As of December 31.2022, the international reserves covered 8 months of imports of goods and non-factor services, and their ratio to the country short-term foreign debt was 217.5%.¹

In 2022, the banking system maintained stability and continued to function with high levels of liquidity and capital adequacy in a context of economic recovery, as well as within continued economic and geopolitical uncertainty. The development of the factors determining the demand and supply of bank loans contributed to strong credit activity, which also led to an improvement in bank profitability indicators. The total capital adequacy ratio was 20.88% at the end of 2022, compared to 22.62% at the end of 2021. Liquidity coverage ratio was 235%, coming from 274.1% a year ago.²

The specific combination of macroeconomic factors formed during the year – increase in economic activity, upward trends in the labour market and incomes, high levels of international prices and supply chain problems, low nominal and highly negative real interest rates on deposits and loans, considering the significant inflation rates and the high growth rate of residential property prices, contributed to a significant activation of domestic demand.

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

For corporations, it was to accumulate inventories of raw materials and production materials, while for households the demand was in order to preserve the value of savings and investments. Subsequently, it led to increased growth rates in bank lending.

At the end of 2022, the assets of the banking system amounted to BGN 155.4 billion, and reported an increase by 14.8% compared to a year ago. The profit of the banking system as of December 31, 2022 increased by 46.8% and amounted to BGN 2.1 billion, compared to BGN 1.4 billion in 2021. As a result of the increase in profit, the system reported better Return on Assets (ROA) and Return on Equity (ROE). At the end of December 2022, ROA reached 1.34% (at 0.99% a year ago), and ROE – 12.01% (at 8.11% as of December 31, 2021).

By the end of 2022, net assets in the amount of BGN 19.2 billion were accumulated in the supplementary pension insurance system. Compared to the end of 2021, the net assets of the pension funds registered a decrease by 1.7%.³

Funds managed by insurance companies in Bulgaria reached nearly BGN 9.6 billion at the end of 2022 and decreased by 5% compared to the end of 2021.⁴

The claims of the leasing companies under financial and operating leases at the end of 2022 amounted to nearly BGN 5.3 billion and increased by 15.7% compared to a year ago.⁵ The total amount of claims of companies specializing in lending increased during the calendar year 2022 by 19.6% and amounted to BGN 4.4 billion, and the assets managed by domestic and foreign investment funds at the end of the year were BGN 8.4 billion, declining by 4.6% as of the end of 2022.⁶

The total market capitalization of the Bulgarian Stock Exchange at the end of 2022 reached BGN 30.2 billion (18.2% of GDP), or by 2% less compared to the end of 2021. The main index of the BSE – SOFIX decreased by 5.4% for the calendar 2022, after its significant growth in the previous year. BGBX 40 reported decrease by 3.1%, while BG TR30 and BG REIT had growth by 7.1% and 11.7%, respectively. The number of newly issued financial instruments registered for trading on the BSE in 2022 were totally 240, compared to 224 in 2021. Among them, 196 issuances registered on the multilateral trading system MTF BSE International, as well as 3 new issues on the Beam Growth Market. Despite lower capitalization and the

³ According to the Financial Supervision Commission (FSC),
https://www.fsc.bg/wp-content/uploads/2022/05/Rezultati_2021.zip

⁴ According to data from "Statistics of insurance activity" of the BNB

⁵ According to data of the BNB

⁶ According to data of the BNB

multidirectional movement of the indices, the number of transactions and the turnover of the BSE regulated market in 2022 showed a significant increase compared to the previous year.

In 2022, the investment class rating⁷ awarded to Bulgaria by the three leading rating agencies was retained.

In January, June and November 2022, the international rating agency Fitch Ratings confirmed long-term credit rating of Bulgaria in foreign and local currency 'BBB' with a positive outlook. According to the latest assessment given by Fitch Ratings, the rating of Bulgaria is supported by its strong external and fiscal position relative to countries with the same rating, the reliable political framework of the EU membership and the long-term functioning of the currency board regime. Unfavourable demographic factors affected on potential growth and public finances in the long term, on the other hand. The positive outlook reflected plans for Eurozone membership, which may lead to further improvements in the external position of the country.

In May and November 2022, the international rating agency S&P Global Ratings also confirmed long-term credit rating of Bulgaria in foreign and local currency credit rating 'BBB' with a stable outlook. In the latest assessment of the rating agency, lower expectations for economic growth of Bulgaria in short-term and increased domestic political instability are balanced by the country low net government debt and low interest expenses. This makes public finances less sensitive to rapidly increasing interest rates worldwide.

Sovereign credit rating as of 31.12.2022

Rating agency	Date	Foreign currency rating		Local currency rating		Outlook
		Short-term	Long-term	Short-term	Long-term	
Moody's	09.10.2020	-	Baa1	-	Baa1	Stable
S&P	27.05.2022	A-2	BBB	A-2	BBB	Stable
S&P	25.11.2022	A-2	BBB	A-2	BBB	Stable
Fitch	21.01.2022	F2	BBB	F2	BBB	Positive
Fitch	17.06.2022	F2	BBB	F2	BBB	Positive
Fitch	18.11.2022	F2	BBB	F2	BBB	Positive
SCOPE RATINGS	18.06.2021	S-2	BBB+	S-2	BBB+	Stable

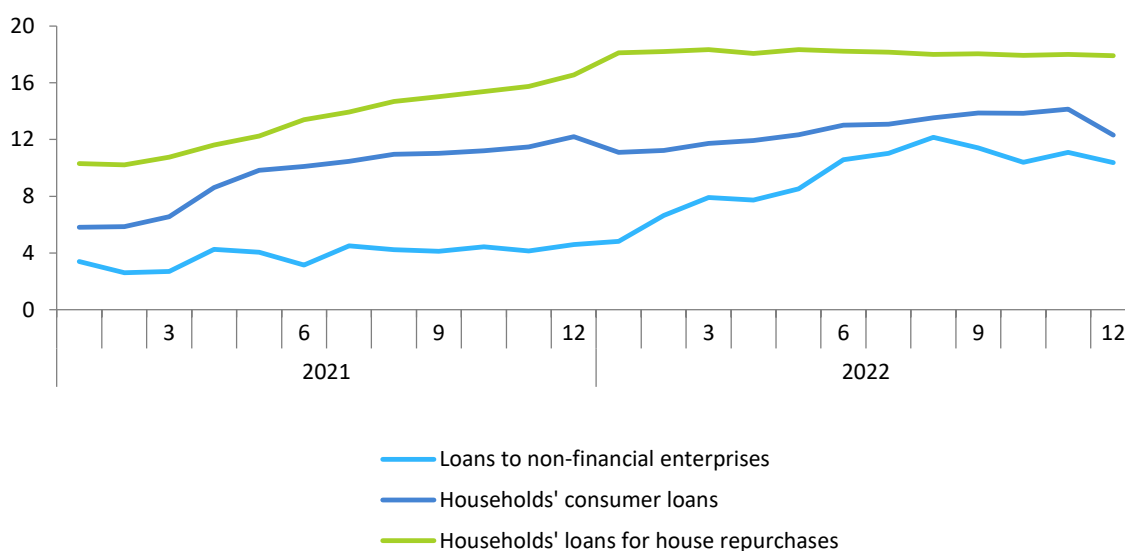
Source: MoF

⁷ <https://www.minfin.bg/en/69>

CREDIT TO THE PRIVATE SECTOR

Annual growth of the credit to the private sector followed a trend of acceleration since the beginning of 2022 by the end of August, when its rate went up to 13.9% compared to 8.7% at the end of 2021. During the rest of the year, private credit slightly decelerated its increase, after economic activity began to slow down, and its growth on an annual basis reached 12.7% at the end of December. In 2022, a significant increase in demand for loans was observed, both from non-financial corporations (NFCs) and households. The high liquidity in the banking system and the successful management of the assets quality allowed adequate supply of the loan resources to the demand, and the strong competition in the sector helped to very slowly transfer the rising interest rates in the Eurozone to the market interest rates on loans and deposits in Bulgaria.

Credit to the Private sector (annual growth, %)



Source: BNB, MoF

Loans for non-financial enterprises (10.1% growth on an annual basis) were driven mainly by overdrafts, and from the beginning of the third quarter by short-term loans. This dynamic reflected the increased demand for working capital by businesses against a background of significantly increased production costs due to higher raw material prices, supply chain constraints and, last but not least, by the nominal wage growth, used by businesses to compensate the significant inflation rates. Credits for non-financial corporations, other than overdrafts, also accelerated in 2022, but to a lesser extent. and their growth at the end of December reached 6.9%, up from 4.1% a year ago.

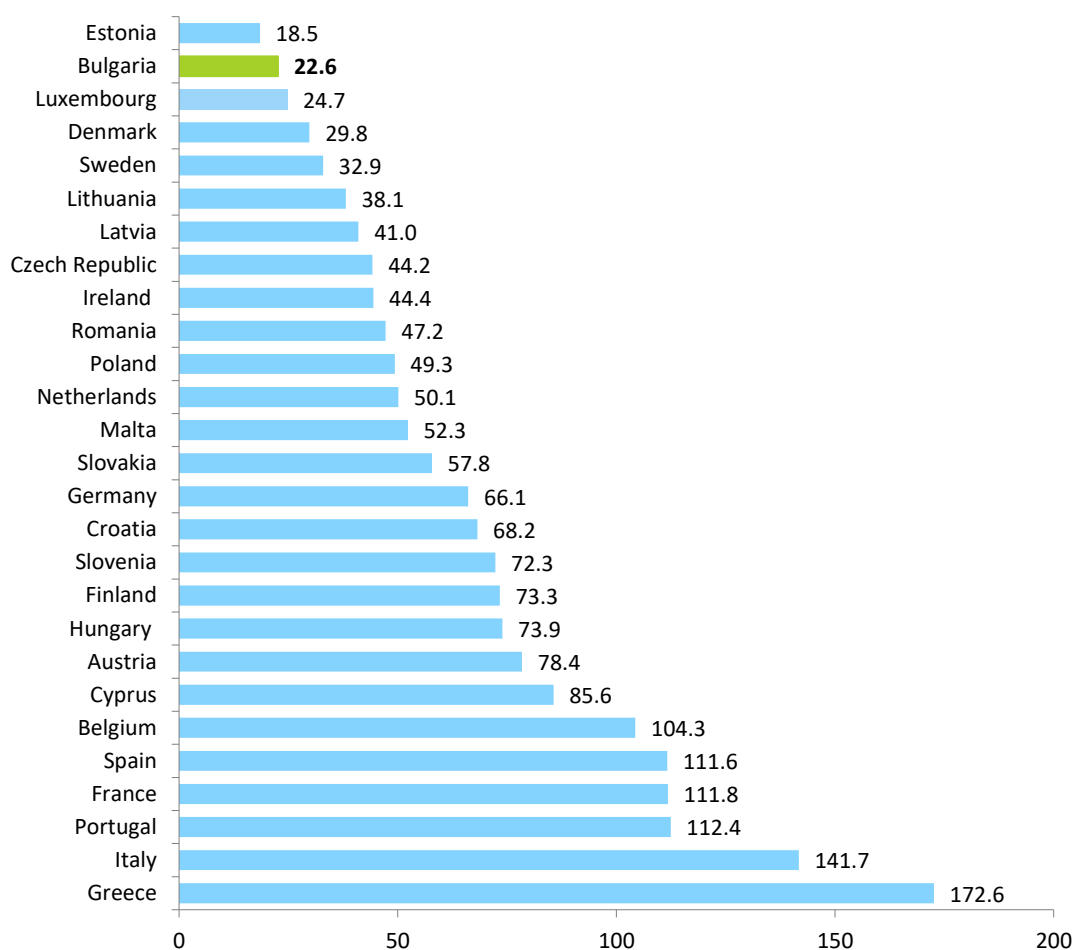
A sustained environment of low nominal interest rates with rising inflation contributed to continued high demand for credit from households, supported by positive real income growth. Loans to households increased in 2022 totally by 14.6% compared to the previous year, and slightly accelerating their growth rate, which at the end of 2021 was 13.9%. At the end of 2022, consumer loans increased by 12.4%. Demand for borrowed (loan) funds for real estate purchase for investment purpose was high, as the double-digit growth in property prices offered an alternative also to double-digit real decline in household savings. As a result, housing loans grew at an almost constant rate of around 18% annually.



IMPLEMENTATION OF THE DEBT CONVERGENCE CRITERION OF THE REPUBLIC OF BULGARIA

Based on the latest data published by Eurostat ⁸ on the deficit/surplus and debt of the Republic of Bulgaria, the General Government Debt at the end of 2022 amounted to BGN 37.9 billion (22.6% of GDP) compared to BGN 33.3 billion at the end of 2021 (23.9% of GDP).

General Government Debt/GDP of EU Member States at the end of 2022, %



Source: Eurostat

⁸ Data is published by Eurostat on 23 October 2023.

Comparing the indicators of the EU-27 member states, the Republic of Bulgaria takes the second place after Estonia (18.5%), as the General Government debt-to-GDP ratio is kept significantly below the average levels for the countries in the EU-27 – 83.5% and in the Euro area – 91.0%, and significantly below the upper threshold of the Maastricht convergence criterion of 60%. At the end of 2022, thirteen Member States exceed the reference value of 60% of GDP, as the highest value of the ratio in the EU was registered for Greece (172.6%), Italy (141.7%) and Portugal (112.4%).

In 2022, the component with the most significant influence in the composition of the General Government sector debt⁹ continues to be the debt of the Central Government subsector debt (with a share of about 98%), as the main contribution to this had 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).

