

VOLUNTARY PENSION FUND  
DOVERIE

ANNUAL ACTIVITY REPORT

FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED

31 December 2022

INDEPENDENT AUDITORS' REPORT

## **VOLUNTARY PENSION FUND DOVERIE**

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**ACTIVITY REPORT****1. Organization, business, and performance of Voluntary pension fund Doverie****1.1. Organization**

Voluntary pension fund Doverie (the Fund, Doverie VPF,) was registered on November 3, 2000, by Resolution No 12540/2000 of Sofia City Court. The registered office and address of management of the Fund is Sofia, Izgrev Municipality, 13B Tintyava Str., PC 1113.

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

The General Assembly of the Shareholders of PAC Doverie AD held on June 24, 2002, resolved on the merger of the Bulgarian Pension Insurance Company and the pension funds managed by it with Pension Assurance Company Doverie and the respective pension funds under its management. After finalization of the necessary procedures, on May 28, 2003, the Bulgarian Voluntary Pension Fund merged with Doverie Voluntary Pension Fund.

**1.2 Investment Return**

\* In preparing the table are used data for value per share for Voluntary Pension Fund Doverie published by the Financial Supervision Commission.

<b>Index</b>	<b>01.01.2018</b>	<b>01.01.2019</b>	<b>01.01.2020</b>	<b>01.01.2021</b>	<b>01.01.2022</b>	<b>Geometric mean nominal return 2018–2022</b>
	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2020</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	
Nominal yield	-4.24%	4.99%	2.51%	5.49%	-12.31%	-0.95%
Standard deviation	3.54%	1.59%	4.94%	3.38%	7.85%	-
Sharpe ratio	-	3.38	0.60	1.77	-	-

\* Standard deviation is a statistical measure of the variance of a magnitude about its arithmetical or expected value.

\* Sharpe ratio is an index measuring the correlation between the rate of return for a portfolio and the risk taken to achieve that return. The Sharpe ratio is disclosed only in the case that the achieved nominal yield for the period is higher than the risk-free yield for the particular year.

\* The past performance does not necessarily have a connection with future results. Past performance is not a guarantee of future positive returns, preservation of the full investment amount or increase of the unit value.

**ACTIVITY REPORT, CONTINUED****1.3. Members**

Members are all individuals registered with the Fund for which the Fund has received at least one contribution.

As of 31 December 2022, the number of members in VPF Doverie is 142,267, which represents 21.11% (preliminary data) of all members of voluntary pension funds in Bulgaria.

In terms of sources of insurance, the distribution is as follows:

<b>Insured individuals</b>	<b>2022</b>	<b>2021</b>	<b>Change</b>
By employer's contributions	129,119	131,460	- 1.78%
By personal contributions	58,537	55,214	6.02%
By contributions from a third-party contributor	117	115	1.74%

A member of VPF may be insured under personal and employer's contributions together. As of 31 December 2022, in VPF Doverie 31.99% of the insured under employers' contract is also insured by individual contributions.

**1.4. New members**

New members are the registered participants in the pension fund for which the first contribution was received during the particular year.

As of 31 December 2022, in VPF Doverie the number of new members is 2,834 which is 5.09% less than in 2021 (2,986). Of the new members 76.32% are insured by the employer, 15.31% - by personal contributions, and 8.26% - by both employer and individual contributions.

<b>New members</b>	<b>2022</b>	<b>2021</b>	<b>Change</b>
By employer's contributions	2,397	2,575	-6.91%
By personal contributions	668	622	7.40%
By a third-party contribution	3	3	0%
<b>Total</b>	<b>3,068</b>	<b>3,200</b>	<b>- 4.13%</b>

During the past year, 1,511 individuals transferred their accumulated amounts from other voluntary pension funds to VPF Doverie. 81.67% of them transferred only employer contributions, 11.52% only personal contributions and 6.82% both employer and personal contributions. Compared to the year 2021 (672 persons) the number of individuals who transferred their membership to VPF Doverie increased by 124.85%.

**ACTIVITY REPORT, CONTINUED**

**1.5. Discontinued membership**

The total number of members that leave the fund in 2022 is 4,732, which is an increase of 54.59% compared to 2021 (3,061 individuals).

<b>Reason</b>	<b>Terminated participation</b>		<b>Change</b>
	<b>2022</b>	<b>2021</b>	
Withdrawal of personal contributions	85	84	1.19%
Retirement for old age and disability	2,370	2,295	3.27%
Succession	422	507	-16.77%
Switching participation	1,855	175	960.0%
<b>Total</b>	<b>4,732</b>	<b>3,061</b>	<b>54.59%</b>

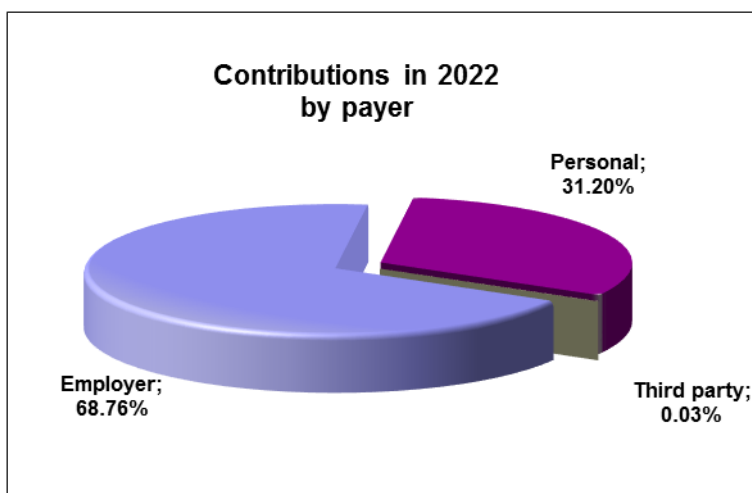
The current number of terminated participations is due to the occurrence of an insurance event “old age”– 50.08% of the total.

**1.6. Revenues**

In 2022 contributions for 21,226 insured individuals were received in VPF Doverie, which represents 14.92% of all members of the fund (142,267 individuals). Compared to 2021 (24,123 persons), the number of these persons has decreased by 12.01%.

