

DEFERRED PAYMENTS FUND DOVERIE

ANNUAL ACTIVITY REPORT

FINANCIAL STATEMENTS  
AS OF AND FOR THE PERIOD ENDED

31 DECEMBER 2022

## **DEFERRED PAYMENTS FUND DOVERIE**

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## **ANNUAL ACTIVITY REPORT**

### **1. Organization, business and performance of the Deferred Payments Fund Doverie**

#### **1.1. Organization**

Deferred Payments Fund Doverie (The Fund, DPF Doverie, DPF) was established by a decision of the Management Board of Pension Assurance Company Doverie (PAC Doverie, the Company) on September 2, 2021. It is entered in the register under Art. 30, para. 1, item 13 of the Financial Supervision Commission Act (FSC) with Decision № 667 - DPF of 9 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 177521928. The seat of PAC Doverie AD and the Deferred Payments Fund Doverie is in Sofia, Izgrev district, and the address of management is Sofia, 1113, 13B Tintyava Str., entr. 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 Deferred Payments Fund is formed by:

- the transferred funds from the individual accounts in the general pension fund of the persons to whom the deferred payment has been determined;
- the transferred funds from the reserve for guaranteeing the gross amount of the contributions to a general pension fund 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 to the persons receiving deferred payments and their heirs; and
- the income from investing the Fund's assets.

The Fund pays the deferred 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 of 31 December 2022, the Fund pays deferred payments to 4,257 members (2021 – 849 members).

#### **1.2. Persons receiving deferred payments**

As of 31 December 2022, the number of members receiving deferred payments in DPF Doverie is 4,257 (2021 – 849 members), which represents 36.45% (according to preliminary data of the FSC) of all members in deferred payment funds in Bulgaria (48.90% share as of 31.12.2021).

#### **1.3. Transferred funds**

In 2022, a total of amount of TBGN 21,953 have been transferred from the UPF under concluded contracts for deferred payments to the DPF Doverie (since inception to until 31.12.2021 – transferred TBGN 3,834).

#### **1.4. Funds paid out**

The total amount paid in 2022 are TBGN 9,049 (from the creation of the Fund until 31.12.2021 – TBGN 287), incl. to persons with deferred payments – TBGN 9,010 and to heirs – TBGN 39 (as of 31.12.2021 – to persons with deferred payments – TBGN 279 and to their heirs – TBGN 8).

## **ANNUAL ACTIVITY REPORT, CONTINUED**

### **1. Organization, business and performance of the Deferred Payments Fund Doverie, continued**

#### **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 period 31 December 2022.

### **2. Financial activity**

#### **2.1. Income and expenses on operations with financial assets and instruments**

As a result of the transactions made in 2022 with securities and their monthly revaluation at fair value, the Fund has realized income amounting TBGN 2,361 and respectively has incurred expenses totaling TBGN 980 (since inception of the Fund 31.12.2021 TBGN – 25 income and TBGN – 14 expenses).

#### **2.2. Fund expenses**

##### *Net asset management fee*

Doverie Pension Assurance Company AD collects a statutory fee in connection with the management of the Fund, defined in the SSC and the rules of the Fund. In 2022, the fee for the management of net assets amounts to TBGN 52 (since inception of the Fund until 31.12.2021 - TBGN 3)

##### *Expenses for payment of pensions*

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) for 2021 are insignificant due to agreed terms with banks. In 2022 the expense amounts TBGN 7.

### **3. Portfolio structure analysis**

#### **3.1 Current account**

Cash on current accounts as of 31 December 2022 amounts to TBGN 17,092 (31.12.2021 – TBGN 2,870) and represents 96.08% of the total assets of the Fund as of that date. All current accounts are subject to individual cash management contract signed with the custodian bank.

#### **3.2 Corporate bonds issued by Bulgarian issuers**

The carrying amount of corporate bonds issued by Bulgarian issuers as of 31 December 2022 amounts to TBGN 428 (31.12.2021 – TBGN 315), which represents 2.41% of the total assets of the Fund as of that date (31.12.2021 – 8.58%).

#### **3.3 Government securities**

As of 31 December 2021, the Fund holds investments in securities issued by EU countries in the amount of TBGN 172 (31.12.2021 – TBGN 218), representing 0.97% of the total assets of the Fund as of that date (31.12.2021 – 6.13%).

## ANNUAL ACTIVITY REPORT, CONTINUED

## 3. Portfolio structure analysis, continued

## 3.4 Corporate bonds issued by foreign issuers

The book value of corporate bonds issued by foreign issuers as of 31 December 2022 amounts to TBGN 97 (31.12.2021 – TBGN 103), which represents 0.55% of the total assets of the Fund as of that date (31.12.2021 – 2.91%).

## 3.5 Equity

As of 31 December 2022, the Fund has no exposure to equities.

## 4. Expected liabilities of the Fund to persons with deferred payments and heirs

The responsible actuary of PAC Doverie AD calculates as of the reporting date the expected liabilities to the persons receiving deferred payments arising from the concluded contracts, as well as the liabilities to the heirs of the deceased persons who received deferred payments. 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.

According to the report certified by the responsible actuary, as of December 31, 2022 the indicators for DPF are as follows:

	<b>31.12.2022</b>	<b>31.12.2021</b>
	BGN'000	BGN'000
1. Net assets of the Fund	17,782	3,555
2. Liabilities to:		
- Persons with deferred payments, incl.:	16,631	3,547
- <i>with a residual period of up to 1 year</i>	6,661	633
- <i>with a residual period from 1 to 3 years</i>	8,939	2,644
- <i>with a residual period more than 3 years</i>	1,021	270
- Heirs	10	-
<b>Total Liabilities</b>	<b>16,631</b>	<b>3,547</b>
- <i>Incl. up to 6 months</i>	8,360	1,339
<b>Surplus / (Deficit) (1-2)</b>	<b>1,151</b>	<b>8</b>

In addition, the funds set aside in the statement of financial position of PAC Doverie AD from the reserve for guaranteeing gross contributions amount to TBGN 21,387 as of 31 December 2022 (31.12.2021 - TBGN 21,567).

## **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 net assets value of the DPF Doverie as of 31 December 2022 is TBGN 17,782 (31.12.2021 - TBGN 3,555).

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;
- 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 of 31 December 2022, these requirements have been met by DPF Doverie.

### **6. Events after the reporting period**

#### ***Economic conditions and macro events***

The management of PAC Doverie continues to monitor non-adjusting macroeconomic movements after the reporting date (such as interest rates, market values of financial assets and the impact on inflation of fluctuating fuel prices and/or unstable supplies chain). In general, these movements had a positive effect on the valuation of the Fund's assets in the period between the reporting date and the date of approval for issuing the annual financial statements.

With the collapse of Silicon Valley Bank and Signature Bank, the forced marriage of UBS and Credit Suisse, and persistent questions around the viability of small regional US banks, central banks across the world are once again confronted with the need to ensure financial system stability.

As central banks continue to hike interest rates to confront ongoing inflationary threats, market volatility increases and the risk of broader economic contraction rises. PAC Doverie AD and the funds under management have no exposure to collapsed banks but remain cautious about the further market developments and focused on robust risk management.

There are no other significant post balance sheet events with effect on the financial statements as of 31 December 2022.

**ANNUAL ACTIVITY REPORT, CONTINUED**

**7. Responsibilities of the management**

Under Bulgarian law, management should prepare a financial report 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 this financial statement 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 2022 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 are approved by the Management Board of the Company on 23 March 2023.

