Research Update:

Bulgaria Ratings Affirmed At 'BBB/A-2'; Outlook Stable

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Overview

- We expect the Russia-Ukraine military conflict will inflict a stagflationary shock on Bulgaria and we have consequently lowered our forecasts for real GDP growth for 2022 to 1.6% from 4.3% and doubled our estimate for government fiscal deficits to 5% of GDP.
- However, we believe Bulgaria's strong external and public balance sheets will help mitigate this shock, while the steady inflows of EU transfers will support growth over the medium term.
- We have affirmed our 'BBB/A-2' sovereign credit ratings on Bulgaria and maintained the stable outlook.

Rating Action

On May 27, 2022, S&P Global Ratings affirmed its 'BBB/A-2' long- and short-term foreign and local currency sovereign credit ratings on Bulgaria. The outlook is stable.

Outlook

The stable outlook reflects our expectation that Bulgaria's economy will not incur major external or fiscal imbalances. Rather, the stagflation shock will be temporary and economic growth will pick up from 2023, backed by EU transfers. We expect this will contain the increase in general government debt, which will remain low in global comparison.

Downside scenario

We could lower the ratings if the impact on Bulgaria of the conflict in Ukraine were to result in a significant reduction of medium-term growth rates, for example if Bulgaria's efforts to diversify its energy imports away from Russia were unsuccessful. Such a scenario could raise fiscal deficits and debt levels beyond our current expectations.

Upside scenario

We could raise the ratings on Bulgaria in the course of a future accession to the eurozone. A significant improvement in current account balances could also provide upward pressure on the ratings.

Rationale

We expect Bulgaria's economy will be affected by the conflict in Ukraine due to high inflation cutting into disposable income; lower business and consumer confidence domestically; and secondary effects through lower economic activity of its most important trading partners within the EU. In addition, Russia has cut off gas deliveries to Bulgaria. For now, we believe the situation remains manageable due to ongoing supply diversification efforts and remaining gas reserves, which are low but still sufficient. However, the high and rising inflation levels represent a challenge for the current government coalition. Fiscal pressures are rising in the current circumstances, following two years of elevated deficits in 2020 and 2021. However, net government debt remains at below 20% of GDP, which still provides sufficient policy space.

In addition, the country has limited monetary policy flexibility under the currency board, in our view, even though this arrangement has provided an important anchor of economic stability over the past decades and the lev was included in the European exchange rate mechanism (ERM II) in July 2020.

External risks appear manageable, despite mounting current account deficits on the back of rising trade deficits in energy products, and a sluggish recovery in the tourism sector. However, this follows several years of external net deleveraging. Through 2025, high inflows from the previous and current EU Multiannual Financing Frameworks (EU MFFs) as well as additional funds from the NextGenerationEU recovery package (NGEU) instrument will provide a solid backdrop for firming up economic growth. The ratings are constrained by the country's moderate GDP per capita in a global comparison and remaining structural institutional impediments.

Institutional and economic profile: Direct and indirect effects from the war in Ukraine will be significant for Bulgaria's economy

- We believe the economic effects of the current gas cuts will be manageable through ongoing supply diversification efforts and low, but sufficient, gas reserves for the next few months.
- We have cut our economic growth estimate for Bulgaria to 1.6% from 4.3% at the beginning of the year, given the various direct and indirect economic effects of the Russia-Ukraine conflict on its economy.
- Frictions within the new government appear high, but we expect the coalition will remain intact over next few months, also given the lack of a political alternative.

Russia's decision to discontinue gas deliveries to Bulgaria on the grounds of payment disputes poses a challenge for Bulgarian policymakers. However, we believe the situation is manageable, without supply disruptions (natural gas represented about 14% of Bulgaria's overall energy mix in 2020) because the agreed imports of liquified natural gas, existing alternative suppliers (such as Azerbaijan), and low but sufficient gas reserves will cover demand over the next few months and beyond. Ongoing supply diversification, including through an interconnector to a new liquid natural gas terminal in northern Greece, will enable the country to attain sufficient gas supply, including through joint purchasing with other EU member states, in the future. Downside risks remain and gas supply shortages would particularly be felt in specific sectors such as pharmaceuticals, cement, and glass. At the same time, we note that to date gas supply to consumers has not been affected.