The total received funds in 2022 amount to BGN 16,664,658, by 0.73% less than the year 2021 (BGN 16,786,906). The amount consists of BGN 13,831,022 from assurance contributions and BGN 3,833,636 from transfers from other voluntary pension funds.

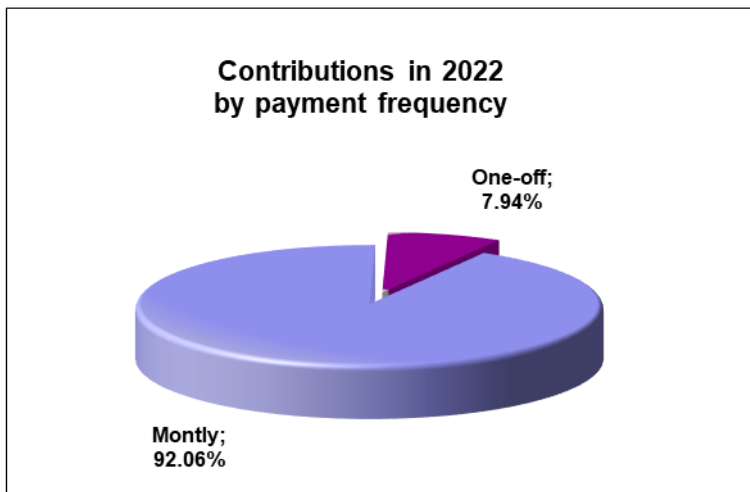
Contributions are distributed by contributor, as follows:



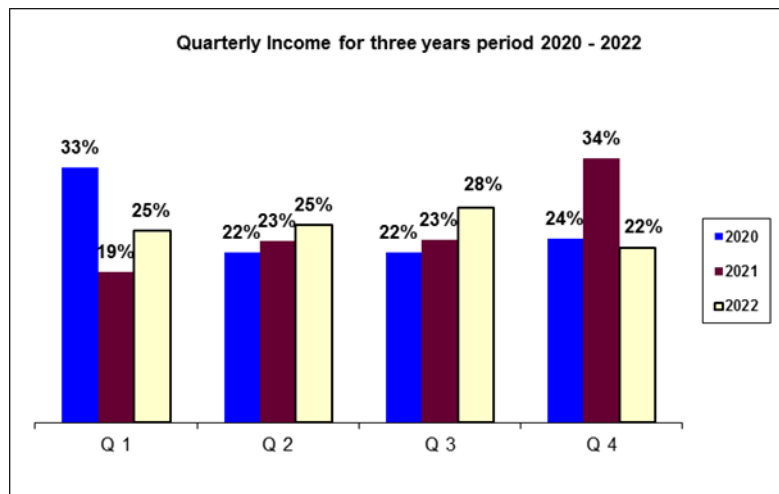
**ACTIVITY REPORT, CONTINUED**

**1.6. Revenues, continued**

The ratio of contributions according to periodicity (monthly, one-off) has the following distribution:



The largest number of receipts is in the third quarter of 2022.



In 2022 the average monthly amount of the receipts was equal to BGN 78.07 including funds from contributions and transfers. Compared to 2021 (BGN 71.01) there is an increase by 9.94%.

**ACTIVITY REPORT, CONTINUED****1.6. Revenues, continued**

The average monthly contribution per individual is equal to BGN 71.74, by 12.07% more than in 2021 (BGN 64.02).

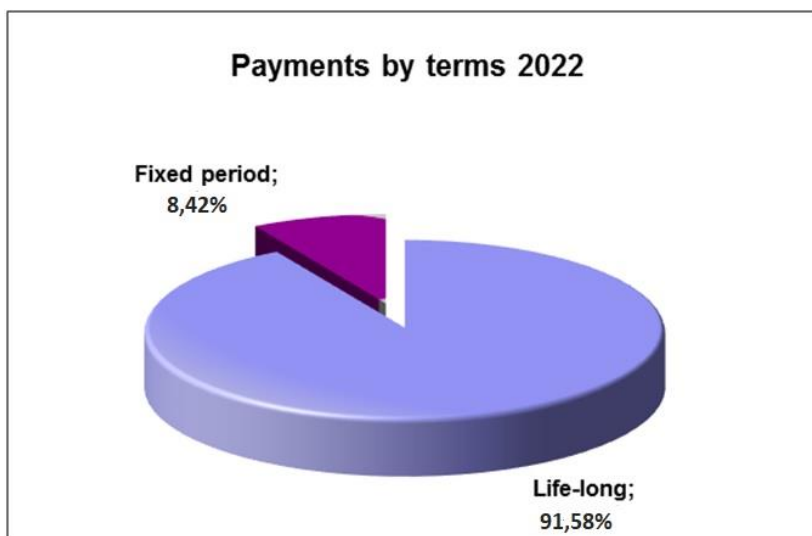
The average amount of the transferred amount for one person from another voluntary fund is BGN 2,537.15, by 41.56% less compared to 2021 (BGN 4,341.11)

As of 31 December 2022, the average accumulated amount per individual is BGN 1,275.83, which is 1.10% higher than in 2021 (BGN 1,261.99).

**1.7. Pensions**

As of 31 December 2022, 677 members receive monthly supplementary pensions from VPF Doverie.

<i>Pensions</i>	<i>Life-long</i>	<i>Fixed period</i>	<i>Total</i>
Personal pension for old age	369	57	426
Personal pension for disability	3	-	3
Survivor's pension	248	-	248
<b>Total</b>	<b>620</b>	<b>57</b>	<b>677</b>



The average amount of the personal with old age pension as of 31 December 2022 is BGN 55.56, and of the personal disability, pensions are BGN 72.86.

## ACTIVITY REPORT, CONTINUED

### 1.8. 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 2022.

## 2. Financial activity

### 2.1. Interest income

The total interest income for 2022 is equal to TBGN 1,330, which represents a decrease by 10.68% compared to 2021 (TBGN 1,489).