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

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Miroslav Krumov Marinov  
Executive Director

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Daniela Panova Petkova  
Chairman of the Management Board

23 March 2023

**DEFERRED PAYMENTS FUND DOVERIE**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PAYMENTS  
FOR THE PERIOD ENDED 31 DECEMBER**

	Note	2022 BGN'000	2021 BGN'000
<b><i>Investment Income</i></b>			
Interest income	11	17	2
Net gain/(loss) from transactions with Bulgarian financial instruments at FVTPL	11	(20)	5
Net gain/(loss) from transactions with foreign financial instruments at FVTPL	11	1,384	6
<b><i>Transferred funds to the fund</i></b>			
Transferred from GPF under concluded contracts	1.2	21,953	3,834
Transferred from GPF for recalculation of pensions		1	-
<b>Total increase in net assets for income payments</b>		<b><u>23,335</u></b>	<b><u>3,845</u></b>
<b><i>Payments</i></b>			
Deferred payments to members and their heirs	1.2	(9,049)	(287)
<b><i>Management fees and payments</i></b>			
Management fee of net assets	10	(52)	(3)
Fees of making deferred payments		(7)	-
<b>Total value decreases of net assets for payments</b>		<b><u>(9,108)</u></b>	<b><u>(290)</u></b>
<b>Net value increase of net assets for payments</b>		<b>14,227</b>	<b>3,555</b>
<b>NET ASSETS OF FUND As of 01.01.2022 / 09.09.2021</b>		<b><u>3,555</u></b>	<b><u>-</u></b>
<b>NET ASSETS OF FUND As of 31 December 2022</b>		<b><u>17,782</u></b>	<b><u>3,555</u></b>

*Notes on pages 3 to 32 are an integral part of the financial statements.*

Prepared by  
Ivanka Stoyanova Lazarova

Executive Director  
Miroslav Krumov Marinov

Chairman of the Management Board  
Daniela Panova Petkova

In accordance with an Independent Auditors' Report:

PricewaterhouseCoopers Audit OOD

Crowe Bulgaria Audit Ltd.

Boryana Dimova  
*Managing Director and registered auditor,  
responsible for the audit*  
27.3.2023

Gyulyay Rahman  
*Manager*  
27.3.2023

Georgi Kaloyanov  
*Registered auditor,  
responsible for the audit*  
27.3.2023



**STATEMENT OF NET ASSETS AVAILABLE FOR PAYMENTS  
FOR THE PERIOD ENDED 31 DECEMBER**

		<u>2022</u>	<u>2021</u>
		BGN'000	BGN'000
	Note		
<b>ASSETS</b>			
Cash and cash equivalents	8.5	17,092	2,870
Securities issued or guaranteed by Bulgarian issuers	8.1	428	315
Securities issued or guaranteed by foreign issuers	8.2-8.4	269	371
<b>TOTAL ASSETS</b>		<u><b>17,789</b></u>	<u><b>3,556</b></u>
<b>LIABILITIES</b>			
Payables to PAC	8.6,14	<u>7</u>	<u>1</u>
<b>TOTAL LIABILITIES</b>		<u><b>7</b></u>	<u><b>1</b></u>
<b>AVAILABLE NET ASSETS FOR PAYMENTS</b>		<u><b>17,782</b></u>	<u><b>3,555</b></u>

*Notes on pages 8 to 32 are an integral part of the financial statements.*

Prepared by  
Ivanka Stoyanova Lazarova

Executive Director  
Miroslav Krumov Marinov

Chairman of the Management Board  
Daniela Panova Petkova

In accordance with an Independent Auditors' Report:

PricewaterhouseCoopers Audit OOD

Crowe Bulgaria Audit Ltd.

\_\_\_\_\_  
Boryana Dimova  
*Managing Director and registered auditor,  
responsible for the audit*  
27.3.2023

\_\_\_\_\_  
Gyulyay Rahman  
*Manager*  
27.3.2023

\_\_\_\_\_  
Georgi Kaloyanov  
*Registered auditor,  
responsible for the audit*  
27.3.2023

## NOTES TO THE FINANCIAL STATEMENTS

**1. Organization, business and performance of the Deferred Payments Fund Doverie****1.1. Organization**

Deferred Payments Fund Doverie (The Fund, DPF Doverie, DPF) was established by a decision of the Management Board of Pension Assurance Company Doverie (PAC Doverie, the Company) on September 2, 2021. It is entered in the register under Art. 30, para. 1, item 13 of the Financial Supervision Commission Act (FSC) with Decision № 667 - DPF of 9 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 177521928. The seat of PAC Doverie AD and the Deferred Payments Fund Doverie is in Sofia, Izgrev district, and the address of management is Sofia, 1113, 13B Tintyava Str., entr. 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 deferred payments from the Deferred Payments Fund Doverie is regulated in Rules (The Rules), which are published on the corporate website of the Company([www.poc-doverie.bg](http://www.poc-doverie.bg)).

**1.2. Business and results***Pension assurance activity*

The pension insurance company, through DPF Doverie, provides deferred payment of the savings accumulated in a universal pension fund.

When the funds under the individual account of the insured person, including after supplementation by the order of art. 131, para. 2 - 5 of the SSC (up to the so-called guaranteed amount of the gross contributions) are insufficient for the granting of an additional lifelong pension in the amount under art. 167, para. 3 of SSC, but exceed three times the amount of the minimum pension for years of service and age under art. 68, para. 1 of the SSC as of the date of determining the value of the funds in the account, the insured person has the right to receive them in installments. By signing a contract for deferred payment, the accumulated funds of the insured person in GPF are transferred to the DPF Doverie created for the purposes of their deferred payment.

Deferred payment is a contractual payment of the transferred amount, in several installments, of equal amount, in equal periods.

At the beginning of 2022, the number of persons receiving deferred payments was 849. Persons with newly granted deferred payments in 2022 totaled 4,124 (from the creation of the Fund to 31.12.2021 – 851). As of 31 December 2022, the number of persons in the Fund is 4,257, distributed as follows:

	<b>Persons with deferred payments as of 31.12.2022</b>	<b>Persons with newly granted deferred payments for the period</b>	<b>Persons with deferred payments as of 31.12.2021</b>
<i>Deferred payments with a residual period of up to 1 year</i>	2,776	2,773	296
<i>Deferred payments with a residual period from 1 to 3 years</i>	1,338	1,243	507
<i>Deferred payments with a residual period more than 3 years</i>	143	108	46
<b>Total</b>	<b>4,257</b>	<b>4,124</b>	<b>849</b>

## **NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

### **1. Organization, business and performance of the Deferred Payments Fund Doverie, continued**

#### *1.2. Business and results, continued*

In 2022, 18 people receiving deferred payments died. There are 698 persons with suspended payments.

The Deferred Payments Fund is formed by:

- the transferred funds from the individual accounts in the general pension fund of the persons to whom the deferred payment has been determined;
- the transferred funds from the reserve for guaranteeing the gross contributions to a general pension fund maintained by the pension assurance company, in cases when the amount of the Fund's funds is lower than the amount of liabilities to the persons receiving deferred payments and their heirs; and
- the income from investing the Fund's assets.

The Fund pays the deferred payments and the funds 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.

In 2022, a total of amount of TBGN 21,953 have been transferred from the UPF under concluded contracts for deferred payments to the DPF Doverie (since inception to until 31.12.2021 – transferred TBGN 3,834).

The total amount paid in 2022 are TBGN 9,049 (from the creation of the Fund until 31.12.2021 – TBGN 287), incl. to persons with deferred payments – TBGN 9,010 and to heirs – TBGN 39 (as of 31.12.2021 – to persons with deferred payments – TBGN 279 and to their heirs – TBGN 8).

#### *Annual update*

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

Deferred payments are updated depending on the realized return on investment of the deferred payment fund during the period to which the update relates, on an annual basis. The update of the deferred payments is made with not less than 50 per cent of the realized return from the investment of the Fund's assets during the period to which it refers.

