

LIFE-LONG PENSION PAYMENTS FUND DOVERIE

ANNUAL ACTIVITY REPORT

ANNUAL FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED

31 DECEMBER 2023

with INDEPENDENT AUDITORS' REPORT thereon

LIFE-LONG PENSION PAYMENTS FUND DOVERIE

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ANNUAL ACTIVITY REPORT

1. Organization, activity and performance of the Life-long Pension Payments Fund Doverie

1.1. Organization and subject of activity

Life-long Pension Payments Fund Doverie (The Fund, LPPF Doverie, LPPF) was established by a decision of the Management Board of Pension Assurance Company Doverie (PAC Doverie, the Company) on September 20, 2021. It is entered in the register under Art. 30, para. 1, item 13 of the Financial Supervision Commission Act (FSC) with Decision № 712 - LPPF of 28 September 2021 of the FSC and shall be deemed established by the enactment of that decision. The Fund is entered in the BULSTAT register with a unique identification code 177525862. The seat of PAC Doverie AD and the Fund for Deferred Payments Doverie is in Sofia, Izgrev district, and the address of management is Sofia, 1113, 13B Tintyava Str., ent. A, 7th floor.

The Life-long Pension Payments Fund Doverie shall be established for an indefinite period.

The Fund is an independent legal entity, represented and managed by Pension Assurance Company Doverie (PAC Doverie, the Company), represented jointly by two of its Executive Officers or by an Executive Officer and the Chairman of the Management Board of the Company.

The Life-long Pension Payments Fund is formed by:

- the transferred funds from the individual accounts in the general pension fund of the persons to whom the life-long payment has been determined;
- the transferred funds from the reserve for guaranteeing the life-long payments maintained by the pension assurance company, in cases when the amount of the Fund's assets is lower than the amount of liabilities to the pensioners and their heirs; and
- the transferred funds, when the insured person or pensioner has no heirs; and
- the income from investing the Fund's assets.

The Fund pays life-long payments and the amounts due to the heirs of the deceased who received such payments. The Fund's expenses include: expenses for the payment of deferred payments in the country (but not more than BGN 1 per transaction); expenses for acquisition and sale of its assets, as well as a fee related to the management of the Fund, payable to the Company.

As at 31 December 2023, the Fund paid pensions to 644 members (31.12.2022 - 299 members).

1.2 Pensioners

As of 31 December 2023, the number of pensioners in the LPPF Doverie is 644 (299 as of 31 December 2022), which represents 24.47% (according to preliminary data of the FSC) of all pensioners in life pension funds in Bulgaria (25.25% as of 31 December 2022).

	<u>2023 r.</u>	<u>2022 r.</u>	<u>Change</u>
Members	644	299	115.38%

ANNUAL ACTIVITY REPORT, CONTINUED**1. Organization, activities, and performance of the Life-long Pension Payments Fund Doverie, continued****1.3. Transferred funds**

In 2023, to LPPF Doverie a total amount of TBGN 6,822 was transferred from GPF Doverie from the pension contracts concluded for life-long payments (TBGN 3,850 from the establishment of the Fund until 31.12.2022).

The funds transferred from the GPF and the DPF to the LPPF Doverie for the period when an assured member or pensioner has no heirs amount to TBGN 21 (from the establishment of the Fund until 31.12.2022 - TBGN 19).

Transferred funds from GPF Doverie	2023	2022	Change
of pensioners	6 822	3 850	77.19%
of members without heirs	21	19	10.53%

1.4. Disbursed funds

The total disbursement from the Fund in 2023 is TBGN 991. Of the total disbursements, TBGN 4 were paid to heirs of deceased pensioners.

1.5. Risk Management

The managing company PAC Doverie AD manages the risks that the Fund is exposed to, and information about the management of those risk is presented in the Annual activities report part of the financial statements of PAC Doverie AD as of and for the year ended 31 December 2023.

2. Financial activity**2.1. Income and expenses from transactions with financial assets and instruments**

As a result of the transactions with securities held for trading and their monthly revaluation at their fair value, the Fund has generated revenues of TBGN 1,846 and incurred expenses of TBGN 741 (from the inception of the Fund until 31.12.2022 revenues of TBGN 1,592 and expenses of TBGN 867).

2.2. Fund expenses*Net asset management fee*

Pension Assurance Company "Doverie" AD collects a statutory fee in connection with the management of the Fund, set out in the SSC and the rules of the Fund. In 2023, the fee for the management of net assets amounts to TBGN 42 (31.12.2022 - TBGN 17).

Expenses for payment of pensions

The costs for payment of life-long pensions in the amount of those actually incurred at the expense of the Fund (but not more than BGN 1 per transaction) for the period from the inception of the Fund to 31 December 2022 is approximately BGN 500 immaterial due to the terms agreed with banks. In 2023 the costs remain immaterial at BGN 1,127.48.

ANNUAL ACTIVITY REPORT, CONTINUED**3. Portfolio structure analysis****3.1 Current accounts**

Cash in current accounts as at 31 December 2023 amounted to TBGN 10,231 (31 December 2022 - TBGN 4,848). All current accounts are subject to an individual cash management agreement with the custodian bank.

3.2. Corporate bonds of Bulgarian issuers

The relative share of corporate bonds of domestic issuers is 0.64% of the value of assets at 31 December 2023 (31 December 2022 - 1.76%).

3.3. Government bonds issued by foreign issuers

The relative share of debt securities from foreign issuers is 14.76% of the value of assets as at 31 December 2023 (31.12.2022 - 9.47%).

3.4. Bank deposits

At the end of 2023, the Fund has an exposure to bank deposits of 1.95% of its assets.

4. Estimated liabilities to pensioners and heirs of the Fund

The responsible actuary of PAC Doverie AD calculates as of the reporting date the expected liabilities to the pensioners arising from the concluded contracts, as well as the liabilities to the heirs of the deceased persons. These calculations, together with the required amount of funds required to cover them, shall be certified in the Fund's annual actuarial report as at 31 December each year.

The table below presents the liabilities to retirees and heirs, according to the report prepared by the responsible actuary, and their discounted present value, as well as the excess of available net assets.

	<u>31.12.2023</u>	<u>31.12.2022</u>	<u>31.12.2023</u>	<u>31.12.2022</u>
	BGN'000	BGN'000	BGN'000	BGN'000
	Value before discounting		Value after discounting	
Present value of liabilities to the previous year	4,787	1,258	3,896	1,258
Effect of discounting	-	-	(1,876)	(891)
Present value of liabilities at year-end	11,222	4,787	9,346	3,896
Surplus of net assets available for payment of benefits in excess of actuarial present value	1,151	673	3,027	1,564

In addition, the funds set aside in the statement of financial position of PAC "Doverie" AD from the reserve for guaranteeing the payment of life-long pensions to pensioners of the Fund amount to TBGN 618 as of 31 December 2023 (unchanged from 2022).

ANNUAL ACTIVITY REPORT, CONTINUED

5. Regulatory requirements

According to the requirements of SSC and Ordinance №9 / 19 November 2003 on the manner and procedure for valuing the assets and liabilities of the pension assurance company and the funds managed by it, the value of the net assets of the funds, for calculating and declaring the value of one unit, for calculation and comparison of the return on investment properties and for the requirements for keeping individual accounts and analytical accounts in a deferred payment fund (Ordinance 9), issued by the FSC Chairman, the valuation of assets and liabilities of a payment fund is carried out by the pension assurance company at the end of each month.

The value of the net assets of LPPF Doverie as of 31 December 2023 is TBGN 12,373 (31 December 2022 - TBGN 5,460).

Each disbursement fund should be available at the end of each month:

- liquid assets (such as cash on hand, cash on current and deposit accounts and payable on demand in banks, government debt securities with a residual maturity of not more than one year and other low-risk debt securities and shares) not less than the payments due to pensioners and their heirs and his other current liabilities for the next 6 months;
- highly liquid assets (such as cash on hand and cash on current accounts) in the amount not less than the payments due to pensioners, respectively the persons receiving deferred payments under Art. 167a, para. 1 of SSC, and their heirs and his other current obligations for the next month.

As at 31 December 2023, these requirements have been met for the LPPF Doverie.

6. Events after the reporting period date

Economic conditions and macro events

There are no significant events after the reporting date that influence the financial statements as of December 31, 2023.

ANNUAL ACTIVITY REPORT, CONTINUED

7. Responsibilities of Management

In accordance to the Bulgarian legislation, management should prepare a financial statement for each financial year that gives an accurate and fair view of the Company's status as of the end of the reporting period and its financial results. The management has prepared these financial statements in accordance with International Financial Reporting Standards (IFRS) adopted in the European Union.

The management confirms that it has consistently applied an adequate accounting policy and that the preparation of the financial statements as of 31 December 2023 complies with the precautionary principle.

The management also confirms that it has adhered to the current IFRSs and the financial statements are prepared on a going concern basis.

The management is responsible for the correct keeping of the accounting registers, for the proper management of the assets and for taking the necessary measures to avoid and detect possible abuses and other irregularities.

These financial statements were approved by the Management Board of the Company on 25 March 2024.

The financial statements have been approved by the Management Board and signed on behalf of the management by:



Miroslav Krumov Marinov
Executive Director





Kiril Konstantinov Georgiev
Executive Director

25 March 2024

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PAYMENT OF BENEFITS
for the year ended 31 December**

	Note	2023 BGN'000	2022 BGN'000
Investment income			
Interest income	11	257	24
Net gains (losses) from Bulgarian financial instruments designated at fair value through profit or loss	11	37	(8)
Net gains (losses) from foreign financial instruments designated at fair value through profit or loss	11	811	709
Funds transferred to the Fund			
Funds transferred from the General Pension Fund under pension contracts concluded	1.2	6,822	3,850
Funds transferred from the General Pension Fund and the Deferred Payments Fund from deceased members without heirs	1.2	21	19
Total increase in net assets available for payment of benefits		7,948	4,594
Payments of benefits			
Payments to pensioners and their heirs	1.2	(991)	(408)
Management and transaction expenses			
Net asset management fee expenses	10	(42)	(17)
Transaction expenses for pension payments		(2)	-
Total decrease in net assets available for payment of benefits		(1,035)	(425)
Net increase in net assets available for payment of benefits		6,913	4,169
NET ASSETS OF THE FUND AT 31.12.2022		5,460	1,291
NET ASSETS OF THE FUND AT 31.12.2023		12,373	5,460

The notes on pages 3 to 36 are an integral part of the financial statements.