### 2.2. Income and expenses on operations with financial assets and instruments

As a result of the transactions made in 2022 with securities held for trading and their daily revaluation at their fair value, the Fund has realized income amounting to TBGN 172,348 and respectively had expenses amounting to TBGN 196,956, compared to respectively TBGN 100,476 and TBGN 100,520 in 2021.

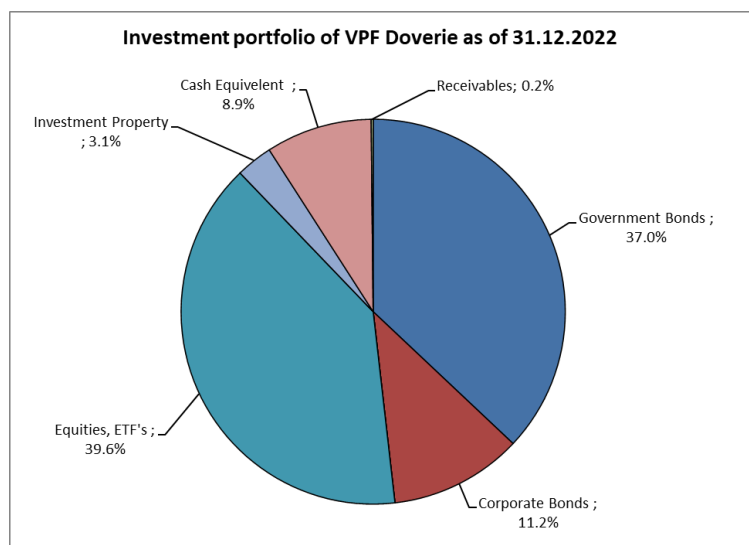
### 2.3. Foreign currency operations

The income and respectively the expenses from foreign currency operations are formed from the securities in the portfolio held during the year, denominated in USD.

These positions as of 31 December 2022 are securities, denominated in USD including - foreign corporate bonds, government securities, shares, and collective investment schemes shares with a fair value of TBGN 40,862 as of 31 December 2022. In the statement of net assets attributable to insured individuals of the Fund as of 31 December 2022, the forward currency contract operations resulted in a receivable at the amount of TBGN 91.

## 3. Analysis of portfolio structure

Portfolio structure as of 31 December 2022

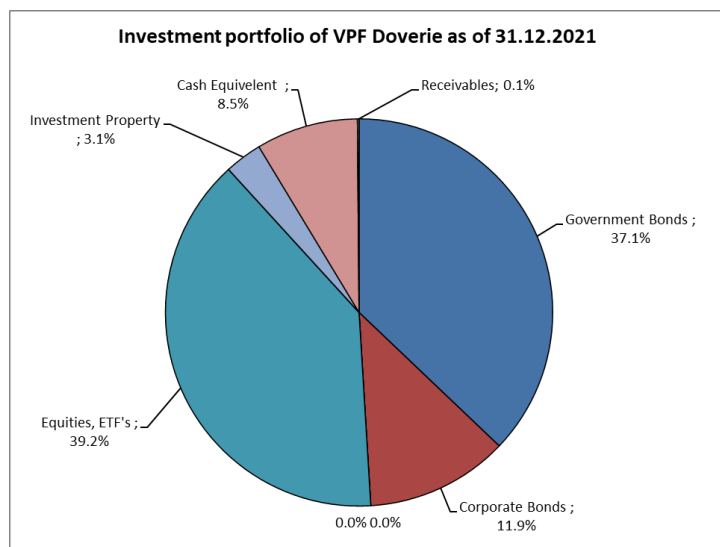




## ACTIVITY REPORT, CONTINUED

### 3. Analysis of portfolio structure, continued

Portfolio structure as of 31 December 2021



#### 3.1 Cash

Cash and cash equivalents increase compared with the previous year. All current accounts are subject to group cash management according to a cash-management contract signed with the custodian bank.

#### 3.2. Receivables

Receivables related to investments, (receivables due for the period, related to outstanding interests, dividends, etc.) increased at the end of the period compared to the previous year.

#### 3.3. Investment property

During the year the Fund realized expenses from the revaluation of investment property. The book value of three of the investment properties within the portfolio has been decreased as a result of the revaluation.

#### 3.4. Government securities

The relative share of government securities is almost 37% of the total assets and remain unchanged at the end of the period compared to the previous year. Slight over 23% of which is invested in foreign government bonds.

#### 3.5. Bank deposits

As of the end of 2022, the fund has no exposure to bank deposits.

### ACTIVITY REPORT, CONTINUED

#### 3. Analysis of portfolio structure, continued

##### 3.6. Corporate bonds

The absolute value of the corporate bonds decreased compared to previous year. The corporate bond portfolio of the fund is well diversified by sector and by region.

##### 3.7. Equities and mutual funds

2022 has been extremely tough for equity investors. Almost all indexes ended the year in negative territory, thus ending the upward trend that started a few years ago. Overall, the Fund's exposure to ETF's decreased both in absolute value and as a share of the portfolio.

In 2022, the Fund continued to follow the adopted active strategy for the management of the portfolio of shares and units of collective investment schemes. The investments were made after detailed analyses of the financial indicators of the individual companies.

#### 4. Regulatory requirements

According to the requirements of the Code and Ordinance № 9, enacted November 19, 2003, defining the terms and procedures for valuation of assets and liabilities of supplementary pension funds and pension insurance companies, the value of the fund's net assets, calculation and announcement of the value of an unit and the requirements for maintaining individual accounts (Ordinance No 9) issued by the Chairman of the Financial Supervision Commission (the Commission), since July 1, 2004 the assets of the members have been accounted both in BGN and in number of units. The Companies should calculate the number of units in each fund as well as the value of their net assets, and also the value of one unit. The unit values are calculated every day and disclosed till 6.00 pm in every office of the Company and on its web page.

The unit value on the last working day of 2022 was 1.77176.

The investments underlying the products of the VPF Doverie do not comply with the EU criteria for environmentally sustainable economic activities.