The amount of deferred payment may be reduced as a result of an update only after full disposal of the funds from the analytical account, considering the part of the income with which no update was made, and may not be lower than their guaranteed amount (not lower than the gross amount of social security contributions transferred by the NRA and NSSI per person).

In 2022, the deferred payments were updated for the first time with income in the amount of TBGN 179.

#### *Investments, investment policy and profitability*

The objectives, requirements and restrictions in the investment policy of DPF Doverie are presented in their Rules.

The main goal of the investment policy of the deferred payment fund is to maintain and increase, in nominal terms, deferred payments to insured persons and their heirs, in the short and medium term, by achieving a return on investment exceeding the fund's costs at a low to a moderate degree of risk.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**1. Organization, business and performance of the Deferred Payments Fund Doverie, continued**

**1.2. Business and results, continued**

*Investments, investment policy and profitability, continued*

The Deferred Payments 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 short-term and medium-term, the time horizon of the portfolio is relatively short - up to 5 years. The short-term nature of the accumulated funds in the DPF leads to significant expected cash outflows and a high current level of liquidity needs. The need for current liquidity is determined on a monthly basis, 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 persons receiving deferred payments and their heirs.

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

<b>Financial instrument</b>	<b>Restrictions</b>	<b>Note</b>
<b>1. Debt securities, issued or guaranteed by:</b>		
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
<b>2. Securities traded on regulated markets and ETF's</b>		
2.1. Corporate Bonds	Up to 15%	a) Up to 5% in the securities from a single issuer b) Up to 20% of the outstanding amount of the bond issue
2.2. Shares, Preferred Shares, Rights and Warrants	Up to 20%	a) Up to 5% in the securities (bonds and equity) of a single issuer b) cannot acquire more than 7% of the shares of a single issuer c) Up to 5% in mutual funds managed by a single asset management company d) Up to 15% of the shares/units of a single Mutual fund

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 1. Organization, business and performance of the Deferred Payments Fund Doverie, continued

## 1.2. Business and results, continued

*Investments, investment policy and profitability, continued*

Financial instrument	Restrictions	Note
		a) Up to 5% in the securities of a single issuer
		b) Up to 5% NAV could be invested in bonds, which are not traded on stock exchange
		c) Up to 20% of the outstanding amount of the bond issue
3. Municipal Bonds	Up to 15%	
		a) in banks with minimal credit rating;
4. Bank deposits	No limits	b) Up to 5% in a single bank
		a) Up to 5% in the securities of a single issuer
		b) Up to 20% of the outstanding amount of the bond issue
5. Infrastructure Bonds	Up to 20%	
		a) Up to 5% in the securities of a single issuer
		b) cannot acquire more than 7% of the shares of a single issuer
		c) Up to 1% in securitisation of receivables SIVP'
6. Shares and Rights of SIPV	Up to 5%	
7. Assets denominated in currency different than BGN or EUR	Up to 20%	Excluding the assets which are hedged against currency risk
8. Assets from issuers of one group or parties with which they have close links	Up to 10%	

The expenses of the Fund 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.

The income from investments of the Fund for the period is positive, amounting to TBGN 1,381 (2021 – TBGN 11).

## 2. Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU)<sup>1</sup>.

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.

<sup>1</sup> The equivalent term of the applicable financial reporting framework under the Accounting Act is International Accounting Standards. International Accounting Standards (IAS) are adopted in accordance with Regulation (EC) 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 Accounting Standards (IAS), International Accounting Standards (IAS) International Financial Reporting Standards (IFRS) and related interpretations (SIC-IFRIC interpretations), subsequent amendments to these standards and related interpretations, future standards and related interpretations issued or adopted by the International Financial Reporting Standards (IFRS). International Accounting Standards Board (IASB).

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

## **NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

### **2. Basis of accounting, continued**

The financial statements have been approved by the Management Board of PAC Doverie on 23 March 2023.

#### **Going Concern Principle**

The realized yield of DPF Doverie for the period from its establishment to 31 December 2022 is positive. 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 12 months;
- 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 of 31 December 2022, these requirements have been met by DPF Doverie. The management is focused on continuing to follow the Fund's strategy and set goals. Based on the above, the going concern principle has been applied in the preparation of these financial statements.

### **3. New accounting standards**

#### **3.1. Changes in significant accounting policies**

The following new and amended standards and interpretations are effective from January 1, 2022, but they do not have a significant effect on the Fund's financial statements:

##### ***(a) New and amended standards adopted by the Fund***

**Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020** (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)

All changes of the adopted standards listed above have no impact on the amounts recognized in previous periods and are not expected to have a significant impact on the Fund during the current or future reporting periods as well as in the foreseeable future transactions.

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

Certain new accounting standards and interpretations that are not mandatory for the reporting period at 31 December 2022 and have not been previously adopted by the Fund have been published. The Fund's assessment of the impact of these new standards and interpretations is set out below.

**Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies** (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

**Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates** (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

### 3. New accounting standards, continued

#### 3.1. Changes in significant accounting policies, continued

##### *(b) New standards and interpretations not yet adopted by the Fund, continued*

**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction** (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)

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

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

There are no other standards that are not yet adopted, and which are expected to have a significant impact on the Fund during the current or future reporting period as well as in the foreseeable future transactions.

##### *(c) New standards, interpretations and amendments not yet adopted by the EU*

#### **Amendments to IAS 1 Presentation of Financial Statements:**

- **Classification of Liabilities as Current or Non-current** (issued on 23 January 2020);
- **Classification of Liabilities as Current or Non-current - Deferral of Effective Date** (issued on 15 July 2020); and
- **Non-current Liabilities with Covenants** (issued on 31 October 2022 and ultimately effective for annual periods beginning on or after 1 January 2024)

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

### 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 assumptions

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 assumptions, 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, are disclosed separately in Note 12.

#### ***Assessment of the fair value 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 policies**

#### ***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.

In accordance with Ordinance No 9 of FSC, effective from 1 July 2004 cash and cash equivalents, receivables, and payables denominated in foreign currency are subject to a monthly revaluation at the central exchange rate of BNB at the end of each month.

#### ***7.2. 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:

- On the main market for the respective asset or liability, or
- In the absence of a main market, the most profitable market for the respective asset or liability.



## **NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

### **7. Significant accounting policies, continued**

#### ***7.2. Investments of the Fund in financial instruments, continued***

##### ***(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.

Net gains and losses, including interest and dividend income, are recognized in the statement of changes in net assets available for payments.

##### ***(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.

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/expenses***

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 gain/(loss) from financial instruments at fair value through profit or loss***

Net gain/(loss) from financial instruments at fair value includes all realized and unrealized fair value changes and foreign exchange differences but excludes interest and dividend income.

## **NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

### **7. Significant accounting policies, continued**

#### ***7.6. Derivatives***

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

In compliance with the adopted investment policy the derivative financial instruments are held for risk management of 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.

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.

##### ***Expenses for payment of pensions***

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. Tax***

Under the current system of taxation in the Republic of Bulgaria, the Fund is exempt from paying income taxes.

However, some dividend and interest income received by the Fund is subject to withholding tax imposed in certain countries of origin.