Nevertheless, the direct and indirect impact of the conflict in Ukraine on Bulgaria's economy will be significant, which is why we have cut our real GDP growth forecast by more than half from our forecast at the beginning of the year, from 4.3% to currently 1.6%. Bulgaria has higher direct trade exposure to Russia and Ukraine than many other Central and Eastern European (CEE) countries, through energy commodity imports as well as gas. Importantly, the share of Russian and Ukrainian travel-related (including tourism) revenue is about 13% of the total and the geographic proximity of the country to the conflict zone might further deter visitors from other countries. High energy and food prices add to already elevated inflation levels, which limits disposable income and therefore consumption. This is also visible in markedly reduced consumer and business confidence indicators over the past few months. Lastly, Bulgaria's economy will also suffer from lower economic activity in its most important trading partners across the European Union (EU).

On the positive side, we note that the economic recovery in 2021 was particularly strong, as real GDP almost achieved 2019 levels following the sharp contraction caused by the pandemic in 2020. Additionally, the influx of Ukrainian refugees represents a temporary relief for the tight labor market and will boost demand.

Over the medium term, we expect investments, backed by EU funds, will provide a solid backdrop for growth. The European Commission (EC) and the Council of the European Union have recently approved Bulgaria's national strategy for the Recovery and Resilience Facility (RRF), unlocking €6.3 billion of Bulgaria's grants envelope. The first tranche of these funds, about €2.6 billion, will arrive this year. These funds, combined with funding from the 2014-2020 and 2021-2027 MFFs, will also underpin what we believe is a solid medium-term growth outlook.

In our view, NGEU funds alone will raise Bulgaria's GDP by 2.5%-6.0% by 2026 (see "Next Generation EU Will Shift European Growth Into A Higher Gear," published April 27, 2021), depending on the speed of absorption and efficiency of use, making Bulgaria one of the highest beneficiaries per capita. We estimate that Bulgaria is still eligible for EU grants totaling about €30 billion, which is slightly below 40% of estimated 2022 GDP, over the period to 2027, with potential absorption of these funds extending to 2030. Despite our expectation that Bulgaria will improve its utilization of EU transfers, its track record suggests that it could be difficult for the country to use the full amount of the funds available to it over the next few years.

We think demographics could hamper potential growth over the medium term because the labor force continues to shrink due to aging and some emigration. The arrival of Ukrainian refugees will only represent a temporary relief in our view. Before the pandemic, Bulgaria's labor force was decreasing by around 1% a year. At this point, we do not expect a significant return of Bulgarian workers over the next few years or a great change to this overall trend. This highlights the need for continued reform efforts, for example, through measures that address skill mismatches, improve the business environment, spur income growth, and ultimately help slow net emigration over the medium term.

We think it could prove difficult to implement such structural reforms, given Bulgaria's political environment, which has recently been characterized by high political fragmentation and volatility. In November 2021, Bulgaria held its third parliamentary election of that year, after failing to form a viable government following the previous two elections in April and July. The resulting government coalition is not politically aligned, which has contributed to visible frictions between members of the government. That said, we expect the coalition will hold over the next several months, mostly because of a lack of political alternatives. We cannot exclude the possibility of a minority government. Overall, we expect the decision-making process to remain complicated and unstable over the coming years.