CENTRAL GOVERNMENT DEBT

The nominal amount of the Central Government¹⁰ debt at the end of 2022 amounts to BGN 37,094.6 million (EUR 18,966.2 million), of which BGN 25,969.0 million (EUR 13,277.7 million) is external debt and BGN 11,125.6 million (EUR 5,688.4 million) domestic debt. Compared to the end of 2021, the debt increased by BGN 4,562.4 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 2022 is 22.1%.

The most substantial contribution to the dynamics of the Central Government debt, with a share of 97% belongs to the Government debt assumed under the Government Debt Act.

Central Government Debt

(BGN million)

Structure	2018	2019	2020	2021	2022
Domestic CG debt	6 058.2	5 790.1	5 960.6	8 925.1	11 125.6
I. Securities	5 383.6	5 414.0	5 566.7	8 510.1	10 746.0
1. GS issued for financing the budget	5 396.6	5 414.0	5 566.7	8 510.1	10 746.0
2. GS issued for the structural reform	-13.0	–	–	–	–
3. Securities issued by units within the CG subsector	–	–	–	–	–
II. Loans	674.6	376.1	393.9	415.0	379.6
1. Government loans	466.6	143.2	56.8	18.4	22.9
2. Domestic loans of units within CG subsector	208.0	232.8	337.1	396.6	356.7
External CG debt	17 708.1	17 635.5	22 890.2	23 607.1	25 969.0
I. Bonds	12 902.9	12 897.7	17 712.3	17 674.2	19 588.6
II. Loans	4 805.2	4 737.8	5 178.0	5 932.8	6 380.4

¹⁰ The Central Government Debt is the Central Government Debt pursuant to Council Regulation (EC) No. 479/2009 as 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](#).

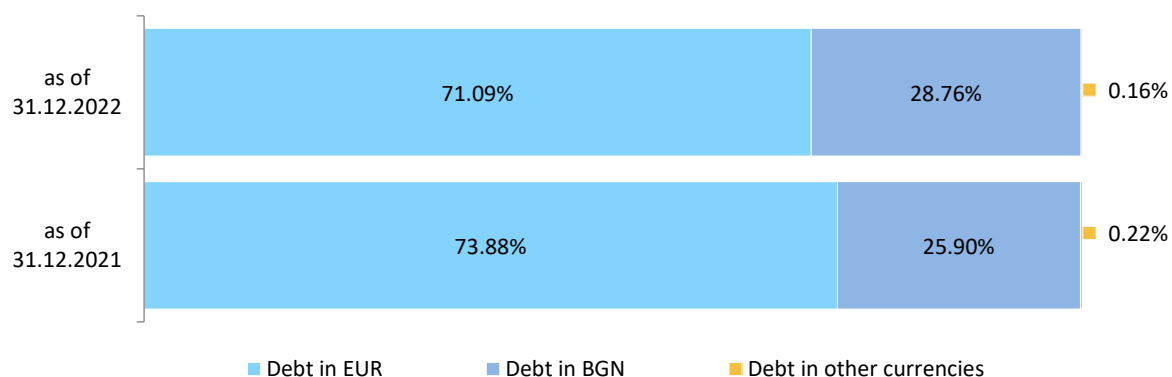
Structure	2018	2019	2020	2021	2022
1. Government loans	1 806.6	1 880.2	2 522.2	3 380.7	4 137.6
1.1 Paris Club	–	–	–	–	–
1.2 IBRD /World Bank/	553.5	458.3	363.0	276.2	207.3
1.3 European Union (including EC and EIB)	1 155.3	1 236.1	1 787.6	2 742.7	3 578.2
1.4 CEDB	97.8	185.8	371.6	361.8	352.0
2. Transferable loans "Schuldschein"	567.2	567.2	507.5	507.5	507.5
3. Government investment loans	1 257.0	1 115.3	961.0	822.2	688.9
4. External loans of the units within CG sub-sector	1 174.4	1 175.2	1 187.2	1 222.4	1 046.4
Total Central Government debt	23 766.3	23 425.6	28 850.8	32 532.2	37 094.6
GDP	109 915.6	120 342.0	120 492.4	138 979.4	167 809.0
Total Central Government debt /GDP, (%)	21.6	19.5	23.9	23.4	22.1

Notes: 1. Debt at nominal value; 2. The conversation of the debt in BGN is based on the central exchange rate of the BNB for the respective foreign currencies at the end of the respective periods; 3. GDP data is 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 23.10.2023; 5. Due to rounding, in the table some aggregate entries do not fully comply with their constituent numbers.

Source: MoF

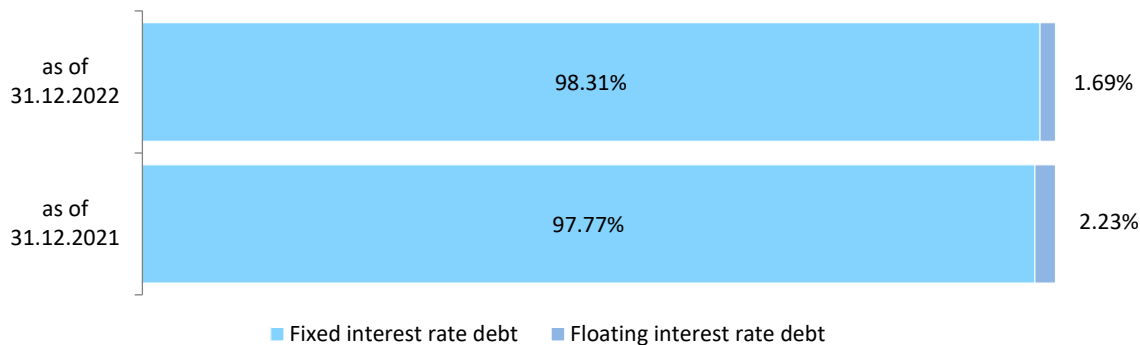
The dominant share in the currency structure of the Central Government debt is the debt in EUR with 71.1%, followed by the debt in BGN – 28.8% and that in other currencies (JPY) – 0.2%. In the interest rate structure, there is a dominant position of the fixed interest rate debt – 98.3%, at 1.7% with a floating interest rate.

Central Government Debt Currency Structure



Source: MoF

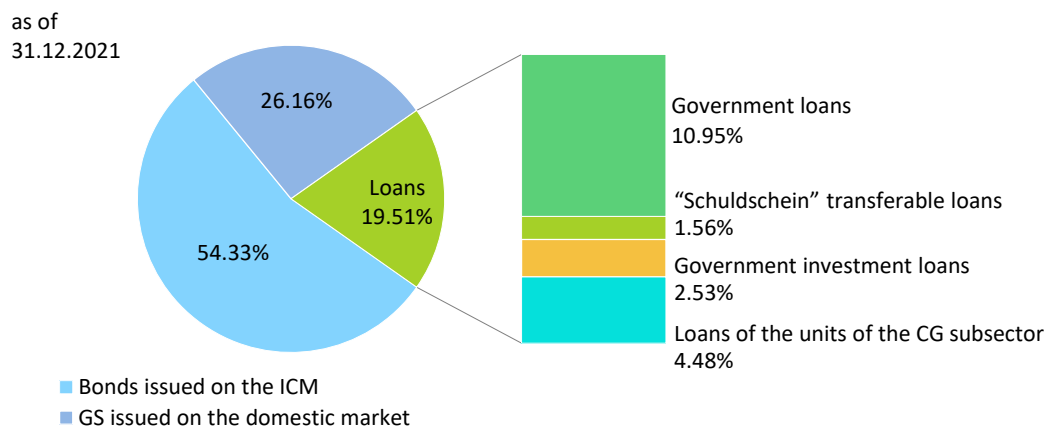
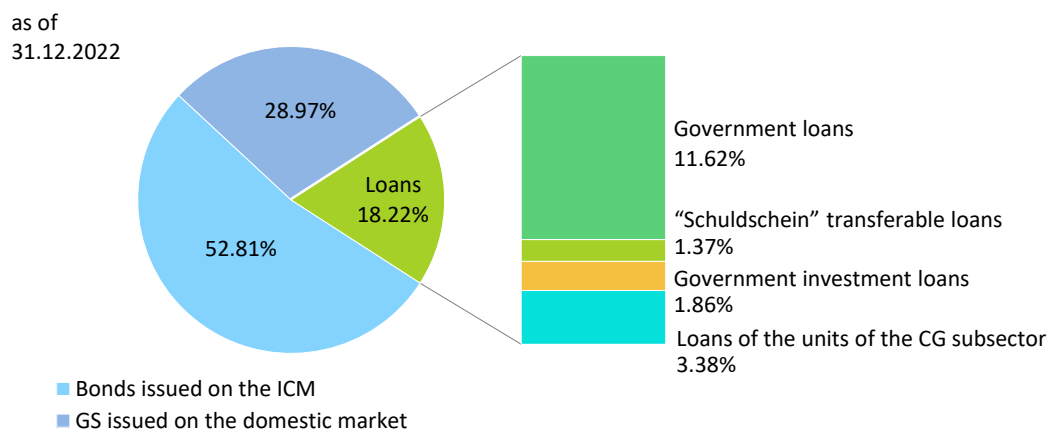
Central Government Debt Interest Rate Structure



Source: MoF

In the Central Government debt structure by instruments at the end of 2022, the largest share is held by bonds issued on international capital markets with 52.8%, followed by government securities issued on the domestic market with 29.0% and government loans with 18.2%.

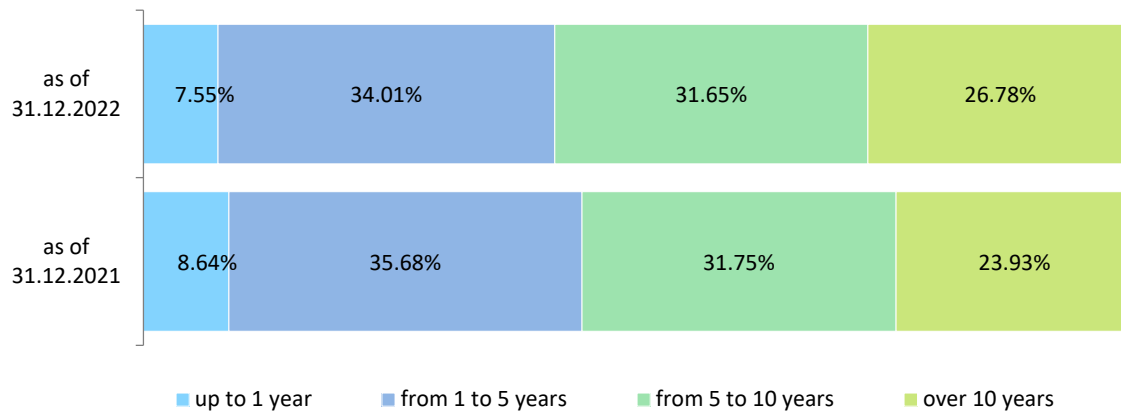
Central Government Debt Structure by instruments



Source: MoF

In the residual maturity structure, 7.6% represent debt payments up to 1 year, 34.0% – from 1 to 5 years, 31.7% – from 5 to 10 years, and 26.8% – over 10 years.

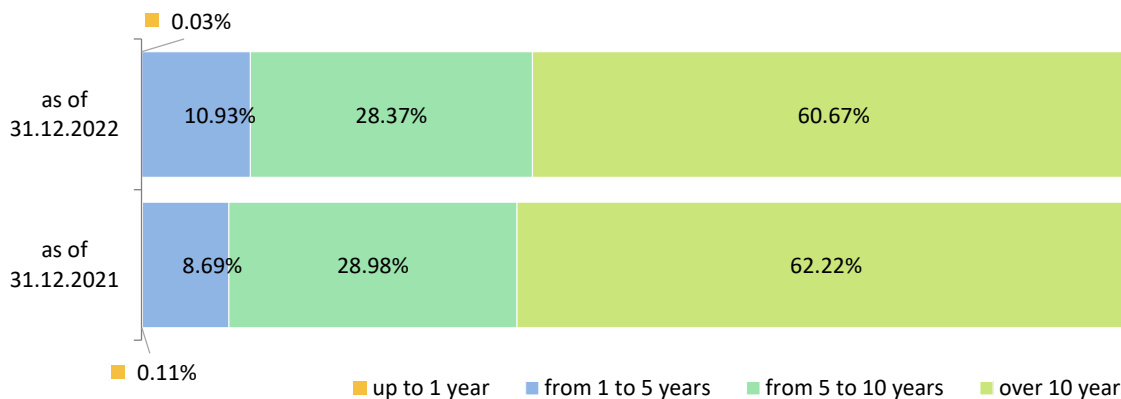
Residual maturity of Outstanding Central Government Debt



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 – 60.7%, followed by those with a maturity of 5 to 10 years – 28.4% and from 1 to 5 years – 10.9%. A minimum share of 0.03% 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 2022

(million BGN)

Structure	Received tranches/issued government securities (by principal)*	Payments made*, incl.	
		repayments	Interest, discounts, premiums
Domestic Central Government Debt	2 546.7	462.3	111.6
I. GS issued for financing the budget	2 415.2	295.4	106.3
II. Loans	131.5	167.0	5.3
1. Government loans	8.6	4.1	0.1
2. Domestic loans of units within CG subsector	122.9	162.8	5.2
External Central Government Debt	5 174.8	2 843.8	497.5
I. Bonds	4 275.2	2 397.1	399.6
II. Loans	899.7	446.7	97.9
1. Government loans	899.7	142.8	38.1
1.1. IBRD /World Bank/	-	68.9	0.1
1.2. European Union (including EC and EIB)	899.7	64.2	36.1
1.3. CEDB	-	9.8	1.9
2. Transferable loans "Schuldschein"	-	-	22.3
3. Government investment loans	-	127.8	20.4
4. External loans of units within CG subsector	-	176.0	17.1
Total for the Central Government debt	7 721.5	3 306.1	609.1

* The data is consolidated within the Central Government.