#### 5. Events after the reporting period

##### *Economic conditions and macroeconomic 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.

### ACTIVITY REPORT, CONTINUED

#### 5. Events after the reporting period, continued

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.

#### 6. Responsibilities of the management

Under Bulgarian law, management should prepare a financial report for each financial year that gives a true 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 at 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 were approved for issue by the Management Board on 23 March 2023.

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

Miroslav Krumov Marinov  
Executive Director

Daniela Panova Petkova  
Chairman of the Management Board

23 March 2023

## VOLUNTARY PENSION FUND DOVERIE

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

		<u>2022</u>	<u>2021</u>
		BGN'000	BGN'000
	<b>Note</b>		
Interest income	12	1,330	1,489
Dividend income (net)	11	1,591	882
Net gain/(loss) from operations with foreign securities	14	(15,760)	9,621
Net gain/(loss) from operations with Bulgarian securities at fair value through profit or loss	13	(8,848)	(995)
Investment property expenses	15	(759)	(542)
<b>Net gain/(loss) from investing the assets of the fund</b>		<u><b>(22,446)</b></u>	<u><b>10,455</b></u>
Investment fees	10	-	(941)
<b>Total operating expenses</b>		<u><b>-</b></u>	<u><b>(941)</b></u>
<b>Increase in net assets attributable to insured individuals</b>		<u><b>(22,446)</b></u>	<u><b>9,514</b></u>

Notes on pages 4 to 31 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:

for PricewaterhouseCoopers Audit OOD

for Crowe Bulgaria Audit EOOD

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*

## VOLUNTARY PENSION FUND DOVERIE

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO INSURED INDIVIDUALS FOR THE YEAR ENDED 31 DECEMBER

	Note	2022 BGN'000	2021 BGN'000
<b>NET ASSETS AT 1 JANUARY</b>		181,951	165,267
Decrease/Increase in net assets attributable to insured individuals		(22,446)	9,514
<b>Increases</b>			
Received contributions (net)		12,561	13,558
Transferred from other funds		3,834	2,917
		<u>16,395</u>	<u>16,475</u>
<b>Decreases</b>			
Payments to members		(2,141)	(2,404)
Transfer and withdrawal fee		(19)	(20)
Payments to pensioners		(6,978)	(6,376)
Transferred to other funds		(7,176)	(505)
		<u>(16,314)</u>	<u>(9,305)</u>
<b>NET ASSETS AT 31 DECEMBER</b>		<u><u>159,586</u></u>	<u><u>181,951</u></u>

Notes on pages 4 to 31 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
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In accordance with an Independent Auditors' Report:

for PricewaterhouseCoopers Audit  
OOD

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*Managing Director and Registered  
auditor, responsible for the audit  
27.3.2023*

for Crowe Bulgaria Audit EOOD

Gyulyay Rahman

*Manager*

*27.3.2023*

Georgi Kaloyanov

*Registered auditor,  
responsible for the audit  
27.3.2023*

**STATEMENT OF NET ASSETS ATTRIBUTABLE TO INSURED INDIVIDUALS  
AT 31 DECEMBER**

		<b>31.12.2022</b>	<b>31.12.2021</b>
		BGN'000	BGN'000
<b>ASSETS</b>	<b>Notes</b>		
Cash and cash equivalents	17	14,248	15,523
Securities issued or guaranteed by the Bulgarian government	8.1	22,140	13,049
Securities issued by Bulgarian issuers (bonds, shares, MTFs)	8.3, 8.7	10,519	11,008
Foreign investments	8.4	107,520	136,718
Derivative assets held for risk management		91	71
Investment receivables	8.5	184	171
Investment property	8.2	4,938	5,683
<b>TOTAL ASSETS</b>		<b><u>159,640</u></b>	<b><u>182,223</u></b>
<b>LIABILITIES</b>			
Payables to PAC	8.8	38	252
Investment payables	8.8	-	1
Other current liabilities	8.8	16	19
<b>TOTAL LIABILITIES</b>		<b><u>54</u></b>	<b><u>272</u></b>
<b>NET ASSETS ATTRIBUTABLE TO ASSURED INDIVIDUALS</b>		<b><u>159,586</u></b>	<b><u>181,951</u></b>

Notes on pages 4 to 31 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:

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*Manager  
27.3.2023*

Georgi Kaloyanov

*Registered auditor,  
responsible for the audit  
27.3.2023*

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. Organization and business of Voluntary Pension Fund Doverie**

##### ***1.1 Organization***

Voluntary Pension Fund Doverie (the Fund, VPF Doverie, and VPF) was registered on November 3, 2000, by Resolution No 12540/2000 of Sofia City Court. The registered office and address of management of the Fund is Sofia, Izgrev Municipality, 13B Tintyava Str., PC 1113.

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.

##### ***1.2 Business and results***

As of 31 December 2022, the total number of members of VPF Doverie according to data of the Financial Supervision Commission (FSC) is 142,267.

The return on investment of the assets of VPF Doverie for 2022 is equal to -12.31% on an annual basis (according to data of the FSC).

#### **2. Basis of accounting**

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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.

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

#### **Going Concern Principle**

In 2022, income from insurance contributions, incl. of transfers is relatively stable compared to 2021. The main contribution to the stability of the operating income is the preservation of the number of insured persons as internal factors for the Fund, which can be influenced relatively independently by making strategic management decisions.

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<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 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 Accounting Standards Board (IASB).

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**2. Basis of accounting, continued**

**Going Concern Principle, continued**

During the year SPIF maintained small exposure to the low liquid capital market of Bulgaria and continued to invest more in the international capital markets. The investment portfolio has successfully diversified from a point of several factors – instruments, sectors, industries, and geographical locations. A significant part of the funds was invested in highly liquid foreign government bonds and corporate bonds with a high credit rating, which significantly improved the quality of the portfolio and significantly reduced the credit risk.

The duration of the portfolio was kept relatively stable so as not to increase the exposure to interest rate risk. During the year the Fund maintains sufficient cash resources to cover its immediate payments. The Fund took advantage of the market volatility during the year by implementing an active investment management strategy for both equity and debt instruments.