Bulgaria's EU membership and eurozone accession have consensus across the political spectrum. The political environment is therefore unlikely to impede progress on eurozone accession; in fact, the government has maintained the goal of eurozone accession in 2024. We believe the most critical factor will be the political willingness of existing eurozone member states to accept new members. We think EU membership provides an important policy anchor for Bulgaria. In our view, some EU institutions could continue to highlight the necessity for structural reforms related to specific deficiencies regarding the rule of law in Bulgaria, particularly since such assessments can be tied to the transfer of EU funds. However, we do not expect such obstacles over the next few years, given Bulgaria's record of adhering to the EU's recommendations in the past and its uncontentious relations with the EC. The inclusion of the Bulgarian lev in the ERM II and the country's accession to the Single Supervisory Mechanism involves strengthening insolvency proceedings, state-owned enterprise management, nonbanking supervision, and anti-money-laundering processes, as part of ERM II post-entry commitments following the preconditions set by the Eurogroup (EU finance ministers). We expect continuous progress on these items in the next few years.

Flexibility and performance profile: Finding the right policy mix against high inflation will be particularly difficult in the case of Bulgaria

- Inflation levels rose to 12.1% in April due to high energy and food prices, but also because of rising core inflation.
- We expect fiscal deficits will climb further, after already elevated levels during the pandemic, although general government debt still remains low in a global comparison.
- The currency board with a fixed exchange rate of the Bulgarian lev vis-à-vis the euro provides economic stability, but effectively constrains the Bulgarian National Bank's (BNB's) monetary policy options.

In line with global trends, inflation (harmonized index of consumer prices; HICP) has recently increased sharply in Bulgaria, to 12.1% in April. In fact, HICP inflation was already elevated before the war in Ukraine. Energy and food prices (and related items, such as transportation) have the highest contribution to headline inflation, but core inflation is also high. We expect inflationary pressures to persist in the second and third quarter of this year, before abating, resulting in about 11.5% HICP annual average inflation for the full year. We expect inflation will lose most of its momentum in the course of 2023, before converging to slightly above 2% in the medium term.

The government's efforts to keep energy and electricity prices largely stable for much of the private sector, a series of anti-inflationary measures, and the extension of some of the pandemic support measures into 2022 will likely result in a fiscal deficit of almost 5% of GDP. This is despite strongly rising tax revenue, which benefits from inflation and the strong labor market. This follows already substantial deficits in 2020 and 2021, at about 4% of GDP each, mostly on the back of fiscal support extended during the pandemic in the form of labor market support, additional health expenditure, and increased social spending.

We expect deficits will decrease over the medium term. We believe the new government will continue to comply with the country's established fiscal rules, which require balanced budget targets over the medium term. At the same time, we consider that Bulgaria has built a very credible record of tight fiscal management, not least fostered by the currency board, which resulted in general government surpluses over 2016-2019.

Following two years of elevated deficits during the pandemic, net general government debt has reached 16% of GDP. Authorities therefore still retain ample fiscal policy space and, given the fiscal trajectory, we expect net debt will increase to a mere 21% of GDP in 2025. In addition to a highly liquid domestic banking system and access to financing instruments at the EU level, the current credible monetary policy arrangements have allowed Bulgaria to tap the deep eurozone capital markets at very favorable terms over recent years, which has more than halved the effective interest rate on government debt over the past 10 years. As a result, slightly below 70% of Bulgaria's debt was denominated in euros at end-2021 and over a third is held by nonresidents.

The government provided interest-free loans to some entities in the electricity sector in the past and continues to subsidize it. However, the authorities have reduced their direct liability to the sector, and we do not expect financial pressures to arise over the next few years, despite the challenges burdening the energy sector in general.

Bulgaria's central bank has been operating under a currency board since 1997, which provides macroeconomic stability, but, in our view, effectively limits the BNB's monetary policy flexibility, also against the current inflation outlook. As a response to the pandemic, BNB introduced specific macroprudential measures, aimed at further strengthening the capital and liquidity position of the banking system, which since April 2022 have been reversed. Under the currency board BNB guarantees the convertibility of the lev into euros and vice versa at a fixed exchange rate. Therefore, for our measure of usable reserves, we subtract the country's monetary base.