Source: MoF

CENTRAL GOVERNMENT DOMESTIC DEBT

The nominal amount of the Central Government domestic debt at the end of 2022 amounts to BGN 11,125.6 million (EUR 5,688.4 million), by marking an increase of BGN 2,200.5 million (EUR 1,125.1 million) compared to the previous year.

The Central Government domestic debt-to-GDP ratio increased to 6.6% from 6.4% at the end of 2021.

Central Government Domestic Debt

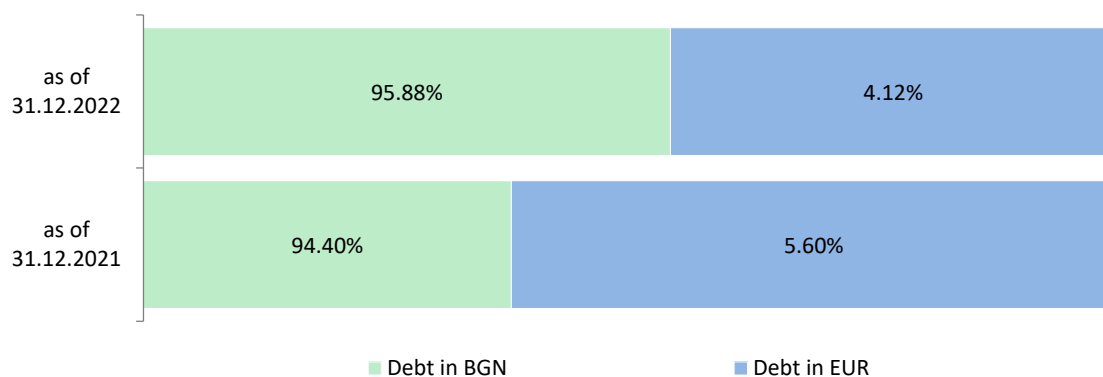
(million BGN)

Structure	2021	2022
Domestic debt of the CG subsector	8 925.1	11 125.6
I. Securities	8 510.1	10 746.0
1. Government securities issued for financing the budget	8 510.1	10 746.0
II. Loans	415.0	379.6
1. Government loans	18.4	22.9
2. Domestic loans of units within CG subsector	396.6	356.7
GDP	138 979.4	167 809.0
Central Government Domestic debt /GDP, (%)	6.4	6.6

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

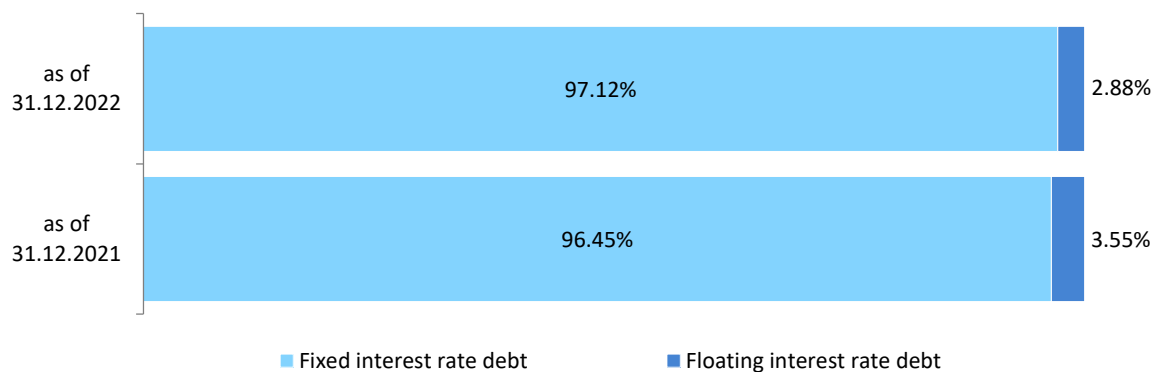
Source: MoF

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 2022 amounts to BGN 25,969.0 million (EUR 13,277.7 million), increasing by BGN 2,361.9 million (EUR 1,207.6 million) compared to 2021.

The Central Government external debt-to-GDP ratio decreased to 15.5% from 17.0% at the end of 2021.

Central Government External Debt

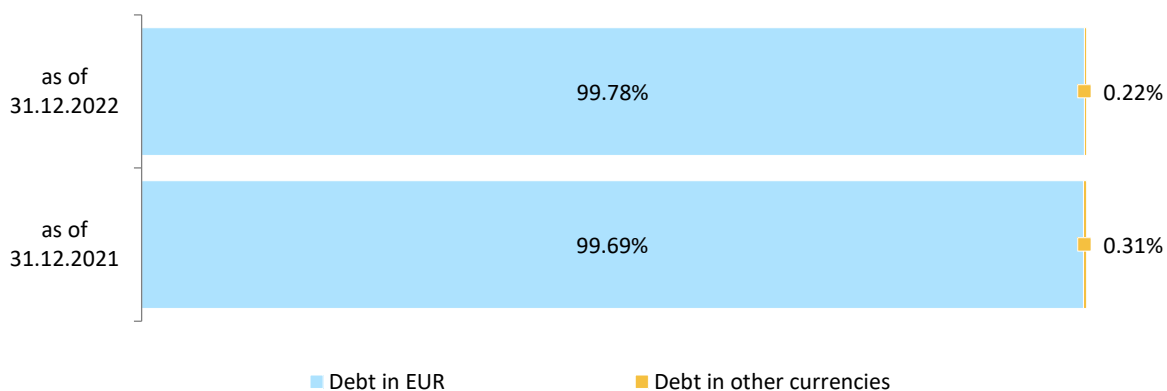
(million BGN)

Structure	2021	2022
External debt of the CG subsector	23 607.1	25 969.0
I. Bonds	17 674.2	19 588.6
II. Loans	5 932.8	6 380.4
1. Government loans	3 380.7	4 137.6
1.1 IBRD /World Bank/	276.2	207.3
1.2 European Union (including EC and EIB)	2 742.7	3 578.2
1.3 CEDB	361.8	352.0
2. Transferable loans "Schuldschein"	507.5	507.5
3. Government investment loans	822.2	688.9
4. External loans of units within CG subsector	1 222.4	1 046.4
GDP	138 979.4	167 809.0
Central Government External debt/GDP, (%)	17.0	15.5

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

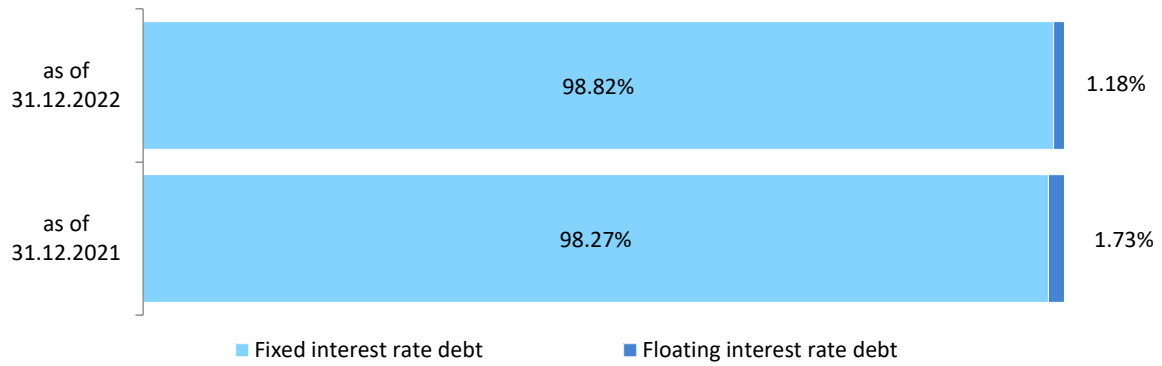
Source: MoF

Central Government External Debt Currency Structure



Source: MoF

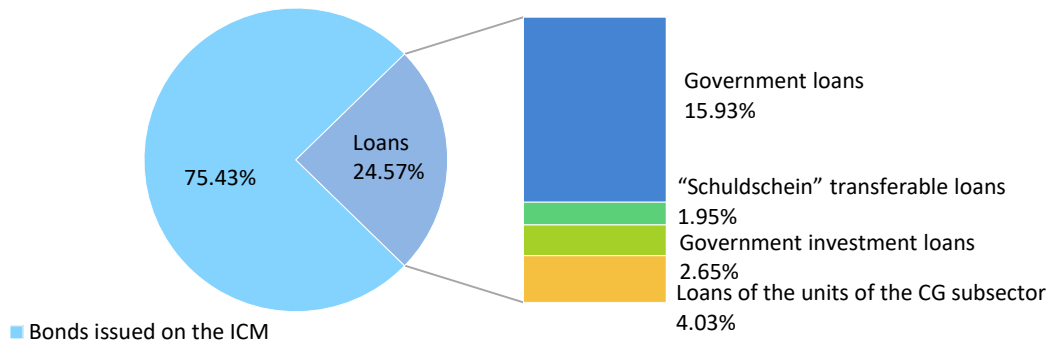
Central Government External Debt Interest Rate Structure



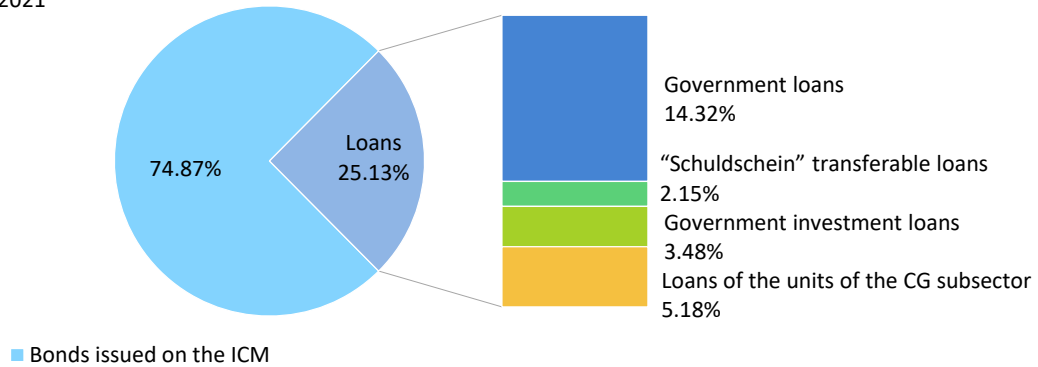
Source: MoF

Structure of Central Government External Debt by Instruments

as of
31.12.2022



as of
31.12.2021



Source: MoF

DEBT SOURCES OF FINANCING

ISSUES OF GOVERNMENT SECURITIES ON THE DOMESTIC MARKET

In 2022, the issuance of government securities on the domestic market was in line with the envisaged restrictions set in the 2022 State Budget Act, the Government Debt Management Strategy for the period 2022–2024, and the issuance policy of the Ministry of Finance for 2022.

During the year, 11 auctions were held, of which nine with tapped issues in circulation and two with proposed new issues of government securities. Securities of a total four issues with a total nominal value in the amount of BGN 2,633.25 million were sold of which: Government securities with 2025 maturity and a nominal (par) value of BGN 1,300 million; Government securities with 2028 maturity and a nominal (par) value of BGN 330.5 million; Government securities with a maturity of 2029 and a nominal value of BGN 500 million and Government securities with 2032 maturity and a nominal value of BGN 502.75 million. The auctions held on April 4, 2022 for the 10.5-year securities due 2032 and on October 24, 2022 for the 10.5-year notes due 2026 ended without quantities approved.