Tatyana Krasimirova Koleva
Prepared by

Miroslav Krumov Marinov
Executive Director

Kiril Konstantinov Georgiev
Executive Director

In accordance with an Independent Auditors' Report:

For PricewaterhouseCoopers Audit OOD

For Crowe Bulgaria Audit EOOD

Jock Nunan
Prosecutor
27 March 2024

Gyulyay Rahman
Statutory manager
27 March 2024

Boryana Dimova
Registered auditor, responsible for the audit
27 March 2024

Georgi Kaloyanov
Registered auditor, responsible for the audit
27 March 2024

Annual Financial Statement for the year ended 31 December 2023

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.

LIFE-LONG PENSION PAYMENTS FUND DOVERIE

STATEMENT OF NET ASSETS AVAILABLE FOR PAYMENT OF BENEFITS
for the year ended 31 December

	Note	2023 BGN'000	2022 BGN'000
ASSETS			
Cash and cash equivalents	8.2	10,232	4,848
Securities issued by Bulgarian issuers	8.1	79	97
Securities issued by foreign issuers	8.3	1,826	517
Bank deposits	8.4	241	-
TOTAL ASSETS		12,378	5,462
LIABILITIES			
Liabilities to the management company	8.5	5	2
TOTAL LIABILITIES		5	2
NET ASSETS AVAILABLE FOR PAYMENT OF BENEFITS			
		12,373	5,460
ACTUARIAL PRESENT VALUE OF THE LIABILITIES TO PENSIONERS AND HEIRS, incl.			
	15	9,346	3,896
Unconditionally acquired		9,346	3,896
SURPLUS OF NET ASSETS AVAILABLE FOR PAYMENT OF BENEFITS IN EXCESS OF ACTUARIAL PRESENT VALUE			
	15	3,027	1,564

The notes on pages 3 to 36 are an integral part of the financial statements.

Tatyana Krasimirova Koleva
Prepared by

Miroslav Krumov Marinov
Executive Director

Kiril Konstantinov
Georgiev
Executive Director



In accordance with an Independent Auditors' Report:

For PricewaterhouseCoopers Audit OOD

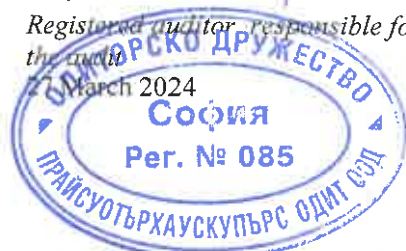
Jock Nunan
Prosecutor
27 March 2024

For Crowe Bulgaria Audit EOOD

Gyulyay Rahman
Statutory manager
27 March 2024

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Registered auditor responsible for the audit
27 March 2024



Georgi Kaloyanov

Registered auditor responsible for the audit
27 March 2024



Annual Financial Statement for the year ended 31 December 2023

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.

NOTES TO THE FINANCIAL STATEMENTS

1. Organisation, activity and performance of the Doverie Life Pension Fund

1.1. Organization

Life-long Pension Payments Fund Doverie (The Fund, LPPF Doverie, LPPF) was established by a decision of the Management Board of Pension Assurance Company Doverie (PAC Doverie, the Company) on September 20, 2021. It is entered in the register under Art. 30, para. 1, item 13 of the Financial Supervision Commission Act (FSC) with Decision № 712 - LPPF of 28 September 2021 of the FSC and shall be deemed established by the enactment of that decision. The Fund is entered in the BULSTAT register with a unique identification code 177525862. The seat of PAC Doverie AD and the Fund for Deferred Payments Doverie is in Sofia, Izgrev district, and the address of management is Sofia, 1113, 13B Tintyava Str., ent. A, 7th floor.

The Fund is established for an indefinite period.

The Fund is an independent legal entity, represented and managed by Pension Assurance Company Doverie (PAC Doverie, the Company), represented jointly by two of its Executive Officers or by an Executive Officer and the Chairman of the Management Board of the Company.

The activity of PAC Doverie on payment of life-long payments from the Life-long Pension Payments Fund Doverie is regulated in Rules (The Rules), which are published on the corporate website of the Company (www.poc-doverie.bg).

1.2. Business and results

Pension Assurance activity

The Pension Insurance Company, through LPPF Doverie, provides the following types of pensions:

- life-long pension without additional conditions;
- life-long pension with a period of guaranteed payment (at the person's choice, between 2 and 10 years);
- life-long pension, including deferred payment of part of the funds until reaching the age chosen by the pensioner.

When the amount of the funds on the individual account of the insured person, accumulated on the date of determining the pension, is greater than the amount of the gross amount of the transferred insurance contributions for the respective person and at his request, the pension assurance company is obliged to offer payment of Supplementary life-long pension with a guaranteed amount equal to the amount of the first pension, calculated on the basis of the accumulated funds on the individual account. For this purpose, a risk factor approved by the FSC shall be applied and shall be granted only if its guaranteed amount is higher than that under Art. 169, para. 3 of the Social Security Code (SSC). If possible and the person chooses a supplementary life-long pension with a guaranteed amount, he/she must additionally indicate in the pension contract its type according to the options above.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**1. Organization, activities and performance of the Lifetime Pension Benefit Fund, continued****1.2. Business and results, continued***Pension Assurance activity, continued*

The persons with newly granted pensions for 2023 total 347 (2022 - 216), distributed by selected products, as follows:

	Pensioners as of 31.12.2023	Members with newly granted pensions	Pensioners as of 31.12.2022
Life-long pension without additional conditions	35	19	16
Life-long pension with guaranteed payment period	113	59	55
Life-long pension including deferred payout	496	269	228
Total	644	347	299

In 2022, two pensioners have passed away.

The Fund for Life-long Pension Payments is formed by:

- the transferred funds from the individual accounts in the general pension fund of the persons to whom the life-long payment has been determined;
- the transferred funds from the life-long payments guarantee reserve maintained by the pension assurance company, in cases when the amount of the Fund's assets is lower than the amount of liabilities to the pensioners and their heirs; and
- the transferred funds, when the insured person or pensioner has no heirs; and
- the income from investing the Fund's assets.

In 2023, a total amount of TBGN 6,822 (TBGN 3,850 as at 31.12.2022) has been transferred to LPPF Doverie from the GPF under pension contracts.

The funds transferred from the GPF and the DPF to the LPPF Doverie for the period when an assured member or pensioner has no heirs amount to TBGN 21 (as of 31.12.2022 - TBGN 19). The total funds paid to pensioners in 2023 are TBGN 991 (31.12.2022 - TBGN 408), including TBGN 4 funds to heirs of deceased pensioners.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

1. Organization, activities and performance of the Lifetime Pension Benefit Fund, continued

1.2. Business and results, continued

Annual update

The granted life-time payments are updated annually, starting from the first day of April, and their guaranteed amount does not change.

The supplementary life-long pension will be updated by not less than 50% of the positive difference between the realized return on investment of the Fund during the period covered by the update and the technical interest rate on which it is based. Its size is calculated on an annual basis. The specific percentage, within the limit, is determined by the Management Board of PAC Doverie.

Each life-long pension under an active pension contract as of March 31 of the respective year is updated with a percentage calculated based on the decision of the Management Board and depending on the number of days during which the pensioner's funds, for the update period, were managed in the Fund, and for equalizing the same base and accounting for the time of management in the Fund, an interest rate convention is used (actual number of days of management in the Fund/number of days in the update period).

The amount of the additional lifetime pension for old age can be reduced as a result of an update, only after spending the funds from the analytical account, accounting for the part of the income with which the update of the lifetime pensions was not carried out and cannot be lower than its guaranteed amount specified in the pension contract.

In 2023, an update was made to life-long pensions with an income of TBGN 504 (2022 update was TBGN 50).

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**1. Organization, activities and performance of the Lifetime Pension Benefit Fund, continued****1.2. Business and results, continued***Investments, investment policy and profitability*

The objectives, requirements and limitations of the investment policy of LPPF Doverie are set out in the Rules.

The main goal of the Fund's investment policy is to maintain and increase, in nominal terms, the pensions paid and the amounts due to the heirs of deceased pensioners in the medium and long term, by achieving a return on investment exceeding the Fund's costs and the approved technical interest rate, at a given moderate degree of risk.

The Fund achieves its investment objectives by maintaining a conservative investment portfolio at a low, to moderate, level of risk. As the liabilities of the Fund are long-term, the time horizon of the portfolio is relatively long - up to 20 years. The long-term nature of the funds accumulated in the LPPF, the early stage of its development and the growing number of new retirees, lead to significantly higher cash inflows than outflows and low current level of liquidity needs. The need for current liquidity is determined monthly, from the forthcoming outgoing and incoming cash flows related to the investment activity of the Fund, possible changes in the regulations, as well as from forthcoming payments to pensioners and their heirs.