Over the past two decades, authorities have accumulated fiscal and external buffers to underpin their commitment to the fixed exchange rate regime. That commitment has not wavered despite a series of external and domestic political shocks over the same period. The BNB Law allows the provision of liquidity support to the banking system only to the extent that the BNB's foreign currency reserves exceed its monetary liabilities.

The lev was included in the ERM II and Bulgaria joined the European Banking Union in 2020. The ERM II represents the waiting room for eurozone membership. The ultimate decision on membership lies with the eurozone's finance ministers, the Eurogroup, and the EU Council. In assessing the viability of new candidate countries, the so-called "convergence criteria" is used, some of which appear challenging to achieve, particularly the so-called inflation criteria. It remains uncertain whether the current extraordinary circumstances will represent a viable exception in the assessment of the fulfillment of the convergence criteria. In addition, political considerations outside Bulgaria's control could have an influence. This makes the government's declared goal of joining the eurozone in 2024 seem ambitious.

The terms-of-trade shock through energy prices and the challenging outlook for tourism, a sector representing 37.5% of services export receipts in 2019, will send Bulgaria's current account into a sizable deficit this year of about 3.7% of GDP, after several years of positive or balanced current accounts. However, as terms of trade and tourism recover over the next several years, they will counteract rising imports relating to EU-funded investments and strong domestic demand, thereby narrowing current account deficits in the medium term. The continuous inflow of EU funds, some of which flow through the capital account, and net foreign direct investment, will curb the necessity for net external debt borrowing. We therefore expect Bulgaria will retain its strong external position, which was characterized by significant net external deleveraging during the years before the pandemic. Although decreasing, Bulgaria's liquid external assets will continue to exceed external debt significantly, by about 20% of current account payments until 2025. We expect external liquidity will remain at comfortable levels, with annual gross external financing needs only slightly more than 100% of current account receipts and usable reserves over the coming years.

In general, Bulgaria's banking sector is profitable, very liquid, and adequately capitalized, which is why we believe it does not pose a contingent liability for the government. The direct exposure to Russia and Ukraine is rather limited, and indirect exposure exists only through parent banks, but such risks are also limited (see "The Russia-Ukraine Conflict: European Banks Can Manage The Economic Spillovers, For Now," published April 21, 2022). With the transposition of the EU Banking Resolution and Recovery Directive in 2015, the resolution of a failed bank will necessitate a bail-in of shareholders and certain creditors to bear first losses, and then--if necessary, and under certain conditions--the Single Resolution Fund operating within the framework of the Single Resolution Mechanism, which Bulgaria joined in 2020. Only after exhausting these options and in an extraordinary situation of a systemic crisis would a bank be able to resort to government support. The BNB has consistently implemented measures to ensure the stability of banks (including subsidiaries); these include measures to strengthen their liquidity and capital buffers.