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

The Fund has applied the following standards and amendments for the first time for its annual reporting period beginning on January 1, 2022:

**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)



**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**3. New accounting standards, continued**

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

**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)

**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.

**3.2. New standards, interpretations and amendments not yet adopted by the Fund**

(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.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**6. Use of estimates and assumptions**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the value of reported assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period, as well as reported income and expenses for the period. Actual results may differ from these assumptions. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Significant accounting estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be probable under the circumstances. Their authenticity is checked regularly.

The judgments that may result in a significant adjustment to the carrying amount of assets and liabilities in the next financial year are discussed below.

Items in the financial statements, the presentation of which 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 separately disclosed in Note 16.

**Assumption and estimation uncertainties**

***Measurement of fair values***

Fund's investments in real estate and financial instruments are reported based on fair value valuation (see note 16). 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**

The Fund has consistently applied the following accounting policies to all periods presented in these financial statements unless otherwise stated.

***7.1. Investment property***

***Initial recognition***

Investment property is recognized as an asset only when:

- the future economic benefits attributable to the investment property are likely to be received by the Fund; and
- the acquisition price of the investment property can be estimated reliably.

The Fund evaluates this recognition principle all expenses for investment property at the time they are made. These costs include costs incurred initially to acquire an investment property and then committed costs to complete, replacement of parts or maintenance of the property. The costs of daily operation and maintenance of investment property are recognized in profit or loss as incurred.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**7. Significant accounting policies, continued**

**7.1. Investment property, continued**

Investment property is initially recorded at cost, which includes the amount paid in cash or cash equivalents or the fair value of other consideration given for the acquisition of an asset at the time of its acquisition or construction, or, if applicable, the amount attributed to that asset, an asset when initially recognized in accordance with the specific requirements of another IAS. Transaction costs are included in the initial estimate.

If the payment is deferred outside the usual credit terms, the difference between the cash price equivalent and the total payment is recognized as interest during the credit period.

*Subsequent measurement after initial recognition*

For each investment property, the Fund applies the fair value model. Fair value is the price obtained to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

The gain or loss arising from a change in the fair value of an investment property is included in profit or loss for the period in which it arises.

Where applicable when measuring the fair value of an investment property in accordance with IFRS 13, the Fund shall ensure that the fair value reflects, inter alia, rental income from current leases and other assumptions of market participants in determining the price of the investment property under current market conditions.

*Derecognition*

Investment property is derecognised upon disposal or when the investment property is permanently decommissioned and no future economic benefits are expected from its disposal.

Gains or losses arising from decommissioning or disposal of investment property are determined as the difference between the net proceeds of the disposal and the carrying amount of the asset and are recognized in profit or loss during the period of decommissioning or disposal. Profits are not classified as income.

**7.2. 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. Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on the historical cost in foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss in the statement of comprehensive income.

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

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED****7. Significant accounting policies, continued****7.3. 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 measurement date. The measurement at fair value is based on the assumption that the transaction for sale of an asset or transfer of a liability takes place:

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

**(ii) Recognition and initial measurement**

All financial assets 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 attributable to insured individuals. From that moment, the Fund reports all income and expenses related to changes in fair value in the statement of changes in net assets attributable to insured individuals.

**(iii) Subsequent measurement**

All financial instruments are subsequently measured at fair value. Securities that have a fixed maturity and are acquired in order to comply with the Fund's obligations to retirees or a specific part of them may be reported based on their final redemption price, adopting a fixed rate of return to maturity.

Net gains and losses, including interest and dividend income, are recognized in the statement of changes in net assets attributable to insured individuals.

**(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, where substantially all the risks and rewards of ownership of the financial asset are transferred or where the Fund does not transfer 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, considering legal advice where appropriate. All recovered amounts are reported in the statement of changes in net assets attributable to insured individuals.

**7.4. Interest income**

The Fund receives interest income from deposits, current accounts and bond securities. Interest income is accrued on a monthly basis. Negative interest accrued on financial assets is presented as interest payable.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED****7. Significant accounting policies, continued****7.5. Dividend income**

Dividend income is recognized in profit or loss on the date on which the right to receive payment is established. Dividend income is presented in a separate line item in the statement of comprehensive income.

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

Net gain/(loss) from financial instruments measured at fair value includes all realized and unrealized fair value changes and foreign exchange differences, but excludes interest and dividend income, and dividend expense on securities sold short.

**7.7. Derivatives**

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as they are incurred. After 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. In 2022 such operations were made by foreign currency forward contracts with several banks.

**7.8. Fees and charges**

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

All fees and charges are charged at the time of their occurrence in accordance with the circumstances provided for in the Social Security Code, specified below and in the amounts as follows:

- one-time entrance fee for opening an individual insurance account - not more than BGN 10, and
- deduction as a percentage of each insurance contribution - up to 7%.
- annual investment fee in the amount of up to 10% of the income realized from the investment of the funds.

The investment fee is presented as an expense in the statement of profit or loss of the Fund, while the proceeds from social security contributions are presented in the statement of changes in net assets available to the insured persons of the Fund net of the respective deductions.

PAC Doverie AD may collect additional fees (reported at the expense of the insured persons) in the following cases:

- for each withdrawal (in full or in part) of the accumulated funds under the individual insurance account before acquiring the right to a personal old-age or disability pension - up to BGN 20;
- upon transfer of the funds under the individual account in a pension scheme according to art. 343a, para. 1, p. 2 or art. 343f, para. 1 of SSC - up to BGN 20.

The specific amount of fees and deductions for the respective period are published on the website of PAC Doverie AD (<https://www.poc-doverie.bg>).

**7.9. 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.

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 7. Significant accounting policies, continued

## 7.10. 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 insured persons, their heirs and pensioners of the Fund, as well as liabilities related to investments in assets.

The obligations for payment of insured persons, their heirs and pensioners of the Fund are accrued upon occurrence of the respective insurance event.