Government securities auctions held in 2022

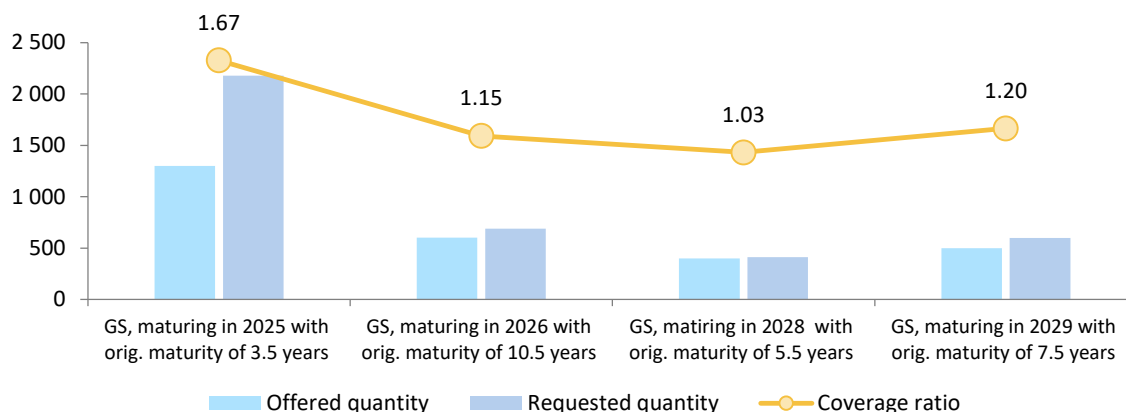
Date of the auction	Date of payment	Issue no	Date of the issue	Due date	Maturity in years	Coupon	Currency	Annual average yield*	Average price	Coverage ratio	Proposed quantity	Approved Quantity (Nominal)
14.03.2022	16.03.2022	BG2030121110	17.11.2021	17.05.2025	3.5	0.00%	BGN	0.55%	98.29	1.93	500 000 000	500 000 000
21.03.2022	23.03.2022	BG2040121217	24.11.2021	24.05.2029	7.5	0.25%	BGN	1.33%	92.68	1.20	500 000 000	500 000 000
04.04.2022	06.04.2022	BG2040022217	06.04.2022	06.10.2032	10.5	1.50%	BGN	-	-	0.90	500 000 000	-
11.04.2022	13.04.2022	BG2030121110	17.11.2021	17.05.2025	3.5	0.00%	BGN	0.88%	97.33	1.50	500 000 000	500 000 000
09.05.2022	11.05.2022	BG2030121110	17.11.2021	17.05.2025	3.5	0.00%	BGN	1.33%	96.08	1.53	300 000 000	300 000 000
19.09.2022	21.09.2022	BG2040016219	27.01.2016	27.07.2026	10.5	2.25%	BGN	3.01%	97.34	1.51	200,000,000	200 000 000
26.09.2022	28.09.2022	BG2030022219	28.09.2022	28.03.2028	5.5	3.20%	BGN	4.13%	95.69	1.02	200 000 000	149 950 000
03.10.2022	05.10.2022	BG2040016219	27.01.2016	27.07.2026	10.5	2.25%	BGN	4.01%	93.97	0.78	200 000 000	102 750 000
10.10.2022	12.10.2022	BG2040016219	27.01.2016	27.07.2026	10.5	2.25%	BGN	4.47%	92.51	1.15	200 000 000	200 000 000
17.10.2022	19.10.2022	BG2030022219	28.09.2022	28.03.2028	5.5	3.20%	BGN	5.65%	89.04	1.04	200 000 000	180 550 000
24.10.2022	26.10.2022	BG2040016219	27.01.2016	27.07.2026	10.5	2.25%	BGN	-	-	1.44	200 000 000	-

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

Source: MoF

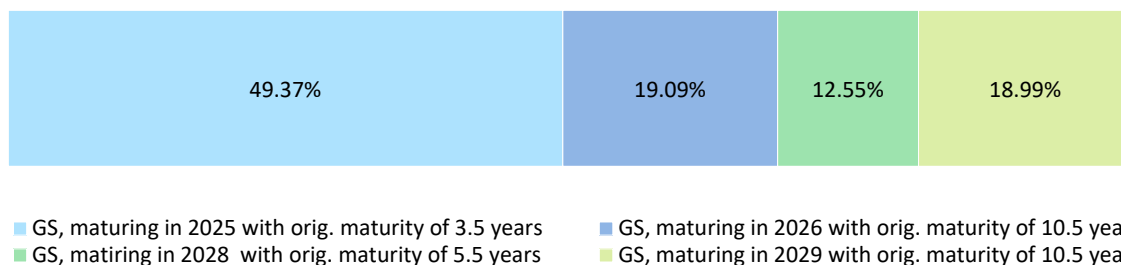
During the year, an average coverage ratio of 1.38 of the issued government securities was achieved, with securities offered on the domestic market with a total nominal value of BGN 2,800 million, and an amount demanded by market participants of BGN 3 875.6 million. Average coverage ratios, based on requested volumes by types of government securities are: 1.67 for the issue 2025 maturity, 1.15 for the issue 2026 maturity, 1.03 for the issue 2028 maturity, and 1.20 for the issue 2029 maturity.

Coverage ratio of issued government securities in 2022



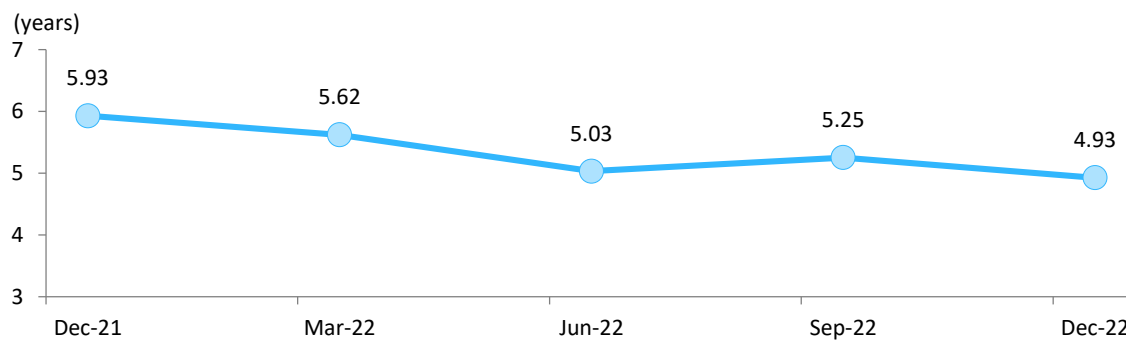
Source: MoF

Maturity structure of issued government securities as of the end of 2022



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 2022

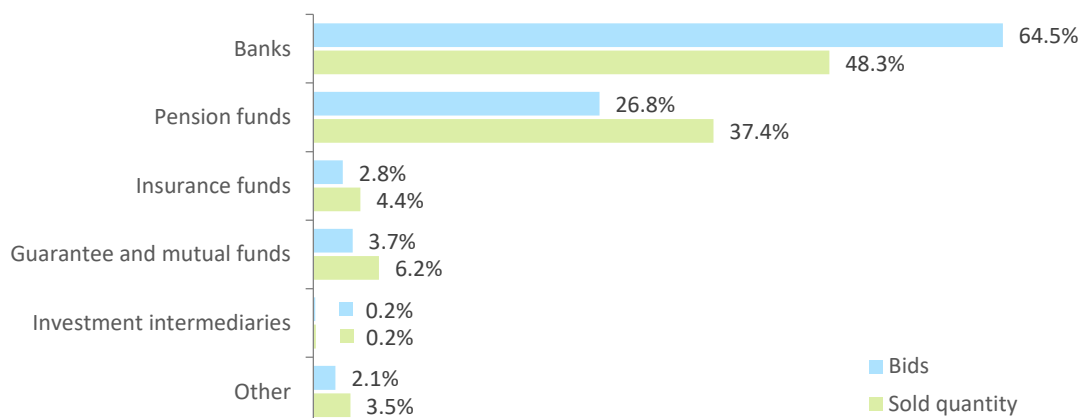
Four issues of government securities with a total nominal value of BGN 2.6 billion were placed on the primary market of government securities, and eleven auctions were held, of which: three auctions for government securities with an original maturity of 3.5 years, two for government securities with an original maturity of 5.5 years, one for government securities with an original maturity of 7.5 years and five for government securities with an original maturity of 10.5 years. The auctions held on April 4 and October 24, 2022, for the original 10.5-year securities (maturities 2026 and 2032, respectively) ended without an approved amount.

The issue with a 3.5-year maturity cause great investor interest with bids received at the first auction held for this term in the amount of BGN 965 million. In total, orders for BGN 2,177.05 million for all three auctions held during the year were received. The largest volume was asked by banks with orders for a nominal value of BGN 1,404.75 million, followed by pension funds with orders for BGN 583.4 million, insurance companies for BGN

60.2 million, guarantee and contract funds for BGN 80.0 million, investment intermediaries for BGN 4.1 million and other investors with orders for BGN 45.0 million.

The distribution of the approved amount of government securities with a volume of BGN 1.300 million is as follows: banks – BGN 627.8 million, pension funds – BGN 486.8 million, insurance companies – BGN 57.3 million, guarantee and mutual funds – BGN 80.0 million, investment intermediaries – BGN 3.1 million and other investors – BGN 45.0 million.

Government securities with a maturity of 3 years and 6 months

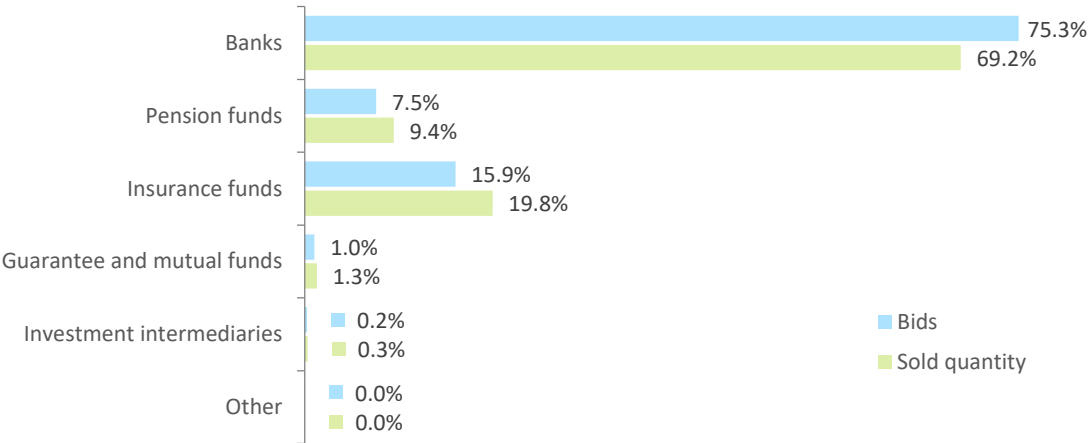


Source: MoF

The analysis of investor interest showed that at the auctions held for the sale of government securities with a maturity of 5.5 years, out of the submitted orders in the amount of BGN 412.05 million, the banks claimed a nominal amount of BGN 310.1 million, the pension funds for BGN 31.05 million, insurance companies for BGN 65.5 million, guarantee and mutual funds for BGN 4.25 million, investment intermediaries for BGN 1.0 million and other investors for BGN 0.15 million.

The distribution of the approved amount of government securities in a volume of BGN 330.5 million is as follows: banks – BGN 228.55 million, pension funds – BGN 31.05 million, insurance companies – BGN 65.5 million, guarantee and mutual funds – BGN 4.25 million, investment intermediaries – BGN 1.0 million and other investors – BGN 0.15 million.

Government securities with a maturity of 5 years and 6 months

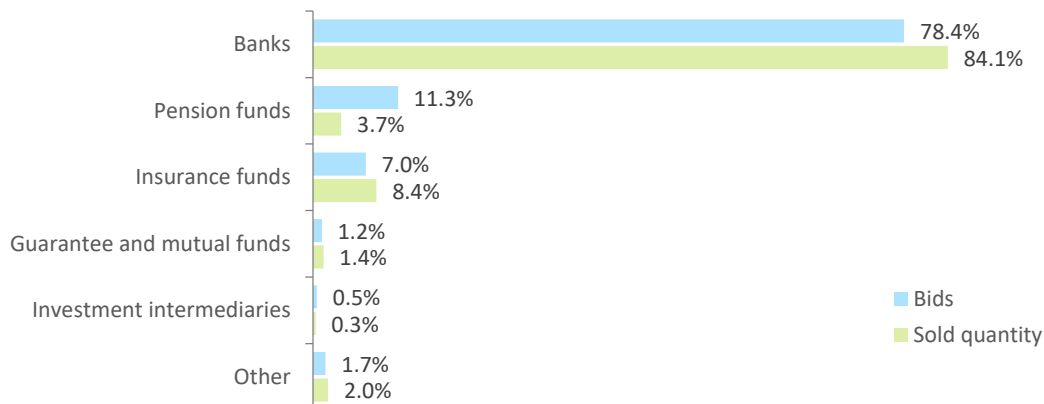


Source: MoF

Upon the issue with a term of 7.5 years, the total amount of orders received at the auction reached BGN 599.1 million, of which the amount claimed by banks was BGN 469.5 million, pension funds – BGN 67.5 million, by the insurance companies – BGN 42.0 million, by the guarantee and mutual funds for BGN 7.0 million, by investment intermediaries for BGN 3.1 million, and by other investors – for BGN 10.0 million.

The distribution of the approved amount of government securities of BGN 500 million is as follows: banks – BGN 420.7 million, pension funds – BGN 18.7 million, insurance companies – BGN 42.0 million, guarantee and contract funds – BGN 7.0 million, investment intermediaries – BGN 1.6 million and other investors – 10.0 BGN million.

Government securities with a maturity of 7 years and 6 months

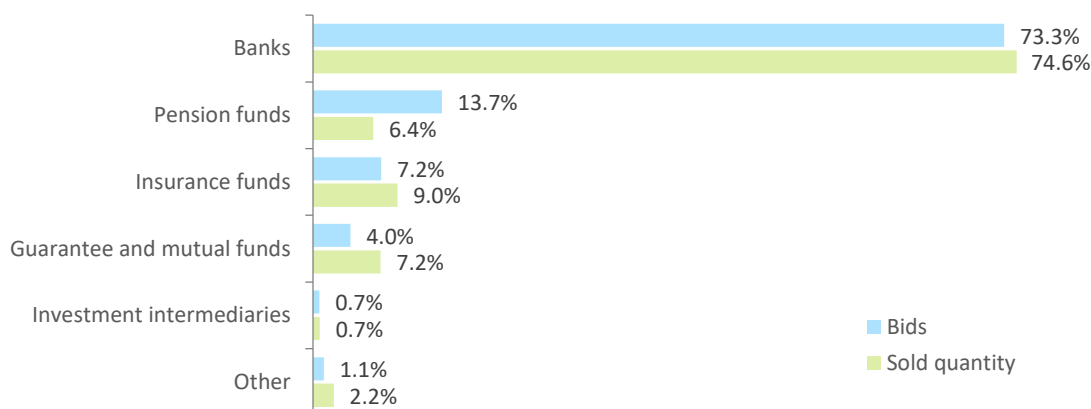


Source: MoF

For the bond issued in 2016 with a maturity of 10.5 years, orders with a total nominal value of BGN 974.6 million were submitted at the auctions, exceeding the offered quantity by about 1.2 times. The orders requested by the banks were for a nominal value in the amount of BGN 714.5 million, by pension funds – for BGN 133.27 million, by insurance companies – for BGN 70.5 million, by guarantee and mutual funds – for BGN 38.7 million, by investment intermediaries – for BGN 6.6 million and by other investors – for BGN 11.07 million.