#### ***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.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**8. Net assets of the pension fund**

The net assets of DPF Doverie as of 31 December 2022 are as follows:

	<b>NOTE</b>	<b>31.12.2022</b> BGN'000	<b>31.12.2021</b> BGN'000
<b>ASSETS</b>			
Securities issued by Bulgarian issuers:		428	315
<i>Corporate bonds issued by Bulgarian issuers</i>	8.1	428	315
Securities issued by foreign issuers:		269	371
<i>Securities issued or guaranteed by countries and their central banks</i>	8.2	172	218
<i>Corporate bonds issued by foreign issuers</i>	8.3	97	103
<i>Equity financial instruments</i>	8.4	-	50
Cash and cash equivalents:		17,092	2,870
<i>Current accounts in BGN</i>	8.5	8,600	2,317
<i>Current accounts in foreign currency</i>	8.5	8,492	553
<b>TOTAL ASSETS</b>		<b><u>17,789</u></b>	<b><u>3,556</u></b>
Less: Liability	8.6	(7)	(1)
<b>TOTAL NET ASSETS</b>		<b><u>17,782</u></b>	<b><u>3,555</u></b>

**8.1. Corporate bonds issued by Bulgarian issuers**

The book value of corporate bonds issued by Bulgarian issuers as of 31 December 2022 amounts to TBGN 428, which represents 2.41% of the total assets of the Fund as of that date (as of 31.12.2021 – TBGN 315 and 8.85%).

These bonds are traded on the bond segment of BSE - Sofia and are secured.

The table below provides detailed information on corporate bonds as of December 31, 2022.

<b>Issuer</b>	<b>ISIN</b>	<b>Interest coupon</b>	<b>Currency</b>	<b>Nominal</b> /'000/	<b>Maturity</b>	<b>Fair value</b> /BGN'000/
Monbat AD	BG2100023170	6 m. EURIBOR + 3.00%, not less than 3.00%	EUR	167	20.01.2025	428
						<b><u>428</u></b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 8. Net assets of the pension fund, continued

## 8.1. Corporate bonds issued by Bulgarian issuers, continued

The table below provides detailed information on corporate bonds as of December 31, 2021.

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	167	20.01.2025	315
						<b>315</b>

## 8.2. Securities issued or guaranteed by countries and their central banks

As of 31 December 2022, the Fund holds an investment in a security issued by an EU country amounts to TBGN 172, which represents 0.97% of the total assets of the Fund as of that date (as of 31.12.2021 – TBGN 218 and 6.13%).

The table below provides detailed information on investment in a security issued by an EU country as of 31 December 2022.

Issuer	ISIN	Interest coupon	Currency	Nominal /BGN'000/	Maturity	Fair value /BGN'000/
Republic of Romania	XS1420357318	2.88%	EUR	100	26.05.2028	172
						<b>172</b>

The table below provides detailed information on investment in a security issued by an EU country as of 31 December 2021.

Issuer	ISIN	Interest coupon	Currency	Nominal /BGN'000/	Maturity	Fair value /BGN'000/
Republic of Romania	XS1420357318	2.88%	EUR	100	26.05.2028	218
						<b>218</b>

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**8. Net assets of the pension fund, continued**

**8.3. Corporate bonds issued by foreign issuers**

The book value of corporate bonds issued by foreign issuers as of 31 December 2021 amounts to TBGN 97, which represents 0.55% of the total assets of the Fund as of that date.

The table below provides detailed information on corporate bonds issued by foreign issuers as of 31 December 2022.

<b>Issuer</b>	<b>ISIN</b>	<b>Interest coupon</b>	<b>Currency</b>	<b>Nominal /BGN'000/</b>	<b>Maturity</b>	<b>Fair value /BGN'000/</b>
THYSSENKRUPP	DE000A14J587	2.50%	EUR	50	25.02.2025	97
						<b>97</b>

The table below provides detailed information on corporate bonds issued by foreign issuers as of 31 December 2021.

<b>Issuer</b>	<b>ISIN</b>	<b>Interest coupon</b>	<b>Currency</b>	<b>Nominal /BGN'000/</b>	<b>Maturity</b>	<b>Fair value /BGN'000/</b>
THYSSENKRUPP	DE000A14J587	2.50%	EUR	50	25.02.2025	103
						<b>103</b>

**8.4. Equity financial instruments**

As of 31 December 2022, the Fund does not have an exposure to equity (shares).

The table below provides detailed information on shares issued by foreign issuers as of 31 December 2021.

<b>Geographical distribution</b>	<b>Currency</b>	<b>Number of issuers</b>	<b>INDEX</b>	<b>Fair value /BGN'000/</b>	<b>Largest single exposure /BGN'000/</b>
Europe	EUR	2	Stoxx Europe 600	50	25
<b>Total</b>				<b>50</b>	

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 8. Net assets of the pension fund, continued

## 8.5. Current accounts in BGN and foreign currency

The money on current accounts as of 31 December 2022 represents 96.08% of the total assets of the Fund as of that date and is distributed by currencies as follows:

<b>Bank</b>	<b>Currency</b>	<b>Value</b> /BGN'000/	<b>Credit rating</b>	<b>Rating agency</b>
UBB	BGN	8,600	A-	Fitch
UBB	EUR	8,490	A-	Fitch
UBB	USD	2	A-	Fitch
		<b>17,092</b>		

The money on current accounts as of 31 December 2021 represents 80.70% of the total assets of the Fund as of that date and is distributed by currencies as follows:

<b>Bank</b>	<b>Currency</b>	<b>Value</b> /BGN'000/	<b>Credit rating</b>	<b>Rating agency</b>
UBB	BGN	2,317	A-	Fitch
UBB	EUR	552	A-	Fitch
UBB	USD	1	A-	Fitch
		<b>2,870</b>		

## 8.6. Liabilities

As of December 31, 2022 DPF Doverie has a current liability to Pension Assurance Company Doverie AD in the total amount of TBGN 7, representing due management fee for December 2022 (31.12.2021 – TBGN 1).

## 8.7. Table of maturity of the securities

The table below presents the contractual maturity structure of the securities by fair value as of 31 December 2022.

## Total contractual cash flows from the securities

<b>Maturity</b> /BGN'000/	<b>Fair value</b> 31.12.2021	<b>Up to 1</b> <b>month</b>	<b>From 1</b> <b>to 6</b> <b>months</b>	<b>From 6</b> <b>months</b> <b>to 1 year</b>	<b>From 1 to</b> <b>5 years</b>	<b>More</b> <b>than 5</b> <b>years</b>	<b>Total</b>
Corporate bonds in EUR	428	94	-	6	361	-	461
Foreign corporate and government bonds in EUR	269	-	8	-	125	201	334
<b>Total</b>	<b>697</b>	<b>94</b>	<b>8</b>	<b>6</b>	<b>486</b>	<b>201</b>	<b>795</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 8. Net assets of the pension fund, continued

## 8.7. Table of maturity of the securities, continued

The table below presents the contractual maturity structure of the securities by fair value as of 31 December 2021.