## 8. Net assets of the pension fund

The net assets of VPF as at December 31, 2022, and 2021 are as follows:

	Notes	31.12.2022 BGN'000	31.12.2021 BGN'000
<b>ASSETS</b>			
Bulgarian government securities	8.1	22,140	13,049
Investment property	8.2	4,938	5,683
Corporate bonds	8.3	3,595	3,627
Foreign securities	8.4	107,520	136,718
Derivative assets		91	71
Receivables related to investment	8.6	184	171
Shares and stock of local issuers	8.7	6,924	7,381
Current accounts in BGN	17	5,719	5,948
Current accounts in foreign currency	17	8,529	9,575
<b>TOTAL ASSETS</b>		<b>159,640</b>	<b>182,223</b>
Less: Liabilities	8.8	(54)	(272)
<b>TOTAL NET ASSETS</b>		<b>159,586</b>	<b>181,951</b>

## 8.1 Bulgarian government securities

In 2022 the Fund increased its exposure in government securities. BGN denominated government securities have increased significantly.

	31.12.2022 BGN'000	31.12.2021 BGN'000
Government securities denominated in BGN	22,140	10,703
Government securities denominated in foreign currency	-	2,346
<b>Total</b>	<b>22,140</b>	<b>13,049</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.1 Bulgarian government securities, continued

The position of the Fund in Bulgarian government securities as at 31 December 2022 is as follows:

Issuer	ISIN	Coupon rate	Currency	Par value /'000/	Maturity	Fair value /BGN'000/
Republic of Bulgaria	BG2040019213	1.500%	BGN	2,800	21.06.2039	1,484
Republic of Bulgaria	BG2040121217	0.250%	BGN	5,578	24.05.2029	4,190
Republic of Bulgaria	BG2030121110	0.000%	BGN	16,295	17.05.2025	14,776
Republic of Bulgaria	BG2030021112	0.000%	BGN	1,900	24.02.2026	1,690
<b>Total</b>						<b>22,140</b>

The position of the Fund in Bulgarian government securities as at 31 December 2021 is as follows:

Issuer	ISIN	Coupon rate	Currency	Par value /'000/	Maturity	Fair value /BGN'000/
Republic of Bulgaria	BG2040019213	1.500%	BGN	2,800	21.06.2039	3,018
Republic of Bulgaria	BG2040121217	0.250%	BGN	5,200	24.05.2029	5,103
Republic of Bulgaria	BG2040019215	0.000%	BGN	695	17.05.2025	693
Republic of Bulgaria	XS1083844503	2.950%	EUR	1,100	03.09.2024	2,346
Republic of Bulgaria	BG2030021112	0.000%	BGN	1,900	24.02.2026	1,889
<b>Total</b>						<b>13,049</b>

The investments in government securities are revaluated at fair value.

## 8.2. Investment properties

As at 31 December 2022 the Voluntary Pension Fund Doverie owns investments in the following real estates:

Description	Date of acquisition	Place	Acquisition price /BGN'000/	Fair value /BGN'000/
Regulated estate	23.11.2007	Sveti Vlas	2,014	1,975
Plot Nessebar right of construction	30.11.2010	Sveti Vlas	3,460	2,311
Land plot	18.04.2011	Madjare	1,056	652
<b>Total</b>				<b>4,938</b>

As at 31 December 2021 the Voluntary Pension Fund Doverie owns investments in the following real estates:

Description	Date of acquisition	Place	Acquisition price /BGN'000/	Fair value /BGN'000/
Regulated land plot	23.11.2007	Sveti Vlas	2,014	2,012
Plot Nessebar - right of construction	30.11.2010	Sveti Vlas	3,460	2,783
Land plot	18.04.2011	Madjare	1,056	888
<b>Total</b>				<b>5,683</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.2. Investment properties, continued

## Reconciliation of changes in book value

<i>TBGN</i>	<u>2022</u>	<u>2021</u>
Balance on 01 January	5,683	6,193
Change in fair value	(745)	(510)
<b>Balance at 31 December</b>	<b><u>4,938</u></b>	<b><u>5,683</u></b>

Evaluation of investment properties at fair value at December 31, 2022, and December 31, 2021, was carried out by independent external evaluators.

For the land located in Sv. Vlas with book value at the end of 2022 amounting to TBGN 1,975 (2021: TBGN 2,012) independent evaluator used the market analogue method.

Building permits for. Sv. Vlas book values at the end of 2022 amounting to TBGN 2,311 (2021: TBGN 2,783) the independent valuer used a valuation method to initially estimate the aggregate of land and the right to build under the Residual Value method. The deduction of the value of the right of building is obtained by the difference between the Residual Value method and the value of the Land valued by the method of market analogues.

For the property located in Madjare with book value at the end of 2022 amounting of TBGN 652 (2021: TBGN 888), the independent valuer used a valuation method: Market analogue method and Residual value method.

## 8.3. Corporate bonds

The table below gives detailed information for the corporate bonds as of 31.12.2022:

Issuer	ISIN	Interest coupon	Currency	Nominal /'000/	Maturity	Fair value /BGN'000/
Monbat AD	BG2100023170	6 m. EURIBOR + 3.00%, but not less than 3.00%	EUR	280	20.01.2025	540
Bravo Property Fund ADSIC	BG2100008197	3.25%	BGN	400	11.04.2024	357
TBI Bank	BG2100007215	5.25%	EUR	500	30.07.2031	970
BEH	XS1839682116	3.50%	EUR	550	28.06.2025	993
Hypocredit AD	BG2100018089	1.90%	EUR	450	30.12.2023	389
Hypocredit AD	BG2100038079	1.90%	EUR	376	30.12.2023	346
<b>Total</b>						<b><u>3,595</u></b>



## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.3. Corporate bonds, continued

The table below gives detailed information for the corporate bonds as of 31.12.2021:

Issuer	ISIN	Interest coupon	Currency	Nominal /'000/	Maturity	Fair value /BGN'000/
Monbat AD	BG2100023170	6 m. EURIBOR + 3.00%, but not less than 3.00%	EUR	280	20.01.2025	528
Bravo Property Fund ADSIC	BG2100008197	3.25%	BGN	400	11.04.2024	373
TBI Bank	BG2100007215	5.25%	EUR	500	30.07.2031	999
BEH	XS1839682116	3.50%	EUR	550	28.06.2025	1,156
Hypocredit AD	BG2100018089	1.90%	EUR	450	30.12.2023	302
Hypocredit AD	BG2100038079	1.90%	EUR	376	30.12.2023	269
<b>Total</b>						<b>3,627</b>

## 8.4. Foreign securities

Index and mutual funds have the largest share in foreign securities. Exposure to government bonds issued by EU member decreased by approximately 42.30%. Individual investments (bonds) decreased compared to 2021. A decrease was observed in equity investments compared to 2021.