The distribution of the approved amount of government securities in BGN 502.75 million is as follows: banks – BGN 375.15 million, pension funds – BGN 32.0 million, insurance companies – BGN 45.0 million, guarantee and mutual funds – BGN 36.0 million, investment intermediaries – BGN 3.6 million and other investors – BGN 11.0 million.

Government securities with a maturity of 10 years and 6 months



Source: MoF

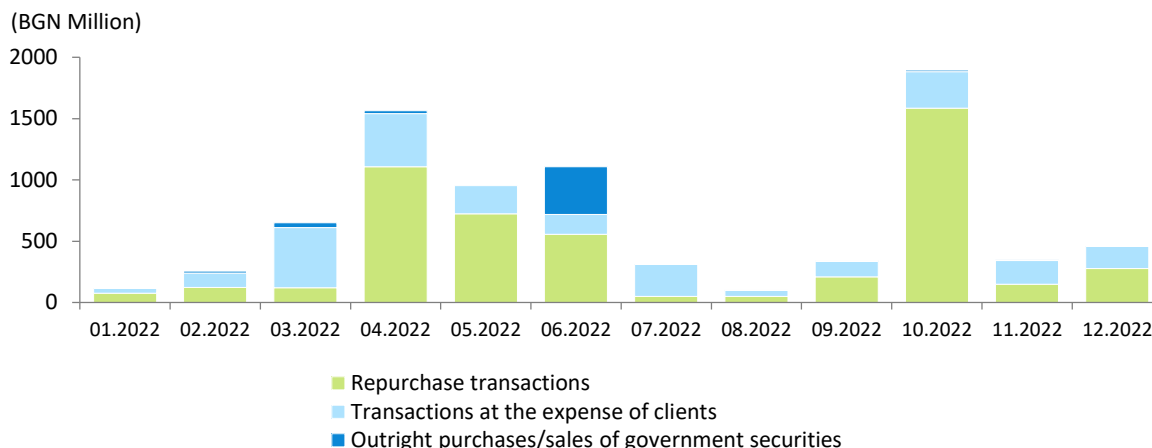
SECONDARY MARKET OF GOVERNMENT SECURITIES

In 2022, 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 14,137.7 million, compared to BGN 15,817.4 million for 2021, which was a decrease compared to the previous period by 10.6%. The volume of repo transactions decreased by 27.6% compared to 2021 and their share in the total volume of transactions registered in BNBGSSS is 35.6%. Repo transactions concluded for a period of one day (40.8%), mainly in 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 714.6 million, which is 26.1% more compared to the previous year, of which BGN 493.9 million were between banks – participants in ESROT. The volume of transactions between ESROT participants and clients is BGN 1,687.2 million, and that between participants' clients is BGN 673.4 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 6,026.5 million, accordingly, their share is the highest in the total volume of registered transactions and operations – 42.6%.

Against the background of low interest rates in the Eurozone 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 profitability (yield) of the long-term benchmark issue with a maturity of 10.5 years ranged from 0.57% to 1.85% with a change in its value compared to 2021 (from 0.14% to 0.44%). In general, trading was dynamic, with peaks in traded volumes during April, June and October. Government securities were traded in all maturities, as the most liquid were government security issues denominated in BGN, with a remaining term to maturity of about 3 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.

¹¹ BNBGSSS includes Electronic System For Registration And Servicing of Trade in Government Securities (ESROT) and System for Settlement of Government Securities (SSGS).

Volume of types of transactions with tradable government securities

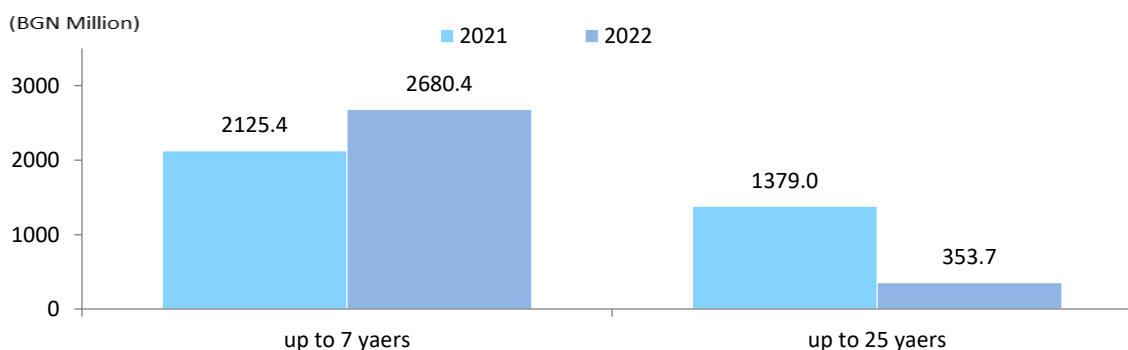


Notes: 1. The volume of transactions includes the reverse repo transactions concluded during the period; 2. The BGN equivalent of transactions with government securities denominated in foreign currency is calculated at the exchange rate determined by the BNB on the day of the transaction.

Source: BNB

ESROT participants had not any 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), as the average settlement ratio¹² is 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.

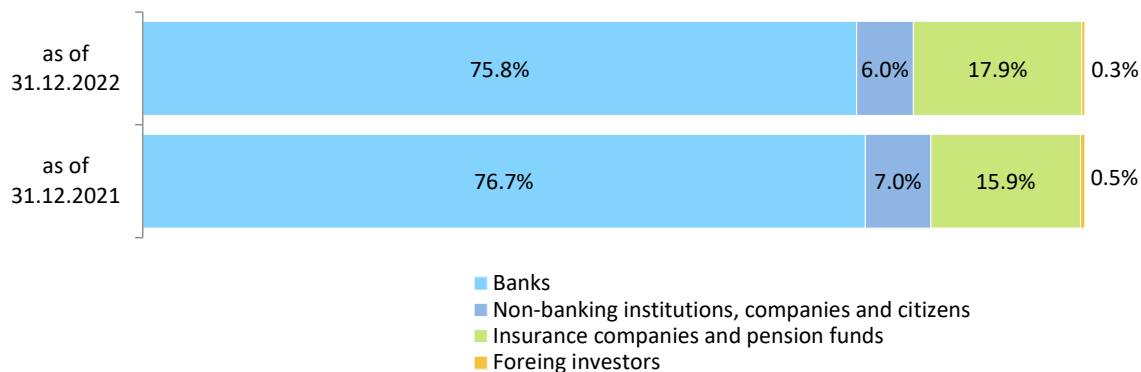
Source: BNB

During the year, BNBGSSS, as an auxiliary system in TARGET2-BNB, registered transactions with long-term government securities, denominated and payable in EUR, with a total volume of EUR 16.4 million (or BGN 32.1 million), as the payments were made not only through

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.

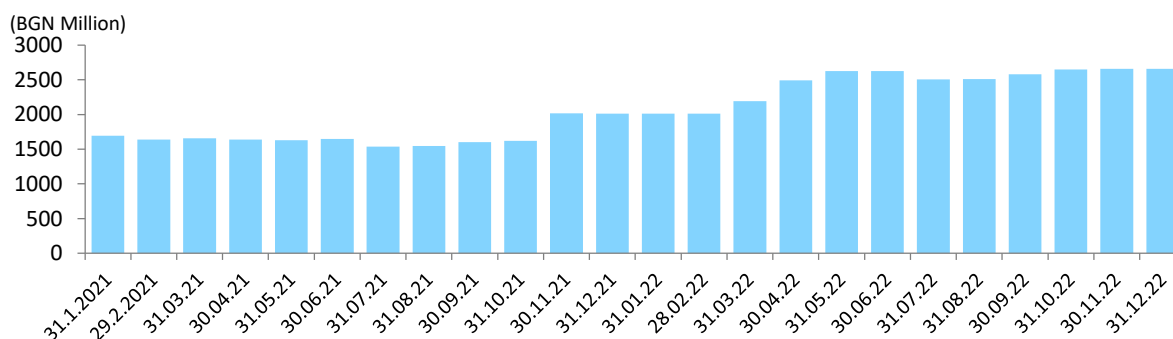
accounts of banks in the national system component TARGET2-BNB, but also through accounts of banks in other system components of central banks in TARGET2.

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 2022, compared to the same period of 2021, there was a change in investments in government debt instruments issued to finance the budget deficit, among the different categories of holders. Investments in government securities at banks, insurance companies and pension funds, as well as local non-bank financial institutions, companies and citizens, were increased, while at foreign investors a decrease in investments in government securities was observed. The largest share of these debt securities continues to be owned by banks (75.8%), followed by insurance companies and pension funds (17.9%), local non-bank financial institutions, companies and citizens (6.0%) and foreign investors (0.3%)

HOLDERS OF BULGARIAN BONDS ISSUED ON THE ICM

As of 31 December 2022, there were nine EUR denominated issues in circulation on the international capital markets as follows: 7-year (XS1382693452) with maturity 21 March 2023 and coupon 1.875%, 10-year (XS1083844503) with maturity 3 September 2024 and coupon 2.950%, 10-year (XS2234571425) with maturity 23 September 2030 and coupon 0.375%, 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%, 20-year (XS1208856341) with a maturity of 26 March 2035 and coupon of 3.125%, 30-year (XS2234571771) with a maturity of 23 September 2050 and coupon of 1.375%; as well as two issues issued during the current year 2022 – 7-year (XS2536817211) with maturity 2029 and coupon 4.125%, and 12-year (XS2536817484) with maturity 2034 and coupon 4.625%. In 2022, (in February) – one issue 7-year (XS1208855616) with a coupon of 2% was due.

Bulgarian Eurobonds issued on international markets, owned by residents – banking institutions and other sectors – by years of issuance

Types of Government Securities	2021	2022			
		Q1	Q2	Q3	Q4
2%, 2022, XS1208855616 – issue 2015	855.6	-	-	-	-
Owned by the banking sector	807.0	-	-	-	-
Owned by other sectors	48.6	-	-	-	-
2.95%, 2024, XS1083844503 – issue 2014	921.2	894.88	891.51	898.11	897.77
Owned by the banking sector	698.5	684.94	681.45	688.28	693.43
Owned by other sectors	222.7	209.94	210.07	209.83	204.34
2.625%, 2027, XS1208855889 – issue 2015	618.7	602.36	591.94	597.37	601.63
Owned by the banking sector	418.8	400.85	404.34	399.11	399.63
Owned by other sectors	199.9	201.51	187.60	198.26	202.00
3.125%, 2035, XS1208856341 – issue 2015	199.1	193.15	195.86	195.91	196.78
Owned by the banking sector	77.4	77.43	77.43	77.43	77.43
Owned by other sectors	121.7	115.72	118.43	118.48	119.35
1.875%, 2023, XS1382693452 – issue 2016	812.8	815.95	834.30	839.65	842.39
Owned by the banking sector	653.0	658.96	676.61	649.81	658.55
Owned by other sectors	159.8	156.99	157.69	189.84	183.84
3%, 2028, XS1382696398 – issue 2016	419.1	413.96	415.12	412.91	412.04
Owned by the banking sector	318.0	311.28	314.28	314.28	314.28
Owned by other sectors	101.1	102.68	100.84	98.62	97.76
0.375%, 2030, XS2234571425 – issue 2020	706.4	668.31	652.40	644.60	644.60

Types of Government Securities	2021	2022			
		Q1	Q2	Q3	Q4
Owned by the banking sector	605.4	585.90	574.00	574.15	574.15
Owned by other sectors	101.0	82.41	78.40	70.45	70.45
1.375%, 2050, XS2234571771 – issue 2020	23.3	25.33	25.33	25.33	25.33
Owned by the banking sector	11.0	13.00	13.00	13.00	13.00
Owned by other sectors	12.3	12.33	12.33	12.33	12.33
4.125%, 2029, XS2536817211 – issue 2022	-	-	-	477.65	548.14
Owned by the banking sector	-	-	-	355.00	357.00
Owned by other sectors	-	-	-	122.65	191.14
4.625%, 2034, XS2536817484 – issue 2022	-	-	-	140.21	217.53
Owned by the banking sector	-	-	-	120.25	143.50
Owned by other sectors	-	-	-	19.96	74.03
Total (million euros)	4 556.3	3 613.94	3 606.47	4 231.74	4 386.21

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

Source: BNB

In general, in the volumes of Bulgarian securities issued on the international capital markets owned by residents at the end of 2022, there was a decrease compared to the end of the previous year 2021 – from EUR 4,556.3 million to EUR 4,386.21 million. Against the background of issuance activity in 2022 and the maturing 7-year bond, the percentage share in the portfolios of domestic holders significantly declined – from 57.75% to 46.26%. A larger domestic investor in government debt issued on international capital markets is the banking sector, which owns EUR 3,230.97 million of all 9 bonds held by residents, which was 73.66% at the end of 2022. As of 31.12.2021, accordingly, these numbers were EUR 3,589.10 million and a share of 78.77% in the portfolios of residents from the banking sector. Residents' holdings of government securities declined at the end of 2022 in both nominal and percentage relation.

Within nominal terms, the biggest is the amount of securities owned by residents for the 10-year issue with maturity 2024 and for the 7-year issue with maturity 2023, respectively, EUR 897.77 million and EUR 842.39 million. This represents respectively 60.13% and 73.64% of the total amount issued (EUR 1,493 million and EUR 1,144 million).