According to SSC and the Rules, the eligible investment instruments are as follows:

Investment instrument	Limitations	Notes
1. Debt securities, issued or guaranteed by:		
1.1. Member States or the central banks thereof	No limits	Up to 20% of the outstanding amount of the bond issue
1.2. the European Central Bank or by the European Investment Bank	No limits	Up to 20% of the outstanding amount of the bond issue
1.3. states, indicated in an ordinance of the Financial Supervision Commission, or by their central banks, admitted to trading on regulated securities markets in Member States or admitted to trading on an official market of a stock exchange, or other organized market in a third state, operating regularly and is, recognized and open to the public	No limits	a) No limits for securities with an investment credit rating from a single issuer b) Up to 5% in the securities without an investment credit rating from a single issuer c) Up to 20% of the outstanding amount of the bond issue
1.4. states or the central banks thereof other than those referred to in point 1.3, admitted to trading on regulated securities markets in Member States	Up to 10%	a) Up to 5% in the securities from a single issuer b) Up to 20% of the outstanding amount of the bond issue
1.5. international financial organizations with investment grade credit	Up to 10%	a) Up to 5% in the securities from a single issuer b) Up to 20% of the outstanding amount of the bond issue

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

1. Organization, activities and performance of the Life-Long Payments Fund Doverie, continued

1.2. Business and results, continued

Investments, investment policy and profitability, continued

Investment instrument	Limitations	Notes
2. Securities traded on regulated markets and ETF's		
2.1. Corporate bonds	Up to 15%	a) Up to 5% in securities (bonds and shares) issued by a single issuer b) Up to 20% of the amount of a bond issue
2.2. Shares, preference shares, rights and warrants, collective investment schemes	Up to 20%	a) Up to 5% in securities (bonds and shares) issued by a single issuer b) May not acquire more than 7% of the shares of an issuer c) Up to 5% in CIS managed by the same management company d) Up to 15% of the shares of a CIS
3. Municipal bonds	Up to 15%	a) Up to 5% in securities issued by a single issuer b) No more than 5% of assets may be in bonds not traded on a regulated market c) up to 20% of the amount of a bond issue
4. Bank deposits	Without restrictions	a) in banks with a minimum credit rating; b) up to 5% in one bank
5. Infrastructure bonds	Up to 20%	a) Up to 5% in securities of a single issuer b) Up to 20% of the amount of a bond issue
6. Shares and rights of REITs	Up to 5%	a) up to 5% in securities (bonds and shares) issued by one issuer b) may not acquire more than 7% of the shares of an issuer c) up to 1% in companies with special investment purpose, securitising claims
7. Assets denominated in currencies other than BGN and EUR	Up to 20%	Except for assets for which there is a hedge of foreign currency risk
8. The total value of the Fund's investments in financial instruments issued by group companies and members with which those companies have close links	Up to 10%	

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

1. Organization, activities and performance of the Doverie Lifetime Pension Fund, continued

1.2. Business and results, continued

Investments, investment policy and profitability, continued

The Fund's expenses include the cost of paying pensions in the country (but not more than BGN 1 per transaction); the cost of acquiring and selling its assets; and a fee in connection with the management of the Fund's net assets payable to the Company.

The Fund's investment income for 2023 is positive at TBGN 1,105 (2022: TBGN 725). The return on investment of the assets of LPPF Doverie after deducting the costs of managing the net assets and paying pensions for the period is 13.74% p.a. (2022 - 24.62%).

2. Basis for preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

When preparing the financial statements, the special standard IAS 26 "Accounting and Reporting of Pension Insurance Plans" has been applied, insofar as it contains specific requirements for the financial reporting of pension funds. All other standards are applied in the preparation of these financial statements to the extent that they are not superseded by the requirements of IAS 26.

The financial statements have been approved by the Management Board of PAC Doverie on 25 March 2024.

Going Concern Principle

Each payment fund should have at its disposal at the end of each month:

- with liquid assets (such as cash on hand, cash on current and deposit accounts and payable on demand in banks, government debt securities with a residual maturity of not more than one year and other low-risk debt securities and shares) not less than the payments due to pensioners and their heirs and his other current liabilities for the next 6 months;

¹ The equivalent term to the applicable financial reporting framework under the Accounting Act is International Accounting Standards. International Accounting Standards (IAS) are those adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of International Accounting Standards and include International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB), International Financial

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

2. Basis for preparation, continued

Going concern, continued

- with highly liquid assets (such as cash on hand and cash on current accounts) in the amount not less than the payments due to pensioners, respectively the persons receiving deferred payments under Art. 167a, para. 1 of SSC, and their heirs and his other current obligations for the next month.

As at 31 December 2023, these requirements have been met for the LPPF Doverie.

Management is focused on continuing to follow the Fund's strategy and set objectives. Based on the foregoing, the going concern basis has been applied as appropriate in the preparation of these financial statements.

3. New standards

3.1 Change in significant accounting policies

The following new and amended standards and interpretations are effective January 1, 2023, but have no material effect on the Fund's financial statements:

(a) New and amended standards adopted by the Fund

The Fund has applied the following standards and amendments for the first time for its annual reporting period beginning January 1, 2023:

Amendments to IAS 1 and Statement of Practice on IFRSs: Disclosure of Accounting Policies 2 (issued 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

Amendment to IAS 12 Income Taxes: Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction (issued 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

IFRS 17 Assurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023), **including Amendment to IFRS 17** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)

Amendment to IFRS 17 Assurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information (issued 9 December 2021 and effective for annual periods beginning on or after 1 January 2023)

Amendment to IAS 12 Income Taxes: International Tax Reform - Pillar 2 Model Rules (issued on 23 May 2023 and effective for annual periods beginning on or after 1 January 2023).

Any changes in adopted standards listed above have no effect on amounts recognized in prior periods, nor are they expected to have a significant impact on current or future periods.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

3.1 Change in significant accounting policies, continued

(b) New standards and interpretations not yet adopted by the Fund

Certain new accounting standards and interpretations have been published that are not mandatory for application in the reporting period ended December 31, 2023 and have not been previously adopted by the Fund. They are not expected to have a material impact on the Fund's financial statements.

Amendment to IFRS 16 Leases: Lease Liability in Sale and Leaseback Transactions (issued 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).

Amendments to IAS 1 Presentation of Financial Statements:

Classification of liabilities as current and non-current (issued 23 January 2020) **Classification of liabilities as current and non-current - deferral of effective date** (issued 15 July 2020)

Noncurrent liabilities with contractual provisions (issued October 31, 2022, effective for annual periods beginning on or after January 1, 2024)

There are no other standards that have not yet been adopted that are expected to have a significant impact on the Company in the current or future reporting period or on transactions in the foreseeable future.

3.2 New standards and clarifications not yet implemented by the Fund

(c) New standards, clarifications and amendments not yet adopted by the EU

Amendments to IAS 7 Cash Flow Statements and IFRS 7 Financial Instruments: Disclosures - Vendor Financing Arrangements (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024)

Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: No Translation Rate (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2025).

4. Basis of measurement

These financial statements have been prepared on the historical cost basis, except for the Fund's investments, which are reported at fair value.

5. Functional and presentation currency

These financial statements are presented in BGN, which is the Fund's functional currency. All amounts have been rounded to the nearest thousand unless otherwise indicated.

6. Use of estimates and judgements

In preparing these financial statements management has made judgments, estimates, and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

6. Use of estimates and judgements, continued

Significant accounting estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Their authenticity is checked regularly.

Estimates that could lead to a significant adjustment to the carrying amount of assets and liabilities in the next financial year could be seen below.

Items in the financial statements whose presentation requires a higher degree of subjective judgment, as well as those items for which estimates have a significant effect on the financial statements as a whole, are disclosed separately in Note 12.

Uncertainty in assumptions and estimates

Fair value measurement of investments

Fund's investments financial instruments are reported based on fair value valuation (see note 12). Fair values are categorized into a different level in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The classification of a certain position in accordance with the above levels is based on the use of primary data that has a significant effect on the determination of fair value. The Fund recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

7. Significant accounting policy information

7.1. Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Fund at exchange rates at the dates of the transactions.

Monetary assets and liabilities, denominated in foreign currencies, are translated into the functional currency at the exchange rate of Bulgarian National Bank (BNB) at the reporting date.

Pursuant to Ordinance No. 9/19.11.2003 on the method and procedure for assessing the assets and liabilities of the pension insurance company and the funds managed by it, the value of the net assets of the funds, for calculating and announcing the value of one share, for calculating and comparing the yield from investment properties and for the requirements for keeping individual lots and analytical accounts in a deferred payment fund (Ordinance No. 9), cash, receivables and liabilities denominated in foreign currency are revalued at the central rate of the BNB at the end every month.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

7. Significant accounting policy information, continued

7.1. Investments of the Fund in financial instruments

(i) Measurement

The Fund's investments in financial instruments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the valuation date. Fair value measurement is based on the assumption that a transaction for the sale of an asset or the transfer of a liability takes place:

- In the principal market for the asset or liability, or
- In the absence of a principal market, the most advantageous market for the asset or liability.

(ii) Recognition and initial measurement

All financial assets and liabilities are initially recognized when the Fund becomes a party to the contractual terms of the instrument.

A financial asset is initially measured at fair value, which is assumed to be their acquisition cost, net of transaction costs. Expenses directly related to the transaction are recognized in the statement of changes in net assets available for payments. From that moment, the Fund reports all income and expenses related to changes in fair value in the statement of changes in net assets available for payments.

(iii) Subsequent measurement

All financial instruments are subsequently measured at fair value. Securities that have a fixed redemption price at maturity and that are acquired for the purpose of matching the Fund's obligations to retirees or a specific portion thereof may be accounted for on the basis of their final redemption price, assuming a constant rate of returns to maturity. Net gains and losses, including interest and dividend income, are reported in the Fund's yield in the statement of changes in net assets available for income distribution.

(iv) Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the rights to receive the contractual cash flows from a transaction are transferred in which substantially all the risks and rewards of ownership of the financial asset are transferred and does not retain substantially all the risks and rewards of ownership, nor does it retain control of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

7. Significant accounting policy information, continued

7.2. Fund investments, continued

(iv) Derecognition, continued

The Fund writes off certain investment securities when they are determined to be uncollectible or when there is information that the debtor is in severe financial difficulty and has no realistic prospect of recovery. Derecognized financial assets may still be subject to enforcement activities in accordance with the Fund's recovery procedures, taking into account legal advice where appropriate. All amounts recovered are recognized in the statement of changes in available net income assets.

7.3. Interest income or expense

The fund generates income (or expenses) from interest on deposits, current accounts and debt securities. Interest income (or expenses) is accrued on a monthly basis. Negative interest accrued on financial assets is presented as interest payable.

7.4. Dividend income

Dividend income is recognized in profit or loss on the date on which the right to receive payment is established.

7.5. Net gains/(losses) on financial instruments carried at fair value

Net gains/(losses) on financial instruments carried at fair value include all realized and unrealized changes in fair values and foreign currency differences and exclude interest and dividend income.

7.6. Derivatives

Derivatives are recognized initially at fair value; directly attributable transaction costs are recognized in profitability as incurred. After initial recognition, derivatives are measured at fair value.

In accordance with the adopted investment policy, derivative financial instruments are held to manage the risk arising from foreign currency positions.

7.7. Operational expenses

Net asset management fee

PAC Doverie AD collects mandatory fees and charges in connection with its management of the Fund, defined in the Social Security Code and the regulations for the organization and activity of the Fund.