The table below presents the investments of VPF Doverie in foreign securities as of 31 December 2022 and 31 December 2021.

	Note	31.12.2022 BGN'000	31.12.2021 BGN'000
Government securities of EU countries	8.4.1	21,729	37,669
Government securities of non-EU countries	8.4.2	15,225	16,911
Individual investments (Bonds)	8.4.3	14,244	18,096
Index and Mutual Funds	8.4.4	32,243	38,354
Shares	8.4.5	24,079	25,688
<b>Total</b>		<b>107,520</b>	<b>136,718</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.4.1 Government or government guaranteed securities of EU countries

Government or government guaranteed securities of EU countries as of 31 December 2022:

Issuer	ISIN	Interest coupon	Currency	Nominal /'000/	Maturity	Fair value /BGN'000/
Republic of Spain	ES00000127A2	1.95%	EUR	540	30.07.2030	965
Republic of Romania	XS1060842975	3.63%	EUR	1,200	24.04.2024	2,402
Republic of Romania	XS1129788524	2.88%	EUR	650	28.10.2024	1,254
Republic of Romania	XS1312891549	2.75%	EUR	1,300	29.10.2025	2,458
Republic of Romania	XS1934867547	2.00%	EUR	520	08.12.2026	912
Republic of Romania	XS1420357318	2.88%	EUR	350	26.05.2028	602
Republic of Romania	XS1892141620	2.88%	EUR	400	11.03.2029	664
Republic of Romania	ROE3GCPAFCP6	1.00%	EUR	400	13.12.2023	766
Republic of Romania	XS2434895558	2.13%	EUR	500	08.03.2028	831
Italy	IT0005439275	0.00%	EUR	800	15.04.2024	1,502
Italy	IT0005445306	0.50%	EUR	950	15.07.2028	1,533
Republic of Poland	XS0841073793	3.38%	EUR	200	09.07.2024	398
Republic of Poland	XS1015428821	3.00%	EUR	800	15.01.2024	1,607
Portugal	PTOTELOE0028	0.48%	EUR	450	18.10.2030	709
Republic of Croatia	XS1843434876	1.13%	EUR	250	19.06.2029	418
Republic of Croatia	XS1117298916	3.00%	EUR	600	11.03.2025	1,196
France	FR001400BKZ3	2.00%	EUR	200	25.11.2032	355
Bank Gospodarstwa Krajowego	XS2397082939	0.38%	EUR	300	13.10.2028	460
Hungary	XS2259191273	0.50%	EUR	200	18.11.2030	267
Hungary	XS2386583145	0.13%	EUR	700	21.09.2028	1,009
Hungary	XS2161992198	1.13%	EUR	400	28.04.2026	701
Hungary	XS1696445516	1.75%	EUR	420	10.10.2027	720
<b>Total</b>						<b>21,729</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.4. Foreign securities, continued

## 8.4.1 Government or government guaranteed securities of EU countries, continued

Government or government guaranteed securities of EU countries as of 31 December 2021:

Issuer	ISIN	Interest coupon	Currency	Nominal /'000/	Maturity	Fair value /BGN'000/
Republic of Spain	ES00000127A2	1.95%	EUR	540	30.07.2030	1 205
Republic of Romania	XS1060842975	3.63%	EUR	1,200	24.04.2024	2 581
Republic of Romania	XS1129788524	2.88%	EUR	650	28.10.2024	1 360
Republic of Romania	XS1312891549	2.75%	EUR	1,300	29.10.2025	2 754
Republic of Romania	XS1934867547	2.00%	EUR	520	08.12.2026	1 068
Republic of Romania	XS1420357318	2.88%	EUR	350	26.05.2028	750
Republic of Romania	XS1892141620	2.88%	EUR	400	11.03.2029	850
France Government Bond	FR0013516549	0.00%	EUR	2 500	25.11.2030	4 843
German Bund	DE0001102507	0.00%	EUR	2 830	15.08.2030	5 660
German Bund	DE0001102531	0.00%	EUR	1 100	15.02.2031	2 194
Italy	IT0005445306	0.50%	EUR	950	15.07.2028	1 838
Italy	IT0005449969	0.95%	EUR	600	01.12.2031	1 150
Republic of Poland	XS1015428821	3.00%	EUR	800	15.01.2024	1 714
Portugal	PTOTELOE0028	0.48%	EUR	450	18.10.2030	895
Republic of Croatia	XS1843434876	1.13%	EUR	250	19.06.2029	500
Republic of Croatia	XS1028953989	3.88%	EUR	1 280	30.05.2022	2 601
Republic of Croatia	XS1117298916	3.00%	EUR	600	11.03.2025	1 310
European Investment Bank	XS2283340060	0.00%	EUR	300	14.01.2031	581
Council of Europe Development Bank	XS2286422071	0.00%	EUR	100	20.01.2031	193
Bank Gospodarstwa Krajowego	XS2397082939	0.38%	EUR	300	13.10.2028	578
Hungary	XS2386583145	0.13%	EUR	700	21.09.2028	1 331
Hungary	XS2161992198	1.13%	EUR	400	28.04.2026	817
Hungary	XS1696445516	1.75%	EUR	420	10.10.2027	896
<b>Total</b>						<b>37,669</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.4. Foreign securities, continued