Key Statistics

Table 1

Bulgaria--Selected Indicators

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Economic indicators (%)										
Nominal GDP (bil. BGN)	95	103	110	120	120	133	148	164	174	184
Nominal GDP (bil. $)	54	59	66	69	70	80	84	95	104	110
GDP per capita (000s $)	7.5	8.3	9.4	9.8	10.1	11.6	12.1	13.9	15.2	16.2
Real GDP growth	3.0	2.8	2.7	4.0	(4.4)	4.2	1.6	2.8	3.2	3.2
Real GDP per capita growth	3.7	3.5	3.4	4.8	(3.7)	4.7	2.1	3.3	3.8	3.8
Real investment growth	(6.6)	3.2	5.4	4.5	0.6	(11.0)	2.3	9.0	5.0	5.0
Investment/GDP	19.0	19.8	21.2	21.0	20.3	19.6	20.1	20.5	20.7	20.8
Savings/GDP	22.0	23.1	22.2	22.9	20.3	19.2	16.4	17.8	19.1	19.2
Exports/GDP	63.9	67.0	65.7	63.9	55.3	63.0	63.0	62.8	63.2	63.9
Real exports growth	8.6	5.8	1.7	4.0	(12.1)	9.9	1.6	5.0	4.5	4.5
Unemployment rate	8.6	7.2	6.2	5.2	6.1	5.3	5.1	4.8	4.6	4.6
External indicators (%)										
Current account balance/GDP	3.1	3.3	0.9	1.9	(0.1)	(0.4)	(3.7)	(2.7)	(1.6)	(1.6)
Current account balance/CARs	4.3	4.4	1.3	2.6	(0.1)	(0.6)	(5.2)	(3.9)	(2.2)	(2.2)
CARs/GDP	71.3	74.8	73.0	71.0	63.1	70.9	70.9	70.7	71.3	72.1
Trade balance/GDP	(2.0)	(1.5)	(4.8)	(4.7)	(3.2)	(4.9)	(7.1)	(7.3)	(7.6)	(7.8)
Net FDI/GDP	1.2	2.5	1.3	2.0	4.6	1.7	1.5	1.8	1.8	1.7
Net portfolio equity inflow/GDP	(0.2)	(0.8)	(0.8)	0.7	(1.8)	(1.9)	(0.8)	(0.8)	(0.8)	(0.7)
Gross external financing needs/CARs plus usable reserves	104.9	98.4	102.4	101.8	105.0	104.4	107.2	108.3	110.5	112.8

Table 1

Bulgaria--Selected Indicators (cont.)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Narrow net external debt/CARs	(15.0)	(21.3)	(25.1)	(28.5)	(41.4)	(35.3)	(30.3)	(24.9)	(21.0)	(19.2)
Narrow net external debt/CAPs	(15.7)	(22.3)	(25.4)	(29.2)	(41.4)	(35.1)	(28.8)	(24.0)	(20.5)	(18.8)
Net external liabilities/CARs	61.4	59.1	47.4	41.0	44.2	23.2	25.7	24.4	24.6	24.0
Net external liabilities/CAPs	64.2	61.8	48.0	42.1	44.1	23.0	24.4	23.5	24.1	23.4
Short-term external debt by remaining maturity/CARs	26.7	23.6	24.4	23.2	25.9	21.7	21.0	19.1	18.2	17.8
Usable reserves/CAPs (months)	2.1	2.6	2.5	2.3	2.4	2.0	2.0	1.6	1.1	0.7
Usable reserves (mil. $)	9,315	9,790	9,012	8,835	9,692	10,469	9,113	6,674	5,060	3,903
Fiscal indicators (general government; %)										
Balance/GDP	0.3	1.6	1.7	2.1	(4.0)	(4.1)	(4.9)	(2.9)	(1.7)	(1.4)
Change in net debt/GDP	(0.3)	(1.4)	(1.4)	0.3	4.8	2.4	3.6	3.2	2.0	1.6
Primary balance/GDP	1.2	2.4	2.4	2.7	(3.5)	(3.6)	(4.4)	(2.4)	(1.2)	(0.9)
Revenue/GDP	35.1	37.1	38.7	38.4	38.1	39.0	39.0	39.0	39.0	39.0
Expenditures/GDP	34.8	35.4	37.0	36.3	42.0	43.1	43.9	41.9	40.7	40.4
Interest/revenues	2.5	2.2	1.7	1.4	1.4	1.3	1.2	1.2	1.3	1.3
Debt/GDP	29.1	25.1	22.1	20.0	24.7	25.1	24.7	25.9	26.4	26.6
Debt/revenues	82.9	67.7	57.1	52.1	64.8	64.3	63.5	66.5	67.7	68.1
Net debt/GDP	15.8	13.3	11.0	10.3	15.1	16.1	18.0	19.5	20.4	20.9
Liquid assets/GDP	13.3	11.8	11.1	9.7	9.6	9.0	6.7	6.4	6.0	5.7
Monetary indicators (%)										
CPI growth	(1.3)	1.2	2.6	2.4	1.2	2.9	11.5	7.5	2.5	2.5
GDP deflator growth	3.3	4.8	4.2	5.2	4.2	6.2	10.1	7.5	2.7	2.5
Exchange rate, year-end (BGN/$)	1.86	1.63	1.71	1.74	1.59	1.73	1.78	1.70	1.68	1.68
Banks' claims on resident non-gov't sector growth	1.8	4.5	8.9	9.7	4.6	8.8	5.0	5.0	5.0	5.0
Banks' claims on resident non-gov't sector/GDP	54.3	52.7	53.6	53.7	56.4	55.5	52.1	49.5	48.9	48.6
Foreign currency share of claims by banks on residents	29.0	25.3	23.6	23.5	20.4	18.7	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	38.7	36.9	35.9	34.6	36.1	34.1	N/A	N/A	N/A	N/A
Real effective exchange rate growth	0.2	1.1	3.3	0.5	2.8	1.2	N/A	N/A	N/A	N/A