The fee is charged by the Fund in a reduction of income in the period to which it relates, in the manner and manner determined by Ordinance №52 of the Financial Supervision Commission. It is calculated on the value of the Fund's net assets depending on the period during which it was managed by the Company and amounts to 0.5% per annum.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

7. Significant accounting policy information, continued

7.7. Operating expenses, continued

Net asset management fee, continued Pension expense

The costs for payment of deferred pensions in the amount of those actually incurred at the expense of the Fund (but not more than BGN 1 per transaction) are accrued as of the date of the transaction in profit or loss. In case the expense or part of it is at the expense of the pension assurance company or the person receiving the payment, a receivable from the respective party shall be accrued with the amount due for reimbursement.

7.8. Taxation

Under the current tax regulations in the Republic of Bulgaria, the Fund is exempt from income tax.

However, certain dividend and interest income received by the Fund may be subject to withholding tax arising in the respective countries.

7.9. Liabilities

The liabilities of the Fund, according to Ordinance №9/19.11.2003 on the manner and procedure for valuation of the assets and liabilities of the supplementary pension insurance funds and of the pension insurance company, of the value of the net assets of the fund, for calculation and declaration of the value of one unit and for the requirements for keeping individual accounts, consist of accrued liabilities to the Company for payment of mandatory fees and deductions (see above), accrued amounts for payment of persons receiving deferred payments and their heirs, as well as from liabilities related to investments in assets.

8. Net assets of the pension fund

The net assets of LPPF Doverie as at 31 December 2023 are as follows:

	Note.	<u>31.12.2023</u> BGN'000	<u>31.12.2022</u> BGN'000
ASSETS			
Corporate bonds issued by Bulgarian issuers	8.1	79	97
Bonds issued by issuers outside the Republic of Bulgaria	8.3	1,826	517
Cash and cash equivalents, incl.		10,473	4,848
<i>Bank deposits</i>	8.4	241	-
<i>Current accounts in BGN</i>	8.2	3,968	1,916
<i>Current accounts in foreign currency</i>	8.2	6,264	2,932
TOTAL ASSETS		<u>12,378</u>	<u>5,462</u>
Less: liabilities	8.4	5	2
TOTAL NET ASSETS		<u>12,373</u>	<u>5,460</u>

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**8. Net pension fund assets, continued****8.1. Corporate bonds**

The book value of corporate bonds issued by Bulgarian issuers as of 31 December 2023 is TBGN 79, which represents 0.64% of the Fund's total assets as of that date (as of 31 December 2022 - TBGN 97 and 1.76% share).

These bonds are admitted for trading on the bond segment of the BSE - Sofia. The table below provides detailed information on the corporate bonds as at 31 December 2023.

Issuer	ISIN	Interest coupon	Currency	Nominal /'000/	Maturity	Fair value /BGN'000/
Monbat AD	BG2100023170	6 m. EURIBOR + 3.00%, not less than 3.00%	EUR	50	20.01.2025	79
						79

The table below details the corporate bonds as at 31 December 2022.

Issuer	ISIN	Interest coupon	Currency	Nominal /'000/	Maturity	Fair value /BGN'000/
Monbat AD	BG2100023170	6 m. EURIBOR + 3.00%, not less than 3.00%	EUR	50	20.01.2025	97
						97

8.2. Current accounts in BGN and foreign currency

Cash in current accounts as at 31 December 2023 represents 82.66% of the Fund's total assets as at that date and is allocated by currency as follows:

Bank	Currency	Value /BGN'000/	Credit rating	Rating agency
UBB AD	BGN	3,968	A-	Fitch
UBB AD	EUR	6,257	A-	Fitch
UBB AD	USD	7	A-	Fitch
		10,232		

Cash in current accounts as at 31 December 2022 represents 88.76% of the Fund's total assets as at that date and is allocated by currency as follows:

Bank	Currency	Value /BGN'000/	Credit rating	Rating agency
UBB AD	BGN	1,916	A-	Fitch
UBB AD	EUR	2,931	A-	Fitch
UBB AD	USD	1	A-	Fitch
		4,848		

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**8. Net pension fund assets, continued****8.3. Debt financial instruments issued by issuers domiciled outside R. Bulgaria****8.3.1. Government or government-guaranteed securities of EU countries**

The carrying amount of government or government guaranteed securities of EU countries as at 31 December 2023 is TBGN 598, representing 4.83% of the Fund's total assets as at that date.

The table below provides detailed information on government or government guaranteed securities of EU countries issued by foreign issuers as at 31 December 2023.

Issuer	ISIN	Interest coupon	Currency	Nominal /BGN'000/	Maturity	Fair value /BGN'000/
Republic of Romania	XS1970549561	3.50%	EUR	350	04.03.2034	598
						598

The table below provides detailed information on sovereign or government guaranteed securities of EU countries issued by foreign issuers as at 31 December 2022.

Issuer	ISIN	Interest coupon	Currency	Nominal /BGN'000/	Maturity	Fair value /BGN'000/
Republic of Romania	XS1970549561	3.50%	EUR	350	03.04.2024	517
						517

8.3.2. Corporate bonds issued by foreign issuers

The carrying amount of corporate bonds issued by foreign issuers as of 31 December 2023 is TBGN 1,228, which represents 9.92% of the Fund's total assets as of that date.

The table below details the corporate bonds issued by foreign issuers as of December 31, 2023.

EMITTENT	ISIN	Interest coupon	Currency	Nominal /'000/	Due	Fair value /BGN'000/
CESKA SPORITELNA AS	XS2638560156	5.94%	EUR	100	29.6.2027	208
RAIFFEISEN BANK	XS2682093526	6.00%	EUR	100	15.9.2028	207
ING BANK	XS2697483118	4.13%	EUR	100	2.10.2026	202
BANCA TRANSILVANIA	XS2724401588	7.25%	EUR	100	7.12.2028	202
RAIFFEISEN BANK RO	XS2700245561	7.00%	EUR	200	10.12.2027	409
						1,228

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

8. Net pension fund assets, continued

8.4. Bank deposits

Bank	Currency	Nominal value /000/	Due	Value /BGN'000/	Credit rating	Rating agency
ING BANK N.V.	EUR	60	24.01.2024	121	A+	S&P
ING BANK N.V.	EUR	60	15.02.2024	120	A+	S&P
Total				241		

8.5. Liabilities

As of December 31, 2023, LPPF Doverie has a current liability to Pension Assurance Company Doverie in the total amount of TBGN 5 (2022 - TBGN 2) representing the management fee payable for the month of December, 2023.

8.6. Table by maturity of securities

The table below presents the contractual maturity structure of the securities as of December 31, 2023.

Total agreed cash flows of securities

	Fair value /BGN'000/ 31.12.2023	Up to 1 month	from 1 to 6 months	from 6 months to 1 year	from 1 to 5 years	More than 5 years	Total
Maturity	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/
Corporate bonds in EUR	79	40	-	2	63	-	105
Foreign bonds in EUR	1,826	-	36	61	1,441	828	2,366
Total	1,905	40	36	63	1,504	828	2,471

The table below presents the contractual maturity structure of the securities as of December 31, 2022.

Total agreed cash flows of securities

	Fair value /BGN'000/ 31.12.2022	Up to 1 month	from 1 to 6 months	from 6 months to 1 year	from 1 to 5 years	More than 5 years	Total
Maturity	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/
Corporate bonds in EUR	94	21	-	1	81	-	103
Foreign bonds in EUR	517	-	24	-	96	852	972
Total	614	21	24	1	177	852	1,075

NOTES TO THE FINANCIAL STATEMENTS, CONTINUE

9. Net assets available for payments

Net assets available for payment include the Fund's investments less liabilities other than amounts due to be paid to instalments and their heirs.

The table below presents the net income by type of investment.

	<u>2023</u>	<u>2022</u>
	BGN'000	BGN'000
Shares	124	566
Mutual Funds / ETF's	9	184
Government bonds	712	(25)
Corporate bonds	62	6
Cash and cash equivalents	198	(6)
Total	<u>1,105</u>	<u>725</u>

10. Management fees

PAC Doverie charges a fee for its management of the net assets of LPPF Doverie in the amount of 0.5% on an annual basis of the net assets of the Fund for the period of management.

	<u>2023</u>	<u>2022</u>
	BGN'000	BGN'000
Management fees	42	17
Total	<u>42</u>	<u>17</u>

11. Net gains/(losses) from financial instruments

	<u>2023</u>	<u>2022</u>
	BGN'000	BGN'000
Bonds issued by foreign issuers	658	(24)
Corporate bonds issued by foreign issuers	56	-
Government bonds issued by the Republic of Bulgaria	54	-
Corporate bonds issued by Bulgarian issuers	6	5
Equity financial instruments issued by foreign issuers	133	750
Total	<u>907</u>	<u>731</u>

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

11.1. Bonds securities issued by foreign issuers

Gains / (losses)	2023	2022
	BGN'000	BGN'000
Government bonds	658	(25)
Corporate bonds	56	1
Net gains / (losses)	714	(24)

11.2. Equity financial instruments issued by foreign issuers

Gains/(Losses)	2023	2022
	BGN'000	BGN'000
Shares	124	566
Mutual Funds / ETF's	9	184
Net profit/(loss)	133	750

11.3. Bonds securities issued by Bulgarian issuers

	2023	2022
	BGN'000	BGN'000
Corporate bonds	6	5
Net profit/(loss)	6	5

12. Fair values

Distribution of assets by levels of sensitivity in the fair value hierarchy (according to the source and inputs for determining fair value) is shown in the following table.