At the 10-year, there was a decrease, compared to the end of 2021, from 921.2 to EUR 897.77 million. This decrease in the nominal value was seen both in the banking sector and in the other sectors, with the latter was more pronounced (from EUR 222.7 million to EUR

204.34 million). As a consequence, the share of banks in percentage terms in the total volume of securities owned by residents increased slightly from 76.54% to 77.24%.

At 7-year with maturity 2023 was seen an increase in nominal terms from EUR 812.8 million at the end of 2021 to EUR 842.39 million at the end of 2022. This increase was significantly pronounced in the other sectors (from EUR 159.8 million to EUR 183.84 million) than in the banking sector. Thus, the percentage share of banking institutions in relation to the total volume of securities (EUR 1,147 million) owned by residents decreased from 80.34% to 78.18% at the end of 2022.

A 10-year bond with maturity 2030 was held by residents in the amount of EUR 644.60 million, which marked a decrease in nominal terms for both banks and other domestic investors. The percentage decline is from 56.51% to 51.57% compared to the total amount of securities issued (EUR 1,250 million). Moreover, the sector of banking institutions marked an increase in its share from 85.70% to 89.07% in relation to the total number of securities held by residents.

A decrease in the share of securities owned by residents compared to the total volume of the issue (EUR 1,000 million) is reported for the 12-year bond with a maturity of 2027 in percentage from 61.87% to 60.16%, and in absolute terms to EUR 601.63 million. The movement was in different directions – the share of banks was decreased, while those of other sectors was increased. Thus, the share of banks in the total volume of securities in residents' portfolios by the end of 2022 decreased from 67.69% to 66.42%. Despite the slight decline, this bond was one of those securities presenting the most significant interest to domestic holders.

For the 7-year bond issued in 2022 with maturity 2029, the year ended with EUR 548.14 million owned by domestic investors, which was a share of 36.54% compared to the total volume of the issue (EUR 1,500 million). The banking sector is the owner of 65.13% of all papers held by residents.

As of 31.12.2022, the 12-year issue with maturity in 2028 was held by residents at a ratio of 48.48% (a slight decline from the level of 49.3% at the end of 2021) to the total amount of bonds that were issued in the amount of EUR 850 million. The banking sector slightly reduced bond owned to EUR 314.28 million from EUR 318.0 million at the end of the previous year (but increased as a percentage from 75.88% to 76.27% of all domestic holders), and other sectors also marked a decline to EUR 97.96 million in general. As a percentage share, it was the bond with the greatest presence in the portfolios of the domestic investment community, as it was seen from the large percentage of residents who held them.

A downward of the securities owned by residents was also marked in the 20-year issue with maturity 2035, from EUR 199.1 million to EUR 196.78 million (or from 22.13% to 21.86% of the total volume of bonds issued – EUR 900 million). The total nominal value of the bonds owned by the banking sector amounted to EUR 77.43 million (insignificant change compared to EUR 77.4 million as of 31.12.2021), and of the other sectors to EUR 119.35 million, compared to EUR 121.7 million at the end of the previous period. A slightly larger share – 39.35% – was reported for banks of the total volume of bonds held by domestic investors, within 38.87% at the end of 2021.

The bond with the longest tenor of 30 years, maturing in 2050, had the poorest presence in domestic holders' portfolios (both in nominal terms and as a percentage share) both at the end of 2021 and at the end of the reporting year 2022. Nevertheless, there was a certain increase from EUR 23.3 million to EUR 25.33 million, which represented a growth of up to 2.03% compared the entire amount of bonds issued in the amount of EUR 1,250 million. The banking sector and other domestic investors were at a fluctuating parity in terms of the volumes held – at the end of 2021, 'other' residents with 12.3 million in Eurobonds were the major by 52.79% of all domestic holders, and at the end of 2022, the banks have upward from EUR 11 million to EUR 13 million, which was 51.32% compared to the 48.68% decreasing share of the sector 'Others'.

In 2022, a 12-year bond with maturity 2034 was also issued, which attracted less interest among domestic investors than the 7-year bond issued at the same time. The acquired bonds by domestic holders are in the amount of EUR 217.53 million, which is a 29% share of the total issued volume. The banking sector ended 2022 with about twice the share (EUR 143.50 million) or 65.97% to 34.03% for the rest.

Bulgarian Eurobonds issued on international markets, owned by resident pension funds and insurance companies – by year of issuance

Types of government securities	2021	2022			
		Q1	Q2	Q3	Q4
2%, 2022, XS1208855616 – issue 2015	16 424	-	-	-	-
Pension funds under SSC	-	-	-	-	-
Insurance companies under the IC	16 424	-	-	-	-
Investment intermediaries and the CIS	-	-	-	-	-
2.95%, 2024, XS1083844503 – issue 2014	384 519	350 279	353 263	337 568	332 990
Pension funds under SSC	316 926	284 062	273 261	260 955	259 623
Insurance companies under the IC	67 593	66 217	80 001	76 613	73 367
Investment intermediaries and the CIS	-	-	-	-	-

Types of government securities	2021	2022			
		Q1	Q2	Q3	Q4
2.625%, 2027, XS1208855889 – issue 2015	369 294	348 749	291 270	298 812	301 415
Pension funds under SSC	271 103	257 062	207 344	212 060	211 643
Insurance companies under the IC	98 191	91 687	83 926	86 752	89 772
Investment intermediaries and the CIS	-	-	-	-	-
3.125%, 2035, XS1208856341 – issue 2015	181 921	148 847	140 029	133 091	142 586
Pension funds under SSC	12 850	696	5 004	4 619	5 077
Insurance companies under the IC	169 071	148 151	135 025	128 471	137 509
Investment intermediaries and the CIS	-	-	-	-	-
1.875%, 2023, XS1382693452 – issue 2016	198 700	187 646	180 022	197 969	180 586
Pension funds under SSC	157 805	158 731	158 506	177 549	161 240
Insurance companies under the IC	40 895	28 915	21 516	20 420	19 346
Investment intermediaries and the CIS	-	-	-	-	-
3%, 2028, XS1382696398 – issue 2016	178 113	163 729	148 578	141 885	146 645
Pension funds under SSC	124 260	113 786	102 966	96 066	99 070
Insurance companies under the IC	53 853	49 943	45 612	45 819	47 575
Investment intermediaries and the CIS	-	-	-	-	-
0.375%, 2030, XS2234571425 – issue 2020	171 606	128 396	110 933	94 118	98 259
Pension funds under SSC	115 397	73 928	58 986	43 280	46 415
Insurance companies under the IC	56 209	54 251	51 761	50 666	51 655
Investment intermediaries and the CIS	-	218	186	171	188
1.375%, 2050, XS2234571771 – issue 2020	22 659	16 005	14 784	12 024	13 510
Pension funds under SSC	21 812	15 307	14 235	11 577	13 044
Insurance companies under the IC	847	698	549	447	465
Investment intermediaries and the CIS	-	-	-	-	-
4.125%, 2029, XS2536817211 – issue 2022	-	-	-	214 268	354 334
Pension funds under SSC	-	-	-	210 610	354 334
Insurance companies under the IC	-	-	-	-	-
Investment intermediaries and the CIS	-	-	-	3 658	-
4.625%, 2034, XS2536817484 – issue 2022	-	-	-	35 263	141 181
Pension funds under SSC	-	-	-	25 940	130 911
Insurance companies under the IC	-	-	-	9 324	10 270
Investment intermediaries and the CIS	-	-	-	-	-
Total (BGN, thousand)	1 523 236	1 343 651	1 238 877	1 464 997	1 711 506

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

Source: FSC

At the end of 2022, Bulgarian Eurobonds owned by pension funds, insurance companies and investment intermediaries amounted to the equivalent of BGN 1,711.5 million, which was an increase compared to the end of the previous period in nominal value (equivalent to BGN 1,523.2 million). Due to the 7-year bond with maturity 2022 and the issuance of two new bonds – 7-year and 12-year, in percentage terms the collective share of these residents compared to the total volume of issued bonds of this type decreased from 9.87% to 8.63% to 31.12.2022. Nominal increase was seen for the pension funds that own the largest volume of securities in this group of holders – from an equivalent of BGN 1,020 million at the end of the previous year 2021 to an equivalent of BGN 1,281 million at the end of 2022. The share of this type of investors in relation to the total volume of securities owned by all three types of institutions was increased significantly from 66.97% to 74.87%. A decrease is reported in nominal terms in the securities owned by insurance companies – from BGN 503 million equivalent at the end of 2021 to BGN 430 million equivalent as of 31.12.2022. In percentage terms, compared to all holders of these three types a decline from 33.03% to 25.12% at the end of 2022 was also reported. During the reported year 2022, interest was also seen among the investment intermediaries, who by the end of the period had acquired bonds in the amount of the equivalent of BGN 188 million, as in the previous year they did not own Bulgarian bonds issued on the International capital markets.

LOAN FINANCING

In 2022, were disbursed funds under loans in the total amount of BGN 1,031.2 million, of which BGN 131.5 million were domestic loans and BGN 899.7 million were external loans – formed mainly from the disbursement of the Loan Agreement between the European Union and the Republic of Bulgaria for temporary support in order to mitigate the risk 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, were only for domestic loans and amounted to BGN 122.9 million.



CENTRAL GOVERNMENT GUARANTEED DEBT

In nominal terms, the amount of the Central Government guaranteed debt at the end of 2022 amounted to BGN 603.1 million (EUR 308.4 million), marking an increase of BGN 48.2 million (EUR 24.6 million) compared to the level reported at the end of 2021, mainly due to the disbursements under the external guarantees of the subsector.

In the structure of the debt, the dominant share was held by external guaranteed debt, in the amount of BGN 540.7 million (EUR 276.4 million), while the domestic guaranteed debt is BGN 62.4 million (EUR 31.9 million).

The Central Government guaranteed debt-to-GDP ratio for 2022 is 0.4%.

Central Government Guaranteed Debt (million BGN)

Structure	2018	2019	2020	2021	2022
Central Government Guaranteed debt	184.4	142.1	252.4	555.0	603.1
I. CG Domestic guarantees	75.2	74.1	72.4	67.1	62.4
1. Guarantees under the Student and Doctoral Candidate Loans Act	75.2	74.1	72.4	67.1	62.4
II. CG External guarantees	109.2	68.0	180.0	487.8	540.7
1. IBRD /World Bank/	7.8	2.6	-	-	-
2. European Union (including EC and EIB)	3.6	4.3	146.7	470.4	528.6
3. Other (JICA, Euratom ¹³)	97.7	61.1	33.3	17.4	12.1
GDP	109 915.6	120 342.0	120 492.4	138 979.4	167 809.0
CG Guaranteed debt /GDP, (%)	0.2	0.1	0.2	0.4	0.4

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

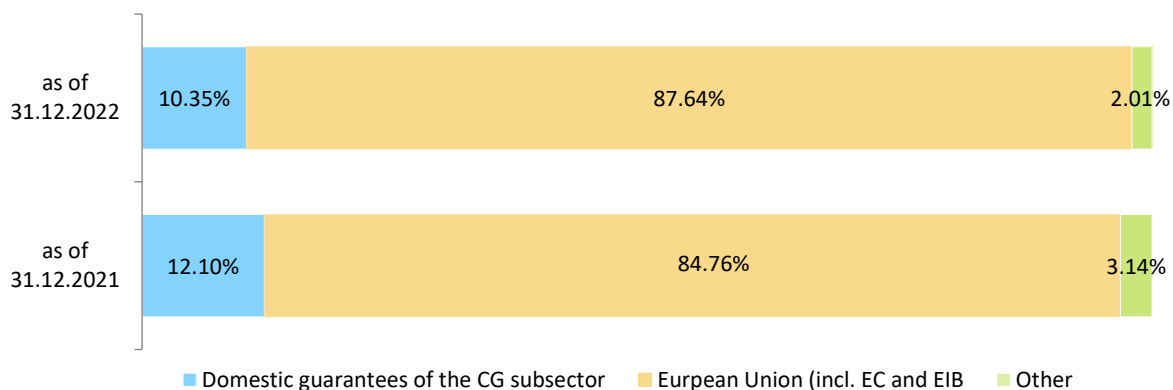
Source: MoF

In the structure of the Central Government guaranteed debt by creditors at the end of 2022, a dominant share of 87.6% is occupied by the “European Union” (including EC and EIB), followed by the domestic guarantees issued on the basis of the Student and Doctoral Candidate Loans Act under the Student Loans Programme with a share of 10.4% and the

¹³ until 2020 inclusive

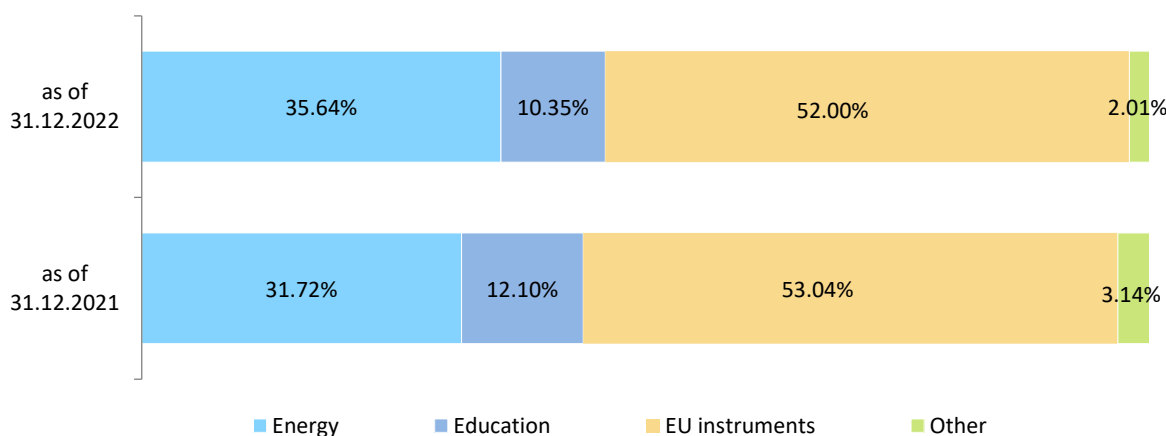
“Other” including the guarantees issued on the loan from the JICA with a share of 2.0% of the total amount of the Guaranteed debt of the subsector.