## Total contractual cash flows from the securities

Maturity /BGN'000/	Fair value 31.12.2021	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
Corporate bonds in EUR	315	5	-	5	344	-	354
Foreign corporate and government bonds in EUR	321	-	8	-	128	207	343
<b>Total</b>	<b>636</b>	<b>5</b>	<b>8</b>	<b>5</b>	<b>472</b>	<b>207</b>	<b>697</b>

## 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 installments and their heirs.

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

	Result	
	31.12.2022	09.09- 31.12.2021
	BGN'000	BGN'000
Shares	1,258	6
Government bonds	129	4
Corporate bonds	23	1
Currency operations and bank accounts	(29)	-
<b>Total</b>	<b>1,381</b>	<b>11</b>

## 10. Management fee

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

	31.12.2022	09.09- 31.12.2021
	BGN'000	BGN'000
Management fee	52	3
<b>Total</b>	<b>52</b>	<b>3</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 11. Net gains / (losses) from financial instruments

	<u>31.12.2022</u>	<u>09.09- 31.12.2021</u>
	BGN'000	BGN'000
Bonds issued by foreign issuers	133	4
Equity financial instruments issued by foreign issuers	1,258	6
Bonds issued by Bulgarian issuers	<u>19</u>	<u>1</u>
<b>Total</b>	<b><u>1,410</u></b>	<b><u>11</u></b>

## 11.1. Bonds issued by foreign issuers

	<u>31.12.2022</u>	<u>09.09- 31.12.2021</u>
	BGN'000	BGN'000
<b>Gains / (losses)</b>		
Government bonds	129	3
Corporate bonds	<u>4</u>	<u>1</u>
<b>Net gains / (losses)</b>	<b><u>133</u></b>	<b><u>4</u></b>

## 11.2. Equity financial instruments issued by foreign issuers

	<u>31.12.2022</u>	<u>09.09- 31.12.2021</u>
	BGN'000	BGN'000
<b>Gains / (losses)</b>		
Shares	<u>1,258</u>	<u>6</u>
<b>Net gains / (losses)</b>	<b><u>1,258</u></b>	<b><u>6</u></b>

## 11.3. Bonds issued by Bulgarian issuers

	<u>31.12.2022</u>	<u>09.09- 31.12.2021</u>
	BGN'000	BGN'000
<b>Gains / (losses)</b>		
Corporate bonds	<u>19</u>	<u>1</u>
<b>Net gains / (losses)</b>	<b><u>19</u></b>	<b><u>1</u></b>



**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**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 2022**

*BGN'000*

	Book value			Fair value		
	Determined at fair value	Determined at amortized cost	Other financial liabilities	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>						
Corporate bonds	525	-	-	97	428	-
Shares	-	-	-	-	-	-
Government bonds	172	-	-	172	-	-
<b>Total</b>	<b>697</b>	<b>-</b>	<b>-</b>	<b>269</b>	<b>428</b>	<b>-</b>

**Financial assets that are not measured at fair value**

Cash and cash equivalents	-	17,092	-	-	-	-
<b>Total</b>	<b>-</b>	<b>17,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Financial liabilities that are not measured at fair value**

Liabilities	-	-	7	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>

**31 December 2021**

*BGN'000*

	Book value			Fair value		
	Determined at fair value	Determined at amortized cost	Other financial liabilities	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>						
Corporate bonds	418	-	-	418	-	-
Shares	50	-	-	50	-	-
Government bonds	218	-	-	218	-	-
<b>Total</b>	<b>686</b>	<b>-</b>	<b>-</b>	<b>686</b>	<b>-</b>	<b>-</b>

**Financial assets that are not measured at fair value**

Cash and cash equivalents	-	2,870	-	-	-	-
<b>Total</b>	<b>-</b>	<b>2,870</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Financial liabilities that are not measured at fair value**

Liabilities	-	-	1	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

### **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 DPF that form the risk exposure are as follows:

- Cash and cash equivalents
- Government securities
- Bonds (corporate)
- Shares

#### **Objectives, policies and processes**

The Management Board has overall responsibility for setting objectives and policies regarding risk management in DPF, 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.

For DPF, the credit risk mainly arises from the bonds' portfolio, as well as the cash and cash equivalents.

For risk measurement DPF 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.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**13. Financial risk management, continued**

*Credit risk, continued*

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.

DPF's investments in Bulgarian and foreign government securities are the most exposed to credit risk, caused by a change in the price of the bonds, caused by the deterioration in the credit status of the issuer. Almost all issuers of government securities, included in the Fund's portfolio possess investment credit rating, assigned by internationally acknowledged rating agencies. The detailed rating distribution is represented below. The investments in government securities of DPF amount to TBGN 697, and in a simulative scenario with an assumed decrease of their value with 6%, the total value of the portfolio would decrease with TBGN 42 or 0.24%.

Also, the DPF 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.

Bank deposits are usually short term and mid-term with maturity up to 2 years. Eligible counterparty bank may be one with rating by an external agency of at least BB or equivalent. Exceptions are allowed only for a transition period of up to six months only when the rating of an already contacted bank is changed below the minimum level.

DPF does not use derivatives to manage credit risk. If such needs occur and in strictly defined circumstances such steps can be taken to reduce the risk if it is substantially concentrated and homogeneous.

Quantitative disclosure of exposure to credit risk related to financial assets is described below:

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>Maximum risk</b>	<b>Maximum risk</b>
	BGN'000	BGN'000
Cash and cash equivalents	17,092	2,870
Corporate bonds, issued by Bulgarian issuers	428	315
Government securities, issued or guaranteed by governments or their central banks	172	218
Corporate bonds, issued by foreign issuers	97	103
<b>Total</b>	<b>17,789</b>	<b>3,506</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 13. Financial risk management, continued

*Credit risk, continued**Rating scale of Risk Methodology of Standard & Poor's or equivalent regarding the fair value of financial instruments as of 31 December 2022*

/BGN'000/	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	Without rating	Total
Corporate bonds, issued by Bulgarian issuers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	428	428
Government securities, issued or guaranteed by governments on their central banks	-	-	-	-	-	-	-	-	-	172	-	-	-	-	-	172
Corporate bonds, issued by foreign issuers	-	-	-	-	-	-	-	-	-	-	-	-	-	97	-	97
<b>Total</b>	-	-	-	-	-	-	-	-	-	<b>172</b>	-	-	-	<b>97</b>	<b>428</b>	<b>697</b>

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.  
Financial statements for the period ending 31 December 2022.

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 13. Financial risk management, continued

*Credit risk, continued**Rating scale of Risk Methodology of Standard & Poor's or equivalent regarding the fair value of financial instruments as of 31 December 2021*

/BGN'000/	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	Without rating	Total
Corporate bonds, issued by Bulgarian issuers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	315	315
Government securities, issued or guaranteed by countries and their central banks	-	-	-	-	-	-	-	-	-	218	-	-	-	-	-	218
Corporate bonds, issued by foreign issuers	-	-	-	-	-	-	-	-	-	-	-	-	-	103	-	103
<b>Total</b>	-	-	-	-	-	-	-	-	-	<b>218</b>	-	-	-	<b>103</b>	<b>315</b>	<b>636</b>

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.  
Financial statements for the period ending 31 December 2022.

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 13. Financial risk management, continued

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

Cash in banks is classified as short-term financial asset.

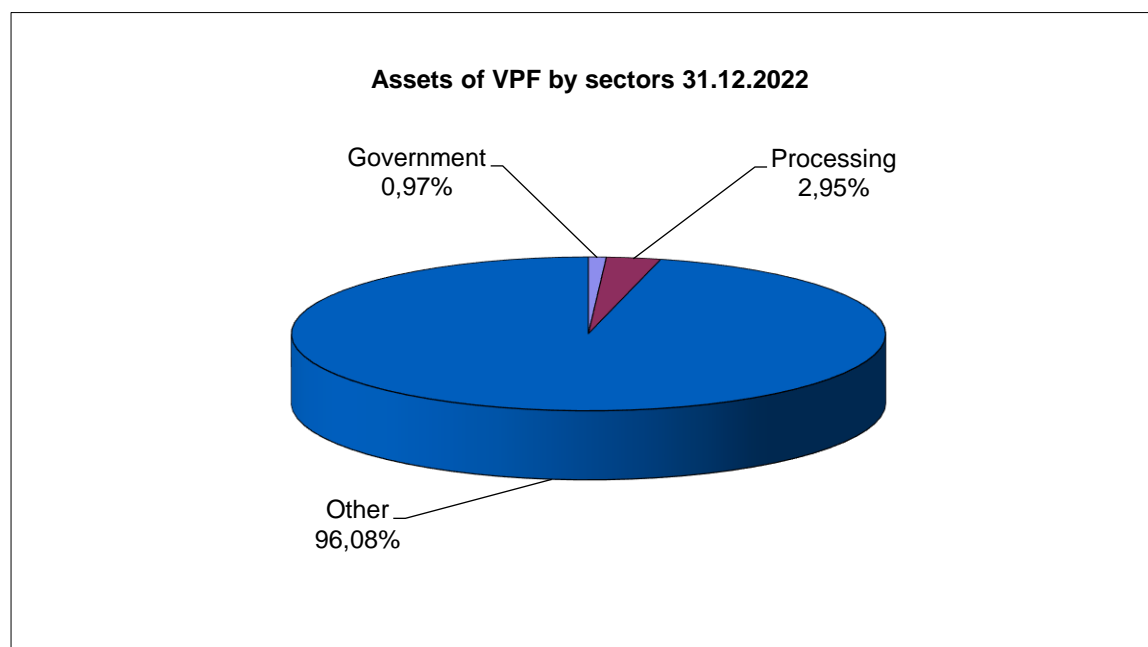
Cash is held at the following trustee bank on 31 December 2022:

	<b>Rating as of 31 December 2022</b>	<b>Balance as of 31 December 2022</b>
		/BGN'000/
UBB AD	A-	17,092

Cash is held at the following trustee bank on 31 December 2021:

	<b>Rating as of 31 December 2021</b>	<b>Balance as of 31 December 2021</b>
		/BGN'000/
UBB AD	A-	2,870

The following graph shows the concentration of the assets as of 31.12.2022 by economic sectors.

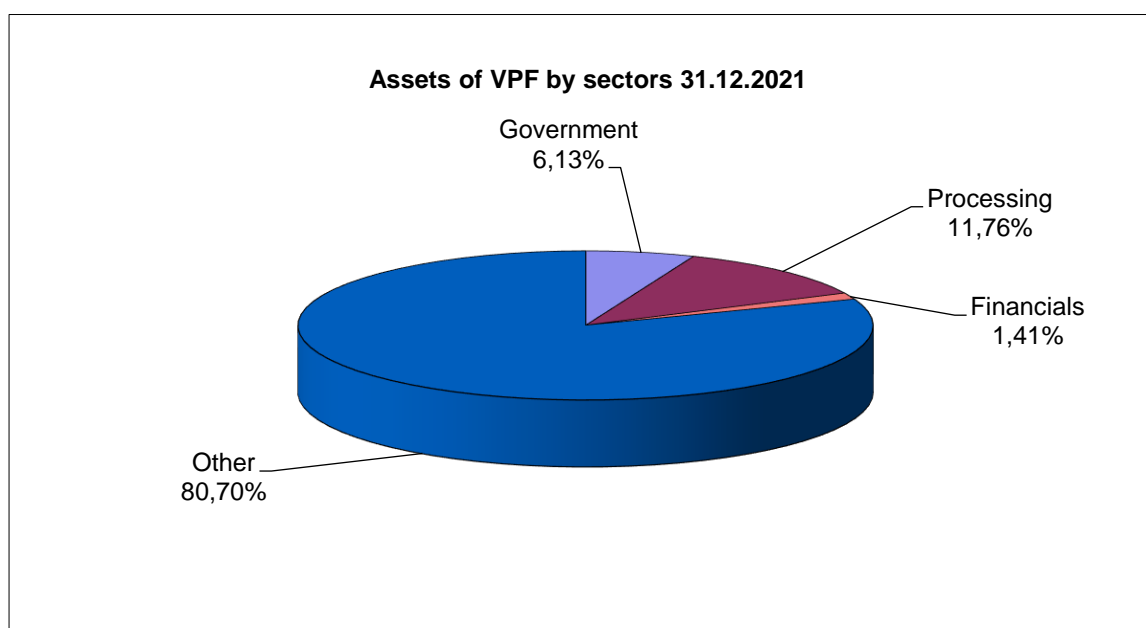


## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

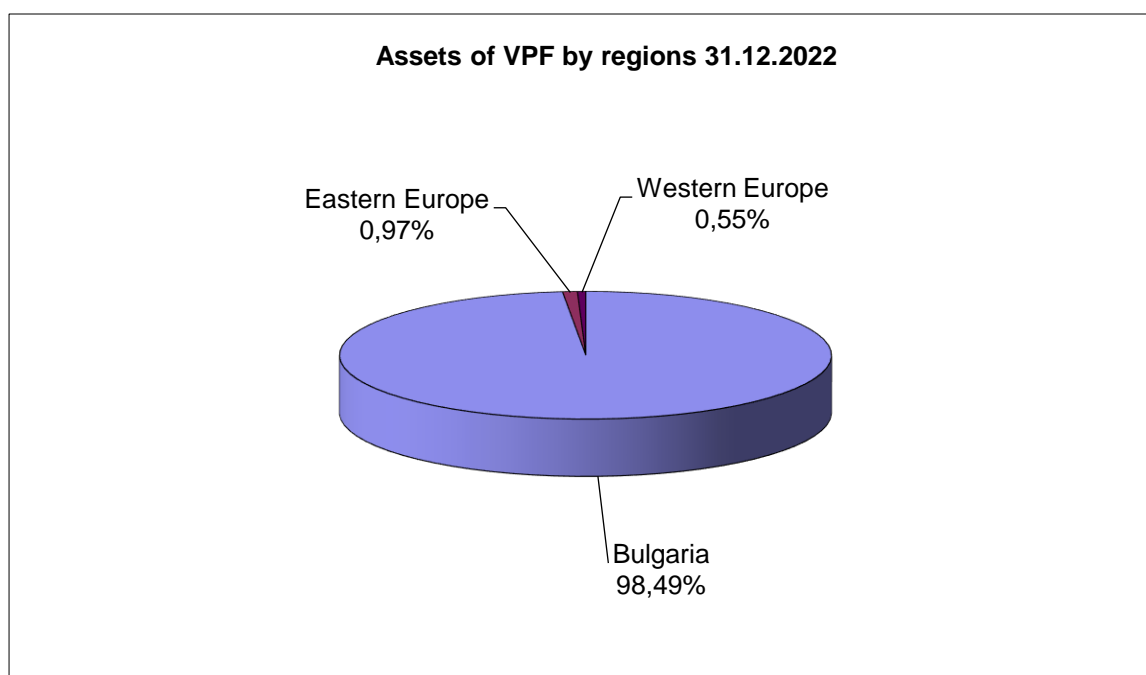
## 13. Financial risk management, continued

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

The following graph shows the concentration of the assets as of 31.12.2021 by economic sectors.



The following graph shows the concentration of the assets as of 31.12.2022 by geographic regions.