31 December 2023

BGN'000	Balance sheet value		Fair value			
	Determined by fair value	Defined by depreciable value	Other financial liabilities	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Government bonds	598	-	-	598	-	-
Corporate bonds	1,307	-	-	1,307	-	-
Total	1,905	-	-	1,905	-	-
Financial assets not measured at fair value						
Cash and cash equivalents	-	10,232	-	-	-	-
Deposits	-	241	-	-	-	-
Total	-	10,473	-	-	-	-
Financial liabilities not measured at fair value						
Liabilities	-	5	-	-	-	-
Total	-	5	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

12. Fair values, continued

31 December 2022

BGN'000

	Balance sheet value			Fair value		
	Determined by fair value	Defined by depreciable value	Other financial liabilities	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Government bonds	517	-	-	517	-	-
Corporate bonds	97	-	-	-	97	-
Total	614	-	-	517	97	-
Financial assets not measured at fair value						
Cash and cash equivalents	-	4,848	-	-	-	-
Total	-	4,848	-	-	-	-
Financial liabilities not measured at fair value						
Liabilities	-	2	-	-	-	-
Total	-	2	-	-	-	-

13. Financial risk management

Given the Fund's nature, the portfolio of financial instruments determines the state and the performance of the Fund. The risks arising from financial instruments may be classified as follows:

- Credit risk
- Market risk, incl. change in the market value or cash flow relating to changes in interest rates
- Foreign exchange risk
- Other market risk
- Liquidity risk
- Regulatory risk
- Political risk

The Fund is exposed to risks arising from the use of financial instruments. In the following notes, the objectives, policies, and processes for managing those risks are described as well as the methods used to measure them. Additional quantitative information relevant to the risks can be found below.

Main financial instruments

The main financial instruments used by the LPPF that form the risk exposure are as follows:

- Receivables
- Cash and cash equivalents
- Bonds (corporate, municipal, mortgage)

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

13. Financial risk management, continued Objectives,

Objectives, policies, and processes

The Management Board has overall responsibility for setting objectives and policies regarding risk management in LPPF, having delegated the operational management processes to ensure effective achievement of and following the policies within the financial business. Monthly reports and analysis are prepared and reported.

The overall objective and policies are in the direction of risk optimization without unnecessarily to achieve a reduction of competitiveness and flexibility of the fund. Further details regarding the policies can be found below:

Credit risk

Credit risk is the risk of a financial loss if the counterparty to a financial instrument fails to meet their contractual commitment.

Credit risk for LPPF arises mainly from the bonds part of the portfolio, cash and bank deposits.

For risk measurement LPPF uses external analysis and resources, predominantly internationally recognized agencies. When no such information is available, the Fund uses its own internal credit evaluation methodology which includes data and analysis from the Prospectus and after listing on the stock-exchange, further analysis of the data derived from the quarterly financial statements. The analysis of the credit rating includes an examination of the individual characteristics and competitive advantages of the issuer, the potential of the respective market segment, as well as the performance versus the forecasts in the prospectus. Regular meetings are carried out with the managers of the public companies in which the company has invested (both shares and/or bonds), to discuss the financial position of the issuer and the perspectives for the development of the issuer's business.

LPPF's investments in government securities, both Bulgarian and foreign, are most exposed to credit risk, which is reflected in a change in the price of the bonds caused by a change in the credit quality of the issuer. The total amount of the Fund's investments in debt instruments is TBGN 1,905, and in a simulation scenario with a 6% decline in the price of these investments, the value of the entire investment portfolio would decrease by TBGN 114, or 0.92%.

Also, the LPPF invests mainly in debt securities collateralized by mortgages, liens, receivables, and financial risk insurance. For that type of asset-backed securities, the local regulation constitutes the function of control with the trustee bank which is obliged to review the financials of the issuer and the quality and quantity of the collateral.

The investment committee manages the concentration in credit risk. Under review are the credit ratings, results for the period and reports of trustee banks. Credit risk, albeit minimal, exists when it comes to cash in accounts in the trustee bank. Nevertheless, a thorough analysis of the financial condition and evaluation of the credit risk of the bank is regularly made.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

13. Financial Risk Management, continued*Credit risk, continued*

Bank deposits are typically short-term and medium-term with maturities of up to 2 years. An acceptable counterparty may be a bank with an external agency rating of at least BB or equivalent. Exceptions are allowed only for a period of six months and in connection with a change in the rating of a bank with which deposit agreements have already been concluded.

LPPF does not use derivatives to manage credit risk. Should the need arise, such risk mitigation steps may be taken in strictly defined cases if the risk is significantly concentrated and homogeneous.

Quantitative disclosure of the exposure to credit risk associated with financial assets is set out below, with further explanation of the receivables can be found in Note 8.2.

	31.12.2023	31.12.2022
	Maximum risk	Maximum risk
	BGN'000	BGN'000
Cash in current accounts	10,232	4,848
Deposits	241	-
Corporate bonds	1,307	97
Government securities	598	517
Receivables related to investments	-	-
Total	12,378	5,462

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

13. Financial risk management, continued

Credit risk, continued

The Company's management, as manager of the Fund, monitors the credit quality of unrated securities based on internal research and financial indicators and characteristics.

Risk rating scale using Standard & Poor's methodology or equivalent on financial instruments at fair value as at 31 December 2023.

/BGN'000/	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	Unrated	Total
Corporate bonds	-	-	-	-	202	-	-	208	616	-	-	202	-	-	79	1,307
Securities issued or guaranteed by countries and their central banks	-	-	-	-	-	-	-	-	-	598	-	-	-	-	-	598
Receivables related to investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	202	-	-	208	616	598	-	202	-	-	79	1,905

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

13. Financial Risk Management, continued

*Credit risk, continued**Risk rating scale using Standard & Poor's methodology or equivalent on financial instruments at fair value as at 31 December 2022.*

/BGN'000/	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	Unrated	Total
Corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	97	97
Securities issued or guaranteed by countries and their central banks	-	-	-	-	-	-	-	-	-	517	-	-	-	-	-	517
Receivables related to investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	517	-	-	-	-	97	614

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

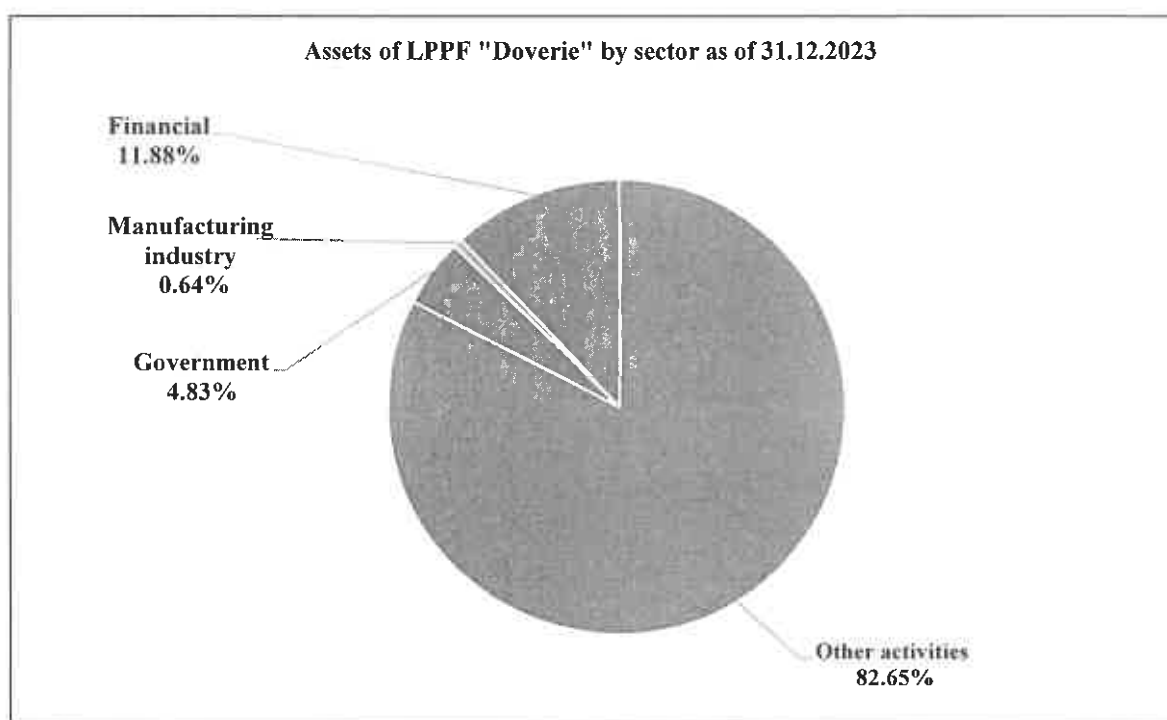
13. Financial Risk Management, continued

*Credit risk, continued***Cash in banks**

Cash at banks is classified as short-term financial assets. Cash at custodian bank as of 31 December 2023:

	Rating to 31 December 2023	Balance to 31 December 2023 /BGN'000/
UBB AD	A-	10,232

The following graphic shows the concentration of the assets as at 31.12.2023 by sectors.