Structure of the Central Government Guaranteed Debt by creditors



Source: MoF

Structure of the Central Government Guaranteed Debt by sectors

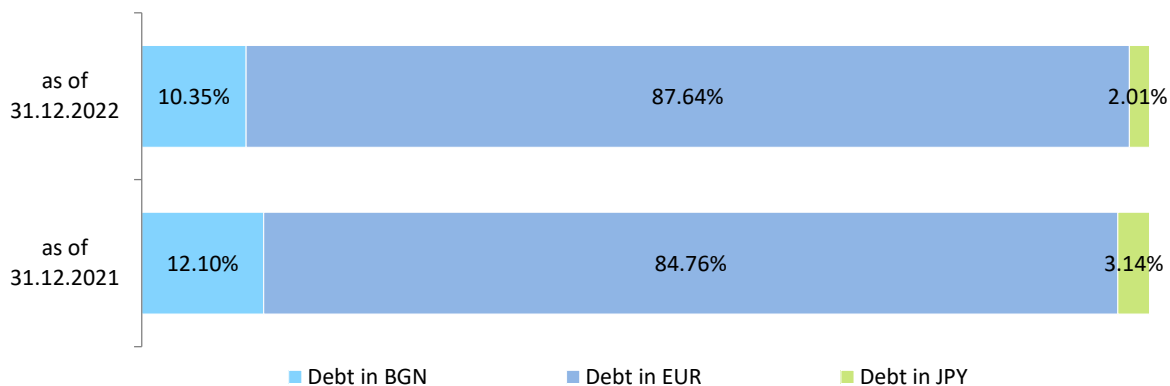


Source: MoF

As of 31 December 2022, in the structure of the Central Government Guaranteed Debt by sectors, the largest relative share is held by the “EU Instruments” sector with 52.0%, followed by the “Energy” sector – 35.6%, the “Education” sector – with 10.4%, and “Other” sector – with 2.0%.

The leading position in the currency structure of the Central Government Guaranteed Debt by the end of 2022 is held by the debt in EUR – 87.6%, followed by the debt in BGN – 10.4%, and the debt in JPY – 2.0%.

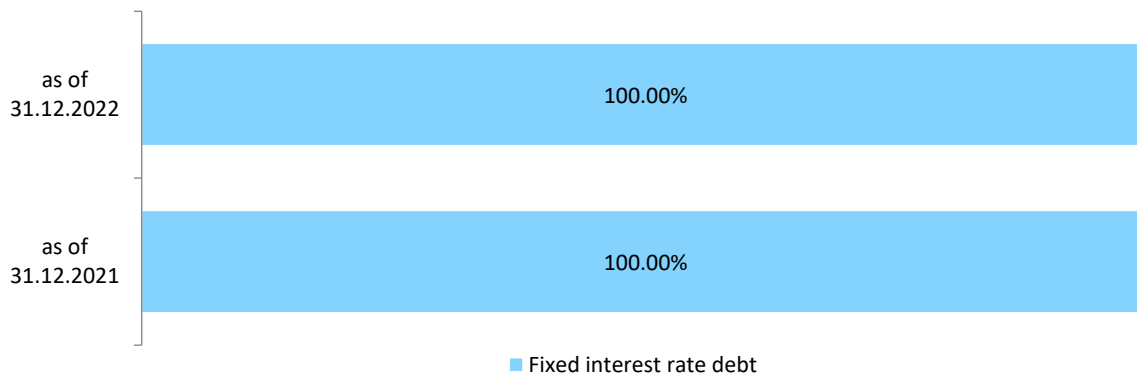
Currency structure of CG Guaranteed Debt



Source: MoF

By the end of 2022, the interest rate structure of the guaranteed debt of the CG subsector consists entirely of fixed interest rates.

Interest structure of CG Guaranteed Debt



Source: MoF

The received financing under the Central Government Guaranteed Debt for 2022 amounts to BGN 63.8 million, and the payments made during the reviewed period amount to BGN 17.6 million, including BGN 14.4 million principal repayments and BGN 3.2 million interest payments.

Disbursements were made mainly under external guarantees, including under the guaranteed loan of BEH EAD from the EIB for the financing of the project “Intersystem Gas Connection Greece-Bulgaria” (BGN 39.9 million), and as well as in line with the European Instrument for Temporary Support to Mitigate Unemployment Risks in Extraordinary Circumstances (SURE) – BGN 18.3 million.

New financing and payments made under Central Government Guaranteed Debt in 2022

(BGN million)

Structure	Received loans (tranches)	Payments made, incl.	
		repayments (principal)	interest
I. CG Domestic guarantees	5.6	10.3	2.1
1. Guarantees under the Student and Doctoral Candidate Loans Act	5.6	10.3	2.1
II. CG External guarantees	58.2	4.1	1.1
1. IBRD /World Bank/	-	-	-
2. European Union (including EC and EIB)	58.2	-	0.7
3. Other (JICA)	-	4.1	0.4
Total CG Guaranteed Debt	63.8	14.4	3.2

Notes: 1. The BGN equivalent of the received new external financing and the payments made is calculated according to BNB central exchange rate for the respective currencies to e BGN, valid until 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 debt¹⁴ at the end of 2022 amounted to BGN 36,125.7 million (EUR 18,470.8 million), of which BGN 25,160.3 million (EUR 12,864.2 million) is external debt and BGN 10,965.4 million (EUR 5,606.5 million) – domestic debt. Within nominal terms, the debt increased by BGN 4,907.7 million compared to the level at the end of 2021 (BGN 31,218.0 million), which is the result of the repayments of the government debt to external and domestic creditors, the issues of government securities on the domestic and international capital markets (ICM) and the received funds the Supplement to the Loan Agreement between the EU as a lender and the Republic of Bulgaria as a borrower, signed in 2020 for Temporary Support in order to mitigate the risks of unemployment in exceptional circumstances (SURE) and repayments made. The Government debt-to-GDP ratio is 21.5%.

As a result of the debt operations during the year, in the structure of the government debt, the relative share of the domestic debt increased from 27.7% at the end of 2021 to 30.4% at the end of 2022, at the expense of the reduction of the external debt, respectively from 72.3% at 69.6%.

The share of government debt denominated in BGN increased from 26.2% to 29.1% at the end of 2022, while the share of debt denominated in EUR decreased to a level from 73.6% to 70.8% at the end of 2022, and that in other currencies maintains its level of 0.2%. In the debt interest structure, the tendency for the share of debt with fixed interest rates to rise from 98.7% at the end of 2021 to 99.2% in 2022 and a respective decrease in debt with floating interest rates - from 1.3% to 0.8%.

In the maturity structure of the government debt by residual maturity at the end of 2022, debt up to 1 year is 7.7% (8.9% at the end of 2021), debt from 1 to 5 years - 32.7% (33.6% at the end of 2021), from 5 to 10 years - 32.1% (33.1% at the end of 2021), more than 10 years – 27.5% (24.5% at the end of 2021). The average residual maturity of the government debt as of 31.12.2022 is 7 years and 11 months.

¹⁴ The debt assumed under the Government Debt Act.

Structure and dynamics of Government debt

(million BGN)

Structure	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
I. Domestic government debt	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	10 965.4
1. Government securities issued for financing the budget	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	10 965.4
2. Government securities issued for the structural reform	181.5	159.8	134.6	102.6	63.9	32.4	-	-	-	-
II. External government debt	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	25 160.3
1. Bonds	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	19 826.2
2. Paris Club	123.1	98.5	73.9	49.3	24.6	-	-	-	-	-
3. IBRD /World Bank/	1 208.7	1 091.1	1 001.0	846.7	688.3	553.5	458.3	363.0	276.2	207.3
4. European Union (including EC and EIB)	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	3 578.2
5. Other (CEDB, Transferable loans "Schuldschein")	567.2*	3 500.9**	567.2*	567.2*	567.2*	665.0***	753.0***	879.1***	869.4***	859.6***
6. Government investment loans	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	688.9
Government debt	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	36 125.7
GDP	82 253.4	84 147.7	89 571.4	95 349.4	102 683.0	109 915.6	120 342.0	120 492.4	138 979.4	167 809.0
Total government debt/GDP, (%)	17.2	26.3	25.4	27.0	22.9	20.1	18.3	22.8	22.5	21.5

* Transferable "Schuldschein" loans

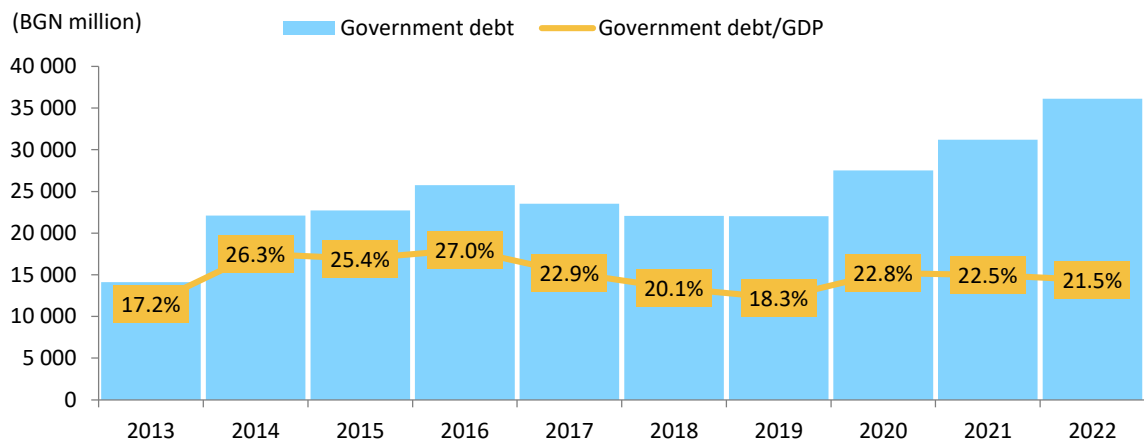
**Transferable "Schuldschein" loans and "Bridge-to-bond loan"

*** Schuldschein transferable loans and CEDB loan

Notes: 1. Debt at nominal value; 2. The conversation of the debt in BGN is based on the central exchange rate of the BNB for the respective foreign currencies at the end of the respective periods; 3. GDP data is 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



Source: MoF

New financing and payments made under the Government debt in 2022

(BGN, million)

Structure	Received tranches/issued government securities (principal)	Payments made, incl.	
		Repayments (principal)	interest
Domestic Government debt	2 510.2	303.9	108.6
I. Government securities issued for financing the budget	2 510.2	303.9	108.6
External Government debt	5 235.9	2 687.3	485.0
I. Bonds	4 336.2	2 416.6	404.1
II. Loans	899.7	270.7	80.8
1. IBRD/World Bank	-	68.9	0.1
2. European Union (including EC and EIB)	899.7	64.2	36.1
3. Others (JICA, CEDB, KfW, Transferable loans "Shuldschein")	-	9.8	24.2
4. Government investment loans	-	127.8	20.4
Total for Government Debt	7 746.1	2 991.2	593.6