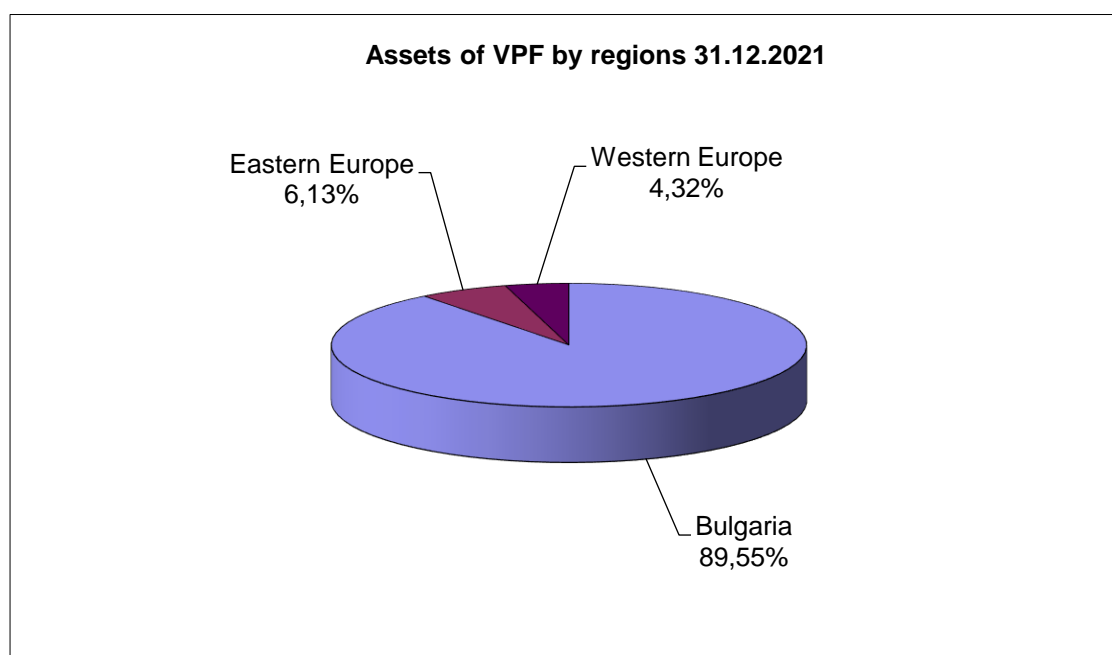


## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 13. Financial risk management, continued

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

The following graph shows the concentration of the assets as of 31.12.2021 by geographic regions.

**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 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, considering the EU regulation.

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.



**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**13. Financial risk management, continued**

*Interest risk, continued*

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. Simulation 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	<b>2022</b>
1	Change in the value of the investment portfolio in thousand BGN.	(7.49)
2	Change in the value of the investment portfolio in %	(0.04%)
№	Indicator	<b>2021</b>
1	Change in the value of the investment portfolio in thousand BGN.	(13.02)
2	Change in the value of the investment portfolio in %	(0.37%)

As of 31.12.2022

<b>ASSETS</b> <i>BGN'000</i>	<b>Financial instruments with floating interest rate</b>	<b>Financial instruments with fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>
Cash and cash equivalents	-	17,092	-	17,092
Corporate bonds issued by Bulgarian issuers	428	-	-	428
Government securities, issued or guaranteed by governments or their central banks	-	172	-	172
Corporate bonds issued by foreign issuers	-	97	-	97
Equity financial instruments issued by foreign issuers	-	-	-	-
<b>Total Assets</b>	<b>428</b>	<b>17,361</b>	<b>-</b>	<b>17,789</b>

<b>LIABILITIES</b> <i>BGN'000</i>	<b>Financial instruments with a floating interest rate</b>	<b>Financial instruments with a fixed interest rate</b>	<b>Non-interest- bearing</b>	<b>Total</b>
Liabilities to PAC	-	-	7	7
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>7</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 13. Financial risk management, continued

*Interest risk, continued*

As of 31.12.2021

<b>ASSETS</b> <i>BGN'000</i>	<b>Financial instruments with floating interest rate</b>	<b>Financial instruments with fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>
Cash and cash equivalents	-	2,870	-	2,870
Corporate bonds issued by Bulgarian issuers	315	-	-	315
Government securities, issued or guaranteed by governments or their central banks	-	218	-	218
Corporate bonds issued by foreign issuers	-	103	-	103
Equity financial instruments issued by foreign issuers	-	-	50	50
<b>Total Assets</b>	<b>315</b>	<b>3,191</b>	<b>50</b>	<b>3,556</b>

<b>LIABILITIES</b> <i>BGN'000</i>	<b>Financial instruments with a floating interest rate</b>	<b>Financial instruments with a fixed interest rate</b>	<b>Non-interest- bearing</b>	<b>Total</b>
Liabilities to PAC	-	-	1	1
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>

*Currency risk*

The Fund is a local entity in Bulgaria. Although the functional currency is the Bulgarian Lev (BGN), the Fund is at risk from changes in exchange rates arising mainly from financial instruments denominated in currencies other than BGN and EUR. The investments of the Fund that are denominated in BGN or EUR, but their value is dependent on changes in the exchange rate between a third currency and BGN or EUR are subject to currency risk. During the reporting period, such financial instruments have been part of the investment portfolio of the Fund.

To manage currency risk, forward contracts are used for a period up to one month and rolled at maturity with a few banks on the local market.

To reduce the risk of any adverse change in the future exchange rate between euro and BGN, the significant part of the Fund's investments is denominated in EUR.

Simulation analysis at 10% depreciation of the EUR against USD as at the date of the report, with other things being equal, would lead to an increase in the financial result by TBGN 0.0 and the opposite – a 10% depreciation of USD against the EUR, will result in decrease of the result by the same amounts.

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 13. Financial risk management, continued

*Currency risk, continued*

The currency position of the Fund as of 31 December 2022 by types of assets and liabilities, categorized by original currency is as follows:

/BGN'000/	<b>BGN</b>	<b>EUR</b>	<b>USD</b>	<b>Total</b>
Cash and cash equivalents	8,600	8,491	1	17,092
Corporate bonds, issued by Bulgarian issuers	-	428	-	428
Government securities, issued or guaranteed by governments or their central banks	-	172	-	172
Corporate bonds, issued by foreign issuers	-	97	-	97
Equity financial instruments issued by foreign issuers	-	-	-	-
<b>Total Assets</b>	<b>8,600</b>	<b>9,188</b>	<b>1</b>	<b>17,789</b>
Liabilities to PAC	7	-	-	7
<b>Total Liabilities</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>7</b>

The currency position of the Fund as of 31 December 2021 by types of assets and liabilities, categorized by original currency is as follows:

/BGN'000/	<b>BGN</b>	<b>EUR</b>	<b>USD</b>	<b>Total</b>
Cash and cash equivalents	2,317	552	1	2,870
Corporate bonds, issued by Bulgarian issuers	-	315	-	315
Government securities, issued or guaranteed by governments or their central banks	-	218	-	218
Corporate bonds, issued by foreign issuers	-	103	-	103
Equity financial instruments issued by foreign issuers	-	50	-	50
<b>Total Assets</b>	<b>2,317</b>	<b>1,238</b>	<b>1</b>	<b>3,556</b>
Liabilities to PAC	1	-	-	1
<b>Total Liabilities</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>

The following table summarizes the Fund's exposure to currency risk as of 31 December 2022. It includes assets and liabilities at book value categorized by original currency:

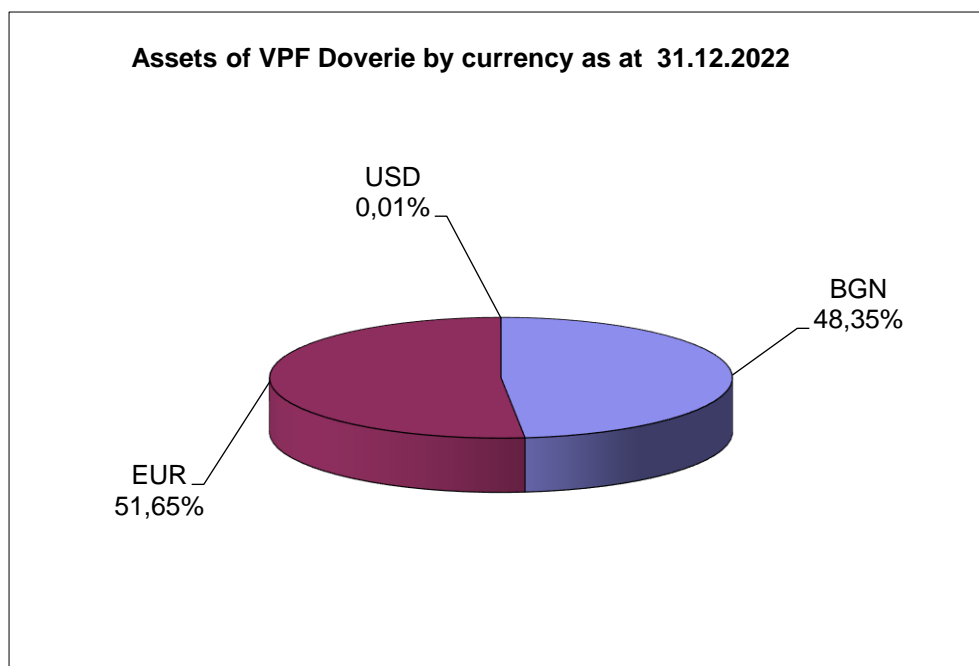
<b>Currency exposure (assets/liabilities)</b>	<b>Functional Currency</b>	
	<b>Bulgarian lev</b>	
	<b>2022</b>	
	BGN'000	
EUR	9,188	
USD	1	
<b>Total</b>	<b>9,189</b>	