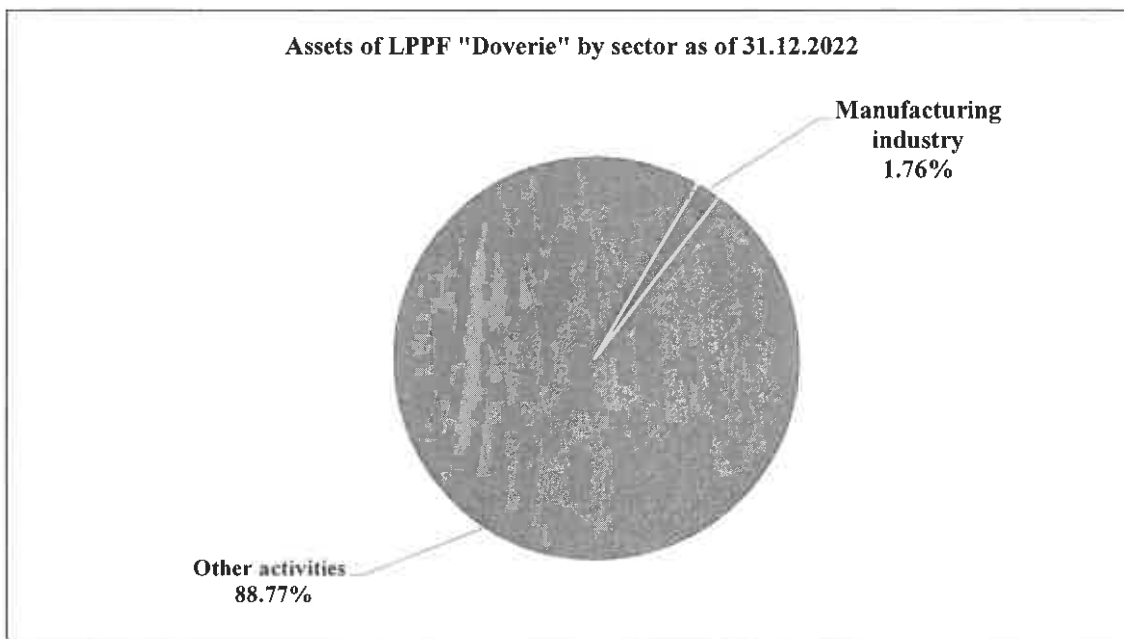


NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

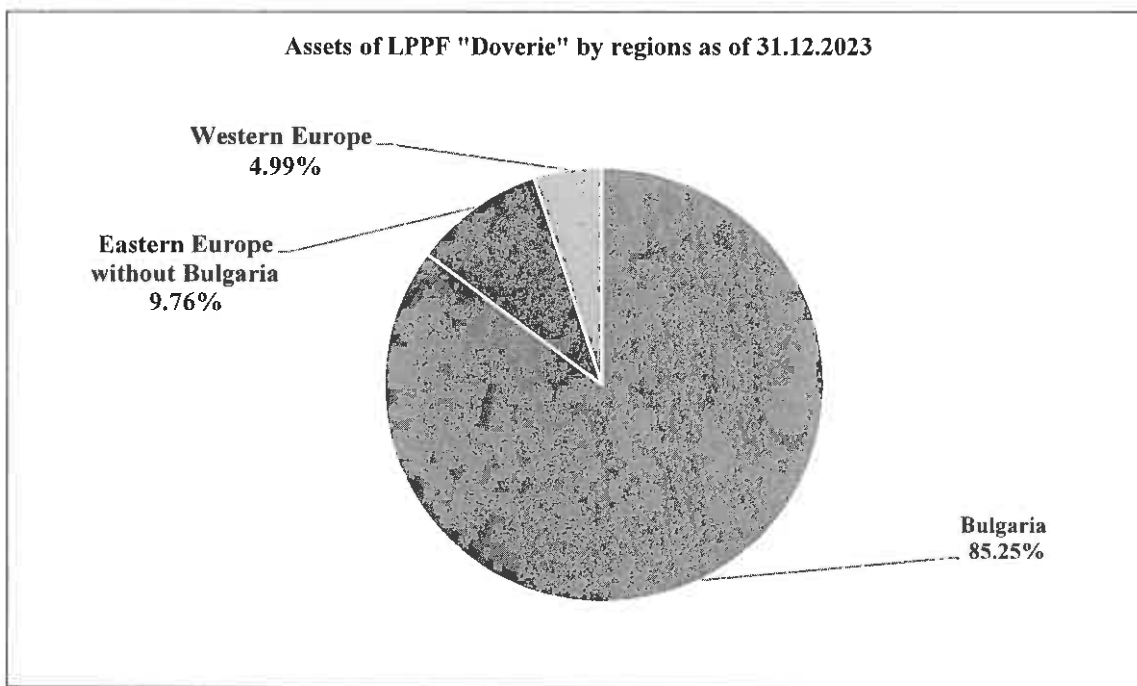
13. Financial Risk Management, continued

Credit risk, continued

The following graphic shows the concentration of the assets as at 31.12.2022 by sectors.



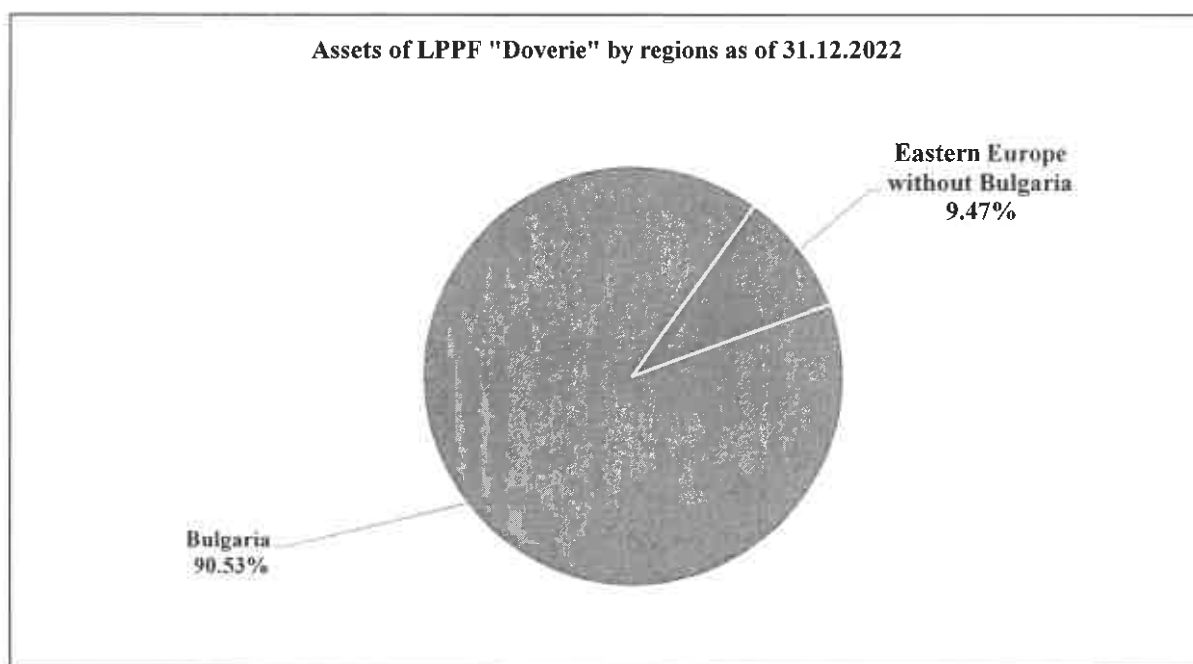
The following graphic shows the concentration by geographical area of assets as at 31 December 2023.



NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

13. Financial Risk Management, continued

The following graphic shows the concentration by geographical area of assets as at 31 December 2022.

**Market risk**

Market risk arises from the Fund owning interest-bearing, tradable and foreign currency denominated financial instruments. This is the risk of change in fair value or future cash flows according to changes in interest rates, exchange rates or other market factors.

Interest rate risk

In the second half of 2019, the methodology for calculating Eonia has been modified. The replacement of the Index (Eonia) with a new Euro risk-free value was due to (Eonia) was no longer meeting the EU regulation criteria for indicators. According to EU regulations after January 1, 2020 the index cannot be used for new financial contracts. However, (Eonia) continued to be published until the beginning of January 2022, during this period the ECB recommended to the market participants to gradually replace (Eonia) for all its products and contracts, with the new (€STR) standard reference rate. (€STR) is also a banks overnight reference rate within the euro area in accordance with EU regulations. It represents the average of 35 different interest rates that cover five main currencies - US dollars, euros, British pounds, Japanese yen and Swiss franc. (€STR) represents an average of the rates in Europe. These rates are usually used by banks and institutional investors, as well as pension funds. One of the key reasons for switching to (€STR) is that there will be more banks contributing to the average rate than with (Eonia). The company applies alternative rates, taking into account the EU regulation.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

13. Financial Risk Management, continued

Interest rate risk, continued

The company expects that the reform of IBOR will affect its risk management and financial reporting. The Risk Management Unit monitors and manages the Company's transition to alternative rates and assesses the extent to which contracts relate to IBOR cash flows, whether such contracts will need to be amended as a result of the IBOR reform and how to manage the communication of IBOR reform with the counterparties. The Risk management department periodically reports to the management interest rate risk and risks related to IBOR reform.

The interest rate risk originates from the bond portfolio with a fixed coupon. That risk is managed by diversification of securities with a fixed and floating rate. The Fund analyses the risk of a change of interest rates periodically. Sensitivity analysis is applied and as a result of the analysis the management believes that a realistically plausible scenario would be a change (increase) in basic (benchmark) interest rate with 75 basis points, and the effect to the financial result, all other conditions being equal, would be as follows:

№	Indicator	2022	2023
1	Change in the value of the investment portfolio in thousand BGN	(32)	(56)
2	Change in the value of the investment portfolio in %	(0.59%)	(0.45%)

31 December 2023

	Financial instruments with a floating interest rate	Financial instruments with a fixed interest rate	Non-interest bearing	Total
ASSETS				
BGN'000				
Cash and cash equivalents	-	10,232	-	10,232
Bank deposits	-	241	-	241
Corporate bonds, issued by Bulgarian issuers	79	-	-	79
Government securities, issued or guaranteed by governments or their central banks	-	1,826	-	1,826
Total assets	79	12,299	-	12,378
LIABILITIES				
<i>In BGN'000</i>				
Liabilities to the PAC	-	-	5	5
Total liabilities	-	-	5	5

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

13. Financial Risk Management, continued

Interest rate risk, continued

31 December 2022

ASSETS	Financial instruments with floating interest rate	Financial instruments with fixed interest rate	Non-interest bearing	Total
BGN'000				
Cash and cash equivalents	-	4,848	-	4,848
Corporate bonds, issued by Bulgarian issuers	97	-	-	97
Government securities, issued or guaranteed by governments or their central banks	-	517	-	517
Total Assets	97	5,365	-	5,462
LIABILITIES	Financial instruments with a floating interest rate	Financial instruments with a fixed interest rate	Non-interest bearing	Total
BGN'000				
Liabilities to PAC	-	-	2	2
Investment payables	-	-	-	-
Total Liabilities	-	-	2	2

Currency risk

The Fund is a resident of the Republic of Bulgaria. Although the functional currency is the Bulgarian lev, the Fund is exposed to exchange rate risk arising mainly from financial instruments denominated in currencies other than the lev and the euro. The Fund's investments that are denominated in euro or leu are also exposed to foreign exchange risk, but their value is dependent on changes in the exchange rate between a third currency and the leu or euro. Currently, during the reporting period, such financial instruments were present in the Fund's investment portfolio. Forward transactions, concluded for a period of up to one month and renewed on the maturity date, with several banks in the local market can be used to manage the foreign exchange risk.