Sources: Eurostat (Economic Indicators), Bulgarian National Bank (External Indicators), Eurostat (Fiscal Indicators), and Bulgarian National Bank, IMF (Monetary Indicators).

Adjustments: Usable reserves adjusted by subtracting monetary base from reported international reserves.

Table 1

Bulgaria--Selected Indicators (cont.)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. BGN--Bulgarian lev. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Bulgaria--Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	4	Reduced predictability of future policy responses, for example, in episodes of heightened political volatility. Transparency and checks and balances can at times be hampered.
Economic assessment	4	Based on GDP per capita (US$) and growth trends as per Selected Indicators in Table 1.
External assessment	2	Based on narrow net external debt and gross external financing needs/(CAR + usable reserves) as per Selected Indicators in Table 1.
Fiscal assessment: flexibility and performance	2	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1.
Fiscal assessment: debt burden	1	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per Selected Indicators in Table 1.
		Over 70% of gross government debt is denominated in foreign currency.
Monetary assessment	5	The lev has been fixed to the euro via a currency board.
		The Bulgarian National Bank (BNB) has been successful in maintaining a currency board, supported by political commitment to prudent fiscal policies. As per its charter--and according to the currency board regime under which it operates--the BNB's ability to act as a lender of last resort is limited.
Indicative rating	bbb-	As per Table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	1	A change in the external assessment could lead to a multi notch change in the indicative rating. A quicker reversal of the terms of trade shock, a stronger recovery of the export base, or a further increase in reserve levels could result in an improvement of the external score.
Sovereign credit rating		
Foreign currency	BBB	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.

Table 2

Bulgaria--Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
Local currency	BBB	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Global Sovereign Rating Trends: First-Quarter 2022, April 13, 2022
- Sovereign Ratings Score Snapshot, May 9, 2022
- Sovereign Ratings List, May 6, 2022
- Sovereign Ratings History, May 6, 2022
- Default, Transition, and Recovery: 2021 Annual Global Sovereign Default And Rating Transition Study, May 4, 2022
- Sovereign Risk Indicators, April 11, 2022; a free interactive version is available at http://www.spratings.com/sri
- Banking Industry Country Risk Assessment Update: April 2022, April 26, 2022
- Sovereign Debt 2022: Borrowing Will Stay High On Pandemic And Geopolitical Tensions, April 5, 2022
- Sovereign Debt 2022: Borrowing Will Stay High On Pandemic And Geopolitical Tensions, April 5, 2022
- The Russia-Ukraine Conflict: European Banks Can Manage The Economic Spillovers, For Now, April 21, 2022

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed	
Bulgaria	
Sovereign Credit Rating	BBB/Stable/A-2
Transfer & Convertibility Assessment	A
Senior Unsecured	BBB

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; or Stockholm (46) 8-440-5914