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

13. Financial risk management, continued

*Currency risk, continued*

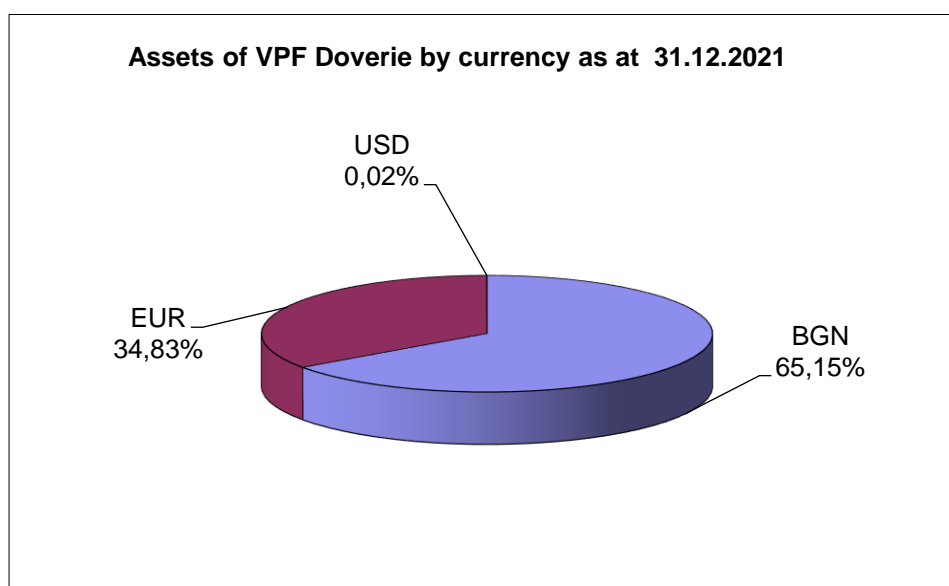
The following graph shows the concentration by currency of the assets as of 31.12.2022.



*Note:*

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

The following graph shows the concentration by currency of the assets as of 31.12.2021.



**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**13. Financial risk management, continued**

*Other market risks*

The Fund owns equities/shares of single issuers and mutual funds as part of the strategic model portfolio.

As at 31 December 2022 the fair value of these instruments is TBGN 0 and a realistic scenario would be a change in the major world stock market indices by 30% that will lead to change in the financial result by TBGN 0.

**Information on collaterals**

Total debt securities represent 3.92% of the assets, 0% of them secured and 3.92% unsecured. External credit rating is assigned to 1.51%, of the assets and the remaining 2.41% are rated using internal methodology

*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 amounts 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.

The following table presents an analysis of the liabilities of the Company as at 31 December 2022 grouped by residual term to maturity.

<b>As at 31 December 2022</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>Over 5 years</b>
<b>Financial liabilities</b>			
Related to PAC	7	-	-
<b>Total</b>	<b>7</b>	<b>-</b>	<b>-</b>

The following table presents an analysis of the liabilities of the Company as at 31 December 2021 grouped by residual term to maturity.

<b>As at 31 December 2021</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>Over 5 years</b>
<b>Financial liabilities</b>			
Related to PAC	1	-	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 13. Financial risk management, continued

*Regulatory risk*

The Fund is subject to the regulations set out in the Social Security Code and Regulations issued by the FSC. Regulatory risk arises from the possibility that specific regulations and requirements for investments might be changed, and deadlines for the compliance of operations in accordance with the new requirements might be short. In this particular case, it could be that the Fund would be forced to dispose of assets and their realization may be affected adversely in an unfavorable situation and respectively the sale to be below the fair value. The Fund assesses this risk as being minimal, given the current allocation of financial assets and the likelihood of such 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.

## 14. Related party transactions

The Fund is in a related party relationship with the following:

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.

*Transactions with related parties*

BGN'000	Type of transaction	<u>31.12.2022</u>	<u>09.09.- 31.12.2021</u>
PAC Doverie AD	Investment fee	52	3
PAC Doverie AD	Liabilities	7	1

The key management personnel of PAC Doverie AD are also considered related parties of the Fund.

## 15. Expected liabilities of the Fund to persons with deferred payments and heirs

	<u>31.12.2022</u>	<u>31.12.2021</u>	<u>31.12.2022</u>	<u>31.12.2021</u>
	BGN'000	BGN'000	BGN'000	BGN'000
	<u>Value before discounting</u>		<u>Value after discounting</u>	
<b>Present value of liabilities as of the previous year end</b>	3,547	-	3,547	-
Funds received from the UPF for newly allocated pensions	21,954	3,834	21,953	3,834
Payments to pensioners and heirs	(9,049)	(287)	(9,049)	(287)
Updated pensions during the year	179	-	179	-
Effect of change in the present value	-	-	(394)	-
<b>Present value of liabilities at the end of the year</b>	<u>16,631</u>	<u>3,547</u>	<u>16,236</u>	<u>3,547</u>

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**15. Expected liabilities of the Fund to persons with deferred payments and heirs, continued**

The discounted present/value is calculated on the basis of the risk-free interest rate announced for Bulgaria (according to the yield curve published on the website of the European Insurance and Occupational Pension Authority (EIOPA) as of 31.12.2022 for the remaining 31.12.2022 deadline for deferred payments.

**16. Contingent assets and contingent liabilities**

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

**17. Events after the reporting period**

The management of POC Doverie continues to monitor the non-adjusted macroeconomic movements after the reporting date (such as interest rates, market values of financial assets and influence on inflation of fuel prices and/or unstable chain supplies). In general, these movements have positively influenced the valuation of the fund assets between the reporting date and the date of approval for issuance of the annual financial statement.

With the bankruptcy of Silicon Valley Bank and Signature Bank, the forced merge of UBS and Credit Suisse operations and the constant issues surrounding the viability of small regional banks in the United States, central banks around the world are again faced with the need to ensure the stability of the financial system.

As central banks continue to increase interest rates to cope with continuing inflation threats, market instability is increasing and the risk of more economic downturn increases. The fund has no exposure to bankrupt banks, but remains cautious about further market development and focuses on steady risk management.

There are no other significant post balance sheet events with effect on the financial statements as of 31 December 2022.

These financial statements were approved for issue by the Management Board dated 23 March 2023.

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

\_\_\_\_\_  
Prepared by:

Ivanka Stoyanova Lazarova

\_\_\_\_\_  
Executive Director:

Miroslav Krumov Marinov

\_\_\_\_\_  
Chairman of the  
Management Board:

Daniela Panova Petkova

23 March 2023