In order to reduce the risk of a possible adverse change in the future in the exchange rate between the EUR and the BGN, the majority of the Fund's investments are denominated in EUR.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

13. Financial Risk Management, continued

Currency risk, continued

The Fund's foreign currency exposure as of December 31, 2023 by asset and liability type at carrying value categorized by currency type is as follows:

/BGN'000/	BGN	EUR	USD	Total
Cash and cash equivalents	3,968	6,257	7	10,232
Bank deposits	-	241	-	241
Foreign Investments	-	1,826	-	1,826
Corporate bonds issued by Bulgarian issuers	-	79	-	79
Total assets	3,968	8,403	7	12,378
Liabilities to PAC Doverie AD	5	-	-	5
Total liabilities	5	-	-	5

The Fund's foreign currency exposure as of December 31, 2022 by asset and liability type at carrying value categorized by currency type is as follows:

/BGN'000/	BGN	EUR	USD	Total
Cash and cash equivalents	1,916	2,931	1	4,848
Foreign Investments	-	517	-	517
Corporate bonds issued by Bulgarian issuers	-	97	-	97
Total assets	1,916	3,545	1	5,462
Liabilities to PAC Doverie AD	2	-	-	2
Total liabilities	2	-	-	2

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

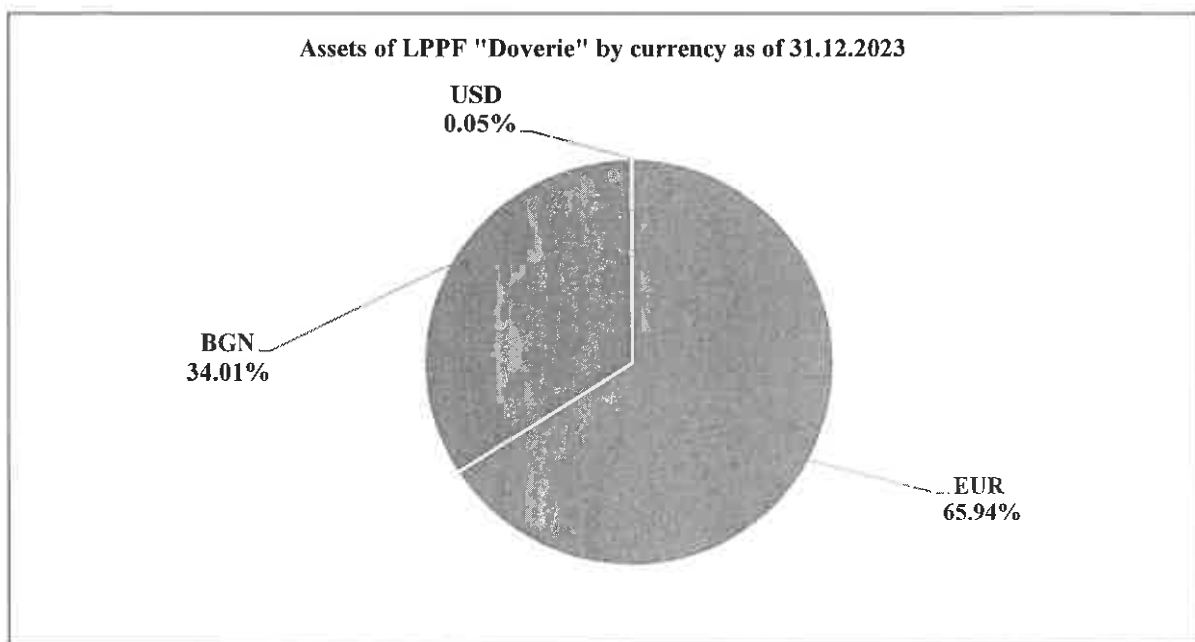
13. Financial Risk Management, continued

Currency risk, continued

The following table summarises the Fund's exposure to foreign exchange risk at 31 December. It includes assets and liabilities at book value, categorised by currency type.

Currency exposure (assets/liabilities)	Functional currency	
	2023	2022
	BGN'000	BGN'000
EUR	8,403	3,545
USD	7	1
Total	8,410	3,546

The following graphic shows the concentration by currency of assets at 31 December 2023.

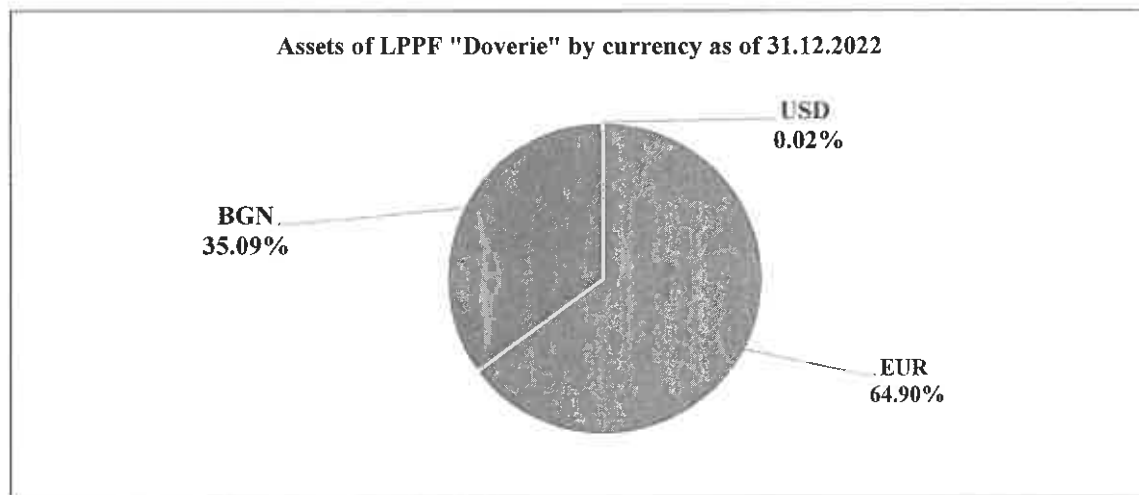


NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

13. Financial Risk Management, continued

Currency risk, continued

The following graphic shows the concentration by currency of assets at 31 December 2022.

*Remark:*

Exposures in EUR and USD include derivative financial assets and liabilities.

Collateral and credit rating information

Total debt securities represent 15.39% of assets, all of which are unsecured, of which 0.64% at December 31, 2023 are rated using an internal methodology and 14.75% are rated by a rating agency.

Liquidity risk

Liquidity risk arises for the Fund if it encounters difficulties to meet its financial commitments in full and on time.

The Fund's policy is to ensure at all times available cash at least sufficient to cover obligations when due. To achieve this goal are maintained cash and cash equivalents in an amount at least equal to the requirements for 30-45 days.

Management monitors daily cash management and with a monthly budget review, a fine-tuning is made where necessary.

Given the relatively higher amount of inflows than outflows, the Fund has not implemented an active policy of long-term synchronization of assets and liabilities. However, maintaining the necessary funds to meet current obligations and the availability of marketable securities in the portfolio would enable it to meet even significant unusual payables. In practice, the possibility of receivables and/or obligations to become required earlier than the date of maturity the Fund is assessed as minimal.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

13. Financial Risk Management, continued

Liquidity risk, continued

The table below provides an analysis of the Fund's liabilities at 31 December, grouped by remaining maturity.

By 31 December 2023.	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Financial liabilities				
Liabilities to PAC Doverie JSC	5	-	-	-
Total	5	-	-	-
By 31 December 2022.	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Financial liabilities				
Liabilities to PAC Doverie JSC	2	-	-	-
Total	2	-	-	-

Regulatory risk

The Fund is subject to regulations set out in the SSC and in regulations issued by the FSC. Regulatory risk arises from the possibility that certain regulations and investment requirements may be changed and that the timelines for bringing operations into compliance with the new requirements may be short. In this particular case, the Fund could be forced to dispose of assets and possibly have difficulty selling them in an adverse environment, or sales could be made below fair value. The Fund considers this risk to be minimal given the current allocation of financial assets as well as the likelihood of such a change.

Political risk

Given that the Fund operates only within the Republic of Bulgaria there is a concentration of political risk. This is a risk of significant political change and significant change in the policies and reforms that would have a negative impact on the Fund.

Risks related to economic conditions and macro events

In 2023, global economies continued to face multiple macroeconomic hurdles, including geopolitical uncertainty, inflation, and tight monetary policy and financial conditions. Global economic growth is expected to slow further. Commodity prices have begun a gradual recovery and global supply chains have started to recover, but risks of instability in the global economy remain for longer. Global real GDP growth is expected to slow to 3.0% (IMF forecast). In the meantime, the new economic reality is characterised by multiple challenges, from persistent risks and crises at the global level to regional flashpoints of tensions that lead to a heightened level of uncertainty.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**13. Financial risk management, continued****Risks related to economic conditions and macro events, continued**

Reduced purchasing power and rapidly changing interest rate policy further reduce business and consumer confidence. Rising geopolitical tensions could lead to further economic shocks. Emerging economies are forecast to grow more than advanced economies over the year.

The tight labour market continues to boost nominal wage growth, adding inflation risks and cost pressures for companies. Thus, companies will face the challenges of attracting and retaining workers, necessitating investments in human capital, organisational adjustments and productivity gains. The past 12 months have seen the fastest increase in federal funds rates since 1981 and the fastest increase in European Central Bank (ECB) rates since the creation of the eurozone. The eurozone economy is expected to contract by 0.2% in 2023 amid the ongoing energy crisis and monetary tightening. Inflation is expected to remain well above target until the end of 2023. All eyes are on consumer prices in the US - which rose to 9.1% during the year before settling around 3% towards the end of the year. Macroeconomic uncertainty continued to impact commodity markets, with prices of major energy, metals and agricultural commodities following a downward trend due to weaker demand amid the global economic slowdown in 2023. Investment in diversification and resilience of commodity supply chains will be key for businesses to mitigate risks associated with geopolitical tensions, climate change and changes in global demand over the next 2024. Despite the many nuances, there are some contrasting trends in the outlook for 2024. In contrast to forecasts for Western economies, Asian markets could benefit from growth opportunities, particularly in India, that could arise from this situation as the Fed establishes its peak interest rate and the dollar declines. It is possible that Asian and Middle Eastern and African countries will see more robust consumer spending growth due to and growth as demand picks up.