Source: MoF

Bulgarian Bonds issued on International Capital Markets as of 31.12.2022

	Bulgarian Eurobonds issued on ICM under the GMTN Programme, with a fixed interest rate of 1.875%, maturing on 21 March 2023	Bulgarian Eurobonds issued on ICM, with a fixed interest rate of 2.950%, maturing on 3 September 2024	Bulgarian Eurobonds issued on ICM under the GMTN Programme, with a fixed interest rate of 2.625%, maturing on 26 March 2027	Bulgarian Eurobonds issued on ICM under the GMTN Programme, with a fixed interest rate of 3.0%, maturing on 21 March 2028	Bulgarian Eurobonds issued on ICM under the GMTN Programme, with a fixed interest rate of 4.125% maturing on 23 September 2029	Bulgarian Eurobonds issued on ICM under the GMTN Programme, with a fixed interest rate of 0.375%, maturing on 23 September 2030	Bulgarian Eurobonds issued on ICM under the GMTN Programme, with a fixed interest rate of 4.625% maturing on 23 September 2034	Bulgarian Eurobonds issued on ICM under the GMTN Programme, with a fixed interest rate of 3.125%, maturing on 26 March 2035*	Bulgarian Eurobonds issued on ICM under the GMTN Programme, with a fixed interest rate of 1.375%, maturing on 23 September 2050
ISSUER	REPUBLIC OF BULGARIA	REPUBLIC OF BULGARIA	REPUBLIC OF BULGARIA	REPUBLIC OF BULGARIA	REPUBLIC OF BULGARIA	REPUBLIC OF BULGARIA	REPUBLIC OF BULGARIA	REPUBLIC OF BULGARIA	REPUBLIC OF BULGARIA
Format	Reg S	Reg S	Reg S	Reg S	Reg S	Reg S	Reg S	Reg S	Reg S
Credit Ratings of the Issuer	Baa2(Moody's)/BB+(S&P)/BBB-(Fitch)	Baa2(Moody's)/BBB-(S&P)/BBB-(Fitch)	Baa2(Moody's)/BB+(S&P)/BBB-(Fitch)	Baa2(Moody's)/BB+(S&P)/BBB-(Fitch)	Baa1(Moody's)/BBB(S&P)/BBB (Fitch)	Baa2(Moody's)/BBB(S&P)/BBB (Fitch)	Baa1(Moody's)/BBB(S&P)/BBB (Fitch)	Baa2(Moody's)/BB+(S&P)/BBB-(Fitch)	Baa2(Moody's)/BBB(S&P)/BBB (Fitch)
Issue's Rating	Baa2(Moody's)/BB+(S&P)/BBB-(Fitch)	Baa2(Moody's)/BBB-(S&P)/BBB-(Fitch)	Baa2(Moody's)/BB+(S&P)/BBB-(Fitch)	Baa2(Moody's)/BB+(S&P)/BBB-(Fitch)	Baa1(Moody's)/BBB(Fitch)	Baa2(Moody's)/BBB(Fitch)	Baa1(Moody's)/BBB(Fitch)	Baa2(Moody's)/BB+(S&P)/BBB-(Fitch)	Baa2(Moody's)/BBB(Fitch)
Lead Managers	BNP Paribas, Citigroup GML, JP Morgan S. plc, UniCredit Bank AG	Citi, HSBC, JP Morgan	Citi, HSBC (B&D), SG CIB, UniCredit	BNP Paribas, Citigroup GML, JP Morgan S. plc, UniCredit Bank AG	BNP Paribas, Citigroup GME AG, J.P. Morgan SE, UniCredit Bank AG	BNP Paribas, Citigroup GML, JP Morgan S. plc, UniCredit Bank AG	BNP Paribas, Citigroup GME AG, J.P. Morgan SE, UniCredit Bank AG	Citi, HSBC (B&D), SG CIB, UniCredit/ Goldman Sachs International	BNP Paribas, Citigroup GML, JP Morgan S. plc, UniCredit Bank AG
Currency Denomination	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Nominal Value	1,144,000,000	1,493,000,000	1,000,000,000	850,000,000	1,500,000,000	1,250,000,000	750,000,000	900,000,000*	1,250,000,000
Pricing Date	14.03.2016	26.06.2014	19.03.2015	14.03.2016	15.09.2022	15.09.2020	15.09.2022	19.03.2015/ 13.11.2015	15.09.2020
Settlement Date	21.03.2016	03.07.2014	26.03.2015	21.03.2016	23.09.2022	23.09.2020	23.09.2022	26.03.2015/ 20.11.2015	23.09.2020
Maturity	21.03.2023	03.09.2024	26.03.2027	21.03.2028	23.09.2029	23.09.2030	23.09.2034	26.03.2035	23.09.2050
Date of Interest Payments	Payable annually on 21 March, first interest payment on 21.03.2017	Payable annually on 3 September, first interest payment on 3.09.2015	Payable annually on 26 March, first interest payment on 26.03.2016	Payable annually on 21 March, first interest payment on 21.03.2017	Payable annually on 23 September, first interest payment on 23.09.2023	Payable annually on 23 September, first interest payment on 23.09.2021	Payable annually on 23 September, first interest payment on 23.09.2023	Payable annually on 26 March, first interest payment on 26.03.2016	Payable annually on 23 September, first interest payment on 23.09.2021
Interest Coupon	1.875%	2.950%	2.625%	3.000%	4.125%	0.375%	4.625%	3.125%	1.375%
Issue Price	98.192	99.085	98.918	98.237	98.690	99.863	98.227	97.982/88.514	97.566
Yield	2.156%	3.055%	2.732%	3.179%	4.346%	0.389%	4.823%	3.264%/3.989%	1.476%
Receipts	1,123,316,480	1,478,816,500	989,180,000	835,014,500	1,480,350,000	1,248,287,500	736,702,500	832,847,000/ 44,257,000	1,219,575,000
Interest Rate Convention	ACT/ACT	ACT/ACT	ACT/ACT	ACT/ACT	ACT/ACT	ACT/ACT	ACT/ACT	ACT/ACT	ACT/ACT
Registrar	Luxembourg Stock Exchange	Luxembourg Stock Exchange	Luxembourg Stock Exchange	Luxembourg Stock Exchange	Luxembourg Stock Exchange	Luxembourg Stock Exchange	Luxembourg Stock Exchange	Luxembourg Stock Exchange	Luxembourg Stock Exchange
ISIN	XS1382693452	XS1083844503	XS1208855889	XS1382696398	XS2536817211	XS2234571425	XS2536817484	XS1208856341	XS2234571771
Legislation	English	English	English	English	English	English	English	English	English
Bond Format	Registered	Registered	Registered	Registered	Registered	Registered	Registered	Registered	Registered

*The placed volumes of the issue in the amount of EUR 850,000,000 and EUR 50,000,000.

Source: MoF

Credit rating when issuing the Bulgarian bonds on the ICM

Rating agency	Eurobonds issued on ICM with maturity:								
	2023	2024	2027	2028	2029	2030	2034	2035	2050
Moody's	Baa2	Baa2	Baa2	Baa2	Baa1	Baa2	Baa1	Baa2	Baa2
S&P	BB+	BBB-	BB+	BB+	-	-	-	BB+	-
Fitch	BBB-	BBB-	BBB-	BBB-	BBB	BBB	BBB	BBB-	BBB

Source: MoF

Credit rating as of 31.12.2022 of the Bulgarian bonds issued to the ICM

Rating agency	Eurobonds issued on ICM with maturity:								
	2023	2024	2027	2028	2029	2030	2034	2035	2050
Moody's	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1
S&P	BBB	BBB	BBB	BBB	-	-	-	BBB	-
Fitch	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Scope	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+

Source: Bloomberg

Outstanding Government Securities issued on the domestic market as of 31.12.2022

Original maturity	Issue number /ISIN/	Currency	Date of issuing	Maturity date	Total nominal value of the bids approved (in thousands)	Interest rate
3.5-year	BG2030121110	BGN	17.11.2021	17.05.2025	1 800 000.00	0.00%
5-year	BG2030020114	BGN	15.01.2020	15.01.2025	600 000.00	0.01%
5-year	BG2030021112	BGN	24.02.2021	24.02.2026	1 700 000.00	0.00%
5.5-year	BG2030022219	BGN	28.09.2022	28.03.2028	330 500.00	3.20%
7.5-year	BG2040121217	BGN	24.11.2021	24.05.2029	1 000 000.00	0.25%
7.5-year	BG2040117215	BGN	27.09.2017	27.03.2025	250 000.00	0.80%
10-year	BG2040115219	BGN	22.04.2015	22.04.2025	235 000.00	2.30%
10.5-year	BG2040016219	BGN	27.01.2016	27.07.2026	802 750.00	2.25%
10.5-year	BG2040017217	BGN	25.01.2017	25.07.2027	339 500.00	1.95%
10.5-year	BG2040013216	BGN	09.01.2013	09.07.2023	350 000.00	4.00%
10.5-year	BG2040014214	BGN	15.01.2014	15.07.2024	380 000.00	4.00%
10.5-year	BG2040015211	BGN	14.01.2015	14.07.2025	50 000.00	3.10%
10.5-year	BG2040119211	BGN	21.06.2019	21.12.2029	1 000 000.00	0.50%
10.5-year	BG2040021219	BGN	17.02.2021	17.08.2031	1 100 000.00	0.10%
15-year	BG2040210218	EUR	29.09.2010	29.09.2025	234 105.00	5.75%
20-year	BG2040019213	BGN	21.06.2019	21.06.2039	569 780.00	1.50%

Source: MoF

GOVERNMENT GUARANTEED DEBT

At the end of 2022, the Government guaranteed debt amounted to BGN 1,700.9 million (EUR 869.7 million), compared to BGN 1,938.9 million (EUR 991.3 million) at the end of 2021. The Government guaranteed debt-to-GDP ratio is 1.0%.

Compared to 2021, the Government guaranteed debt decreased by about BGN 238 million, mainly due to disbursed funds in 2022 under the issued government guarantees/guarantee instruments and repayments on them.

In the structure of Government guaranteed debt, external debt occupies 96.3% (96.5% at the end of 2021), and the share of domestic government guarantees is 3.7% (3.5% at the end of 2021). The debt with fixed interest rate increased to 99.0% (96.4% at the end of 2021) and the debt with floating interest rate decreased to 1.0% (3.6% at the end of 2021) mainly due to the disbursements of funds at fixed interest rates. The share of debt in EUR slightly increased to 90.8% (90.6% at the end of 2021), the share of debt in BGN also increased and reached 3.7% (3.5% at the end of 2021), debt in other currencies decreased to a level of 5.6% (6.0% at the end of 2021).

Structure and dynamics of Government guaranteed debt

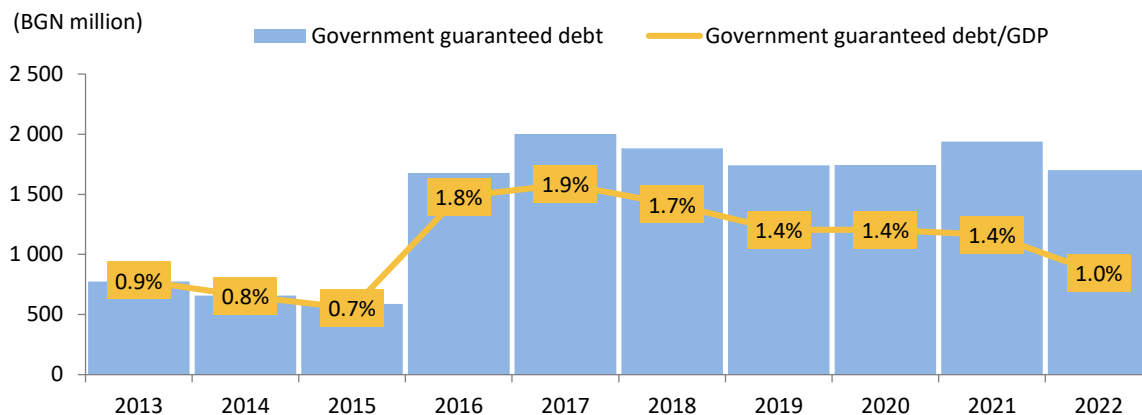
(BGN, million)

Structure	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
I. Domestic government guaranteed debt	36.2	49.0	60.8	69.1	73.9	75.2	74.1	72.4	67.1	62.4
1. Guarantees under the Student and Doctoral Candidate Loans Act	36.2	49.0	60.8	69.1	73.9	75.2	74.1	72.4	67.1	62.4
II. External government guaranteed debt	737.7	607.1	528.4	1 607.8	1 928.2	1 808.6	1 667.3	1 670.9	1 871.8	1 638.5
1. IBRD /World Bank/	52.1	35.6	23.8	507.6	560.6	594.6	589.4	586.7	586.7	557.4
2. European Union (including EC and EIB)	1.6	1.6	2.0	2.7	3.1	3.6	4.3	146.7	470.4	528.6
3. EBRD	17.3	7.5	1.8	586.7	586.7	586.7	586.7	586.7	586.7	440.1
4. Other (JICA, CEDB, KfW)	666.7	562.4	500.9	510.8	777.7	623.6	486.9	350.7	227.9	112.4
Government guaranteed debt	773.8	656.1	589.3	1677.0	2002.0	1 883.8	1 741.4	1 743.2	1 938.9	1 700.9
GDP	82 253.4	84 147.7	89 571.4	95 349.4	102 683.0	109 915.6	120 342.0	120 492.4	138 979.4	167 809.0
Government guaranteed debt/GDP, (%)	0.9	0.8	0.7	1.8	1.9	1.7	1.4	1.4	1.4	1.0

Notes: 1. Debt at nominal value; 2. The conversation of the debt in BGN is based on the central exchange rate of the BNB for the respective foreign currencies at the end of the respective periods; 3. GDP data is 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 2022

(BGN, million)

Structure	Loans received (principal)	Payments made, incl.	
		repayments	interest
Domestic government guaranteed debt	5.6	10.3	2.1
1. Guarantees under the Student and Doctoral Candidate Loans Act	5.6	10.3	2.1
External Government guaranteed debt	58.2	283.5	20.3
1. IBRD /World Bank/	-	29.3	9.0
2. European Union (including EC and EIB)	58.2	-	0.7
3. EBRD	-	146.7	7.9
4. Other (JICA, CEDB, KfW)	-	107.5	2.8
Total for Government guaranteed debt	63.8	293.8	22.4

Source: MoF

DEVELOPMENT OF GOVERNMENT SECURITIES MARKET

As a continuation of the successive steps to develop and modernize the market of government securities in the Republic of Bulgaria, from the beginning of 2022 the market-making system of the multilateral trading facility E-Bond Bulgaria, operated by Bloomberg Trading Facility B.V. was implemented. In general terms, market-making in the sovereign debt market is the introduction of an obligation by the primary dealers of government securities to maintain firm, irrevocable quotes, for a given volume and for a given period of time, at a pre-defined trading venue. The expectations are that the market-making of the government securities market in the Republic of Bulgaria to strengthen the PD's commitment to maintaining a more liquid and better functioning debt market, as well as to encourage the participation of global investors in it.

In addition, regarding the development of the sovereign debt market, steps were taken at the national level to promote the integration of global investors into the local market through regulatory and infrastructural changes. Measures are foreseen in accordance with the forthcoming accession of the Republic of Bulgaria to the Eurozone, considering the objective of the Capital Markets Union for the integration of the capital markets of the EU Member States, by which a more complete single European capital market will be achieved. They are mainly aimed at facilitating the access of foreign investors to the market infrastructure after the transaction in the Republic of Bulgaria is concluded.

Last but not least, efforts are also aimed at diversifying the instruments offered, by reviewing the possible approaches for sustainable bonds sale, in unison with leading European and national policies.