In 2023, Bulgaria will maintain its investment grade credit ratings "Baa1" and "BBB" from Moody's and S&P with a stable outlook. The international rating agency Fitch Ratings affirmed Bulgaria's 'BBB' long-term credit rating with a positive outlook. The agency says that this assessment is due to the strong external and fiscal position relative to that of countries with the same rating, the credible policy framework associated with membership of the European Union, plus the long-standing functioning of the monetary council regime, balanced by unfavourable demographics weighing on potential growth and government finances in the long term. The positive outlook reflects the potential for euro adoption, which will lead to further improvements in external indicators.

According to the published updated forecasts of the International Monetary Fund for 2023-2024, experts expect global growth to decline and remain at 3.0% - compared to the expected 3.5%. Global headline inflation is expected to fall in 2023, settling at 5.2% in 2024. Core (underlying) inflation is projected to decline more gradually, and inflation projections in 2024 have been revised up.

According to the announced forecast for 2023, the IMF expects Bulgaria's real GDP growth to grow by 1.7% (compared to 3.4% in 2022). Trends for 2024 are growth of around 2%. GDP is expected to grow by around 2% in 2024 amid still strong private consumption and shrinking imports. Output growth is forecast to slow to 1.8% in 2024 and then pick up to 2.6% in 2025.

The macroeconomic trends and challenges described above do not cover all potential risks.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**14. Transactions with related parties***Identification of related parties*

The Fund has as a related party:

PAC Doverie AD, in its capacity of a company managing the assets of the Fund, as well as the companies under the common control of the ultimate parent of PAC Doverie (ultimate controlling entity WIENER STÄDISCHE Versicherungsverein – Vermögensverwaltung) are considered related parties.

BGN'000	Transaction type	2023	2022
PAC Doverie AD	Net asset management fee	42	17
PAC Doverie AD	Liabilities to the PAC from fees and deductions	5	2

The key management personnel of PAC Doverie AD is also considered as a related party of the Fund.

15. Actuarial present value of liabilities to pensioners and heirs

According to the requirements of art. 192a, para. 12 of SSC, the responsible actuary of PAC "Doverie" AD calculates the expected liabilities to retirees and liabilities to the heirs of deceased retirees who received payments with the right to inherit, and the required amount of funds needed to cover them, as of December 31 each year and certifies these calculations in the fund's annual actuarial report.

The table below presents the liabilities to retirees and heirs, according to the report prepared by the responsible actuary, and their discounted present value, as well as the excess of available net assets.

	<u>31.12.2023</u>	<u>31.12.2022</u>	<u>31.12.2023</u>	<u>31.12.2022</u>
	BGN'000	BGN'000	BGN'000	BGN'000
	Value before discounting		Value after discounting	
Present value of liabilities as at the previous year	4,787	1,258	3,896	1,258
Effect of discounting	-	-	(1,876)	(891)
Present value of liabilities at year-end	11,222	4,787	9,346	3,896
Surplus of net assets available for payment of benefits in excess of actuarial present value	1,151	673	3,027	1,564

The discounted present value is calculated based on the risk-free interest rate announced for Bulgaria (according to the yield curve published on the website of the European Assurance and Occupational Pensions Authority (EIOPA)) as of 31.12.2023 for the remaining term of the life pensions as of 31.12.2023.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

15. Actuarial Present Value of Liabilities to Retirees and Survivors, continued

All liabilities are treated as unconditional within the meaning of IAS 26. Achieving a positive return and future updating of pensions paid by the Fund in excess of the amount guaranteed by law or contract is not guaranteed. PAC Doverie AD covers the risk of survival and investment risk up to the amount of the pension guaranteed by law or contract.

In addition, the funds set aside in the statement of financial position of PAC "Doverie" AD from the reserve for guaranteeing the payment of life-long pensions to pensioners of the Fund amount to TBGN 618 as of 31 December 2023, unchanged since 2022.

16. Contingent assets and contingent liabilities


During the period, the Fund had no contingent assets or liabilities and no legal claims against it.

17. Events after the reporting period date

Economic conditions and macro events

There are no significant events after the reporting date that influence the financial statements as of December 31, 2023.

These financial statements were authorized for issue by the Board of Directors on March 25, 2024. The financial statements were approved by the Board of Directors and signed on its behalf by:


Prepared by:
Tatyana Krasimirova
Koleva


Executive Director:
Miroslav Krumov Marinov


Executive Director:
Kiril Konstantinov
Georgiev



25 March 2024



Independent Auditors' Report

To the Shareholders of "Pension Assurance Company Doverie" AD

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of Lifelong Pensions Payment Fund Doverie (the "Fund") which comprise the statement for changes in available net assets for income payments as at 31 December 2023 and the statement for available net assets for income payments for the year then ended, and the notes to the financial statements, comprising significant accounting policy information and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Lifelong Pensions Payment Fund Doverie as at 31 December 2023, and the Fund's financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Independent Financial Audit Act that are relevant to our audit of the financial statements in Bulgaria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Independent Financial Audit Act.

PricewaterhouseCoopers Audit OOD, 9-11 Maria Louisa Blvd., 1000 Sofia, Bulgaria
T: +359 2 9355200, F: +359 2 9355266, www.pwc.com/bg

Crowe Bulgaria Audit EOOD, 55, 6-ti Septemvri Str., 1142, Sofia, Bulgaria,
T: +359 2 44 565 91, F: +359 2 42 660 71

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Carrying amount of investments at fair value</p> <p>The actuarial present value of pension obligations as at 31 December 2023, is BGN 9,346 thousand (31 December 2022: BGN 3,896 thousand). See Note 1.2 Business and results and Note 15 Actuarial present value of liabilities to pensioners and heirs.</p> <p>The actuarial present value of pension obligations as at 31 December 2023, is BGN 9,346 thousand, which represents 75,54% of the net assets available for payment of benefits for the year then ended.</p> <p>The pension obligations arise from the concluded pension contracts, as well as the obligations to the heirs of the deceased pensioners. According to the Social Security Code, these calculations, together with the funds requirement to cover them, shall be certified by Fund's responsible actuaries as at 31 December each year.</p> <p>The present value of assumed liabilities is determined using formulas approved by the Financial Supervisory Commission and involves a reasonable degree of judgement, in respect of the main underlying assumptions, such as those related to the technical interest rate and the mortality rate.</p> <p>Due to the magnitude of the amounts involved, and the estimation uncertainty associated with establishing the actuarial present value of pension obligations, we considered this area to be associated with a significant risk of a material misstatement and as such our key audit matter.</p>	<p>Our procedures over valuation and accuracy of the calculation of the actuarial present value of liabilities to retirees and heirs, included, among other things:</p> <ul style="list-style-type: none"> - Assessing the objectivity of the actuaries engaged by the Fund, as well as their qualification, experience and competence to perform the calculation of the assumed pension obligations. As part of the procedure, we also assessed the scope of the actuaries' work and related limitations; - Evaluating the relevance and reliability of data used in the pension obligation estimates;; - assisted by our own valuation specialists, -On a sample basis, tracing pension payments to pension contracts and supporting bank statements. — Evaluating the internal coherence and logic of the models used by the Fund's actuaries and the mathematical accuracy of the calculations; — Challenging the key assumptions applied within the models, by: <ul style="list-style-type: none"> - tracing the mortality rates used to those officially published by the National Statistical Institute. - evaluating the discount rate used for discounting the liability under the requirements of the applicable financing reporting standards; — evaluating the adequacy, completeness and accuracy of the disclosures with respect to the actuarial pension obligations.

Information other than the financial statements and auditors' report thereon

Management of Pension Assurance Company Doverie AD is responsible for the other information. The other information comprises the Annual Activity Report, prepared by the management in



accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional matters to be reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the Annual Activity Report we have also performed the procedures added to those required under ISAs in accordance with the "Guidelines regarding the new and enhanced auditor reporting and communication by the auditor" of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion on whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

- a) the information included in the Annual Activity Report for the financial year for which the financial statements are prepared is consistent with those financial statements.
- b) the Annual Activity Report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of management and those charged with governance for the financial statements

Management of Pension Assurance Company Doverie AD is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We are jointly and severally responsible for the performance of our audit and for the audit opinion expressed by us in accordance with the requirements of the Independent Financial Audit Act, applicable in Bulgaria. In accepting and performing the engagement for the joint audit, in connection to which we report, we have also been guided by the Guidelines for the implementation of joint audit, issued on 13 June 2017 by the Institute of Certified Public Accountants, Bulgaria and the Commission for Public Oversight of Statutory Auditors in Bulgaria.

Report on other legal and regulatory requirements

Additional reporting on the audit of the financial statements in connection with art. 10 of Regulation (EU) 537/2014 in connection with the requirements of art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art.10 of Regulation (EU) 537/2014, we hereby additionally report the information stated below:

- PricewaterhouseCoopers Audit OOD was appointed as a statutory auditor of the financial statements of the Fund for the year ended 31 December 2023 by the decision of the sole owner on 23 May 2023 for a period of one year. PricewaterhouseCoopers Audit OOD was first appointed as auditors of the Fund on 11 May 2021.
- Crowe Bulgaria Audit EOOD was appointed as a statutory auditor of the financial statements of the Fund for the year ended 31 December 2023 by the decision of the sole owner on 23 May 2023 for a period of one year. Crowe Bulgaria Audit EOOD was first appointed as auditors of the Fund on 20 May 2022.
- The audit of the financial statements of the Fund for the year ended 31 December 2023 represents third consecutive statutory audit engagement for that Fund carried out by PricewaterhouseCoopers Audit OOD.
- The audit of the financial statements of the Fund for the year ended 31 December 2023 represents second consecutive statutory audit engagement for that Fund carried out by Crowe Bulgaria Audit EOOD.

- We hereby confirm that the audit opinion expressed by us is consistent with the additional report dated 27 March 2024 provided to the Audit committee of Pension Assurance Company Doverie AD in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art.64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Fund.

For PricewaterhouseCoopers Audit OOD:

For Crowe Bulgaria Audit EOOD:



Jock Nunan

Managing Director



Gyulyay Rahman

Statutory Manager



Boryana Dimova

Registered auditor responsible for the audit

9-11, Maria Luiza blvd.

1000 Sofia, Bulgaria



Georgi Kaloyanov

Registered auditor responsible for the audit

55, 6-ti Septemvri str..

1142, Sofia, Bulgaria



27 March 2024



27 March 2024