## 8.4.2. Government securities of non-EU countries

Government securities of non-EU countries as of 31 December 2022

Issuer	ISIN	Interest coupon	Currency	Nominal /'000/	Maturity	Fair value /BGN'000/
Israel	XS1023541847	2.88%	EUR	1,230	29.01.2024	2,452
Republic of Indonesia	XS2366690332	1.00%	EUR	400	28.07.2029	632
Republic of Indonesia	XS1432493879	2.63%	EUR	500	14.06.2023	989
Republic of Indonesia	XS1268430201	3.38%	EUR	600	30.06.2025	1,180
Republic of Indonesia	XS2100404396	0.90%	EUR	450	14.02.2027	779
Republic of Indonesia	XS2069959398	1.40%	EUR	300	30.10.2031	457
China	XS2078533218	0.50%	EUR	400	12.11.2031	593
China	XS2259626856	0.25%	EUR	350	25.11.2030	544
China	XS2078532913	0.13%	EUR	400	12.11.2026	691
Columbia	XS1385239006	3.88%	EUR	510	22.03.2026	966
United Mexican States	XS1751001139	1.75%	EUR	540	17.04.2028	955
United Mexican States	XS1974394675	1.63%	EUR	1,030	08.04.2026	1,917
Chile	XS2369244087	0.10%	EUR	600	26.01.2027	1,004
Chile	XS2388560604	0.55%	EUR	700	21.01.2029	1,123
Chile	XS1236685613	1.88%	EUR	300	27.05.2030	513
Chile	XS1346652891	1.75%	EUR	230	20.01.2026	430
<b>Total</b>						<b>15,225</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.4. Foreign securities, continued

## 8.4.2. Government securities of non-EU countries, continued

Government securities of non-EU countries as of 31 December 2021

Issuer	ISIN	Interest coupon	Currency	Nominal /'000/	Maturity	Fair value /BGN'000/
Israel	XS1023541847	2.88%	EUR	1 230	29.01.2024	2 622
Republic of Indonesia	XS1084368593	1.00%	EUR	400	28.07.2029	772
Republic of Indonesia	XS1432493879	2.63%	EUR	500	14.06.2023	1 025
Republic of Indonesia	XS1268430201	3.38%	EUR	600	30.06.2025	1 306
Republic of Indonesia	XS2100404396	0.90%	EUR	250	14.02.2027	493
Republic of Indonesia	XS2069959398	1.40%	EUR	300	30.10.2031	589
China	XS2078533218	0.50%	EUR	400	12.11.2031	765
China	XS2259626856	0.13%	EUR	350	25.11.2030	662
China	XS2078532913	0.13%	EUR	400	12.11.2026	782
Columbia	XS1385239006	3.88%	EUR	510	22.03.2026	1 107
United Mexican States	XS0916766057	1.75%	EUR	340	17.04.2028	696
United Mexican States	XS1511779305	1.38%	EUR	350	15.01.2025	715
United Mexican States	XS1974394675	1.63%	EUR	1 030	08.04.2026	2 120
Chile	XS2369244087	1.63%	EUR	400	26.01.2027	767
Chile	XS2388560604	0.55%	EUR	700	21.01.2029	1 359
Chile	XS1236685613	1.88%	EUR	300	27.05.2030	646
Chile	XS1346652891	1.75%	EUR	230	20.01.2026	485
<b>Total</b>						<b>16,911</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.4. Foreign securities, continued

## 8.4.3. Individual investments (Bonds)

The table below provides detail on the individual investments (Bonds) as of 31 December 2022:

Issuer	ISIN	Credit rating	Rating agency	Currency	Nominal value /'000/	Fair value /BGN'000/
UBS GROUP AG	CH0576402181	A-	S&P	EUR	200	319
RENAULT SA	FR0013329315	Ba2	Moody's	EUR	400	752
PEUGEOT S.A.	FR0013323326	Baa3	Moody's	EUR	300	573
VALEO SA	FR0013342334	BB+	S&P	EUR	100	182
SoftBank Group Corp	XS1811213781	BB+	S&P	EUR	200	391
Softbank Group Corp	XS2361253862	BB+	S&P	EUR	200	370
NE PROPERTY COOPERATIEF	XS1722898431	BBB	Fitch	EUR	400	730
GENERAL ELECTRIC CO	XS1612542826	BBB	Fitch	EUR	150	277
RENAULT SA	FR0014006W65	Ba2	Moody's	EUR	200	344
Ford	XS1959498160	Ba2	Moody's	EUR	200	392
Deutsche Pfandbriefbank AG	DE000A3T0X97	BBB+	S&P	EUR	100	177
TEVA PHARM FNC NL II	XS1813724603	BB-	Fitch	EUR	300	569
VOLKSWAGEN Fin Serv AG	XS2438615606	BBB+	S&P	EUR	100	182
Credit Agricole	FR00140098S7	A+	S&P	EUR	200	368
PFIZER INC	XS1574158082	A	Fitch	EUR	170	307
APPLE INC	XS1135337498	AA+	S&P	EUR	120	223
PEPSICO INC	XS1061714165	A+	S&P	EUR	150	292
Bank of China Luxemburg	XS2099704731	A	Fitch	EUR	200	391
Swedbank AB	XS2404027935	A+	S&P	EUR	100	171
BERKSHIRE HATHAWAY INC	XS1200679071	A+	Fitch	EUR	170	302
AMERICA MOVIL SAB DE CV	XS1379122101	BBB+	S&P	EUR	170	328
DAIMLER AG	DE000A289XH6	A-	Fitch	EUR	200	391
DAIMLER AG	DE000A289XJ2	A-	Fitch	EUR	200	376
CK HUTCHISON FINANCE 16	XS1391086987	A-	Fitch	EUR	170	297
VOLVO CAR AB	XS1724626699	Ba1	Moody's	EUR	190	355
SAP SE	DE000A2TSTE8	A	S&P	EUR	100	187
THYSSENKRUPP AG	DE000A14J587	B1	Moody's	EUR	350	681
DEUTSCHE BANK AG	DE000DL19US6	BBB-	S&P	EUR	200	377
LeasePlan Corporation NV	XS2384269101	BBB-	S&P	EUR	250	418
DXC Capital Funding LTD	XS2384715244	BBB-	S&P	EUR	200	322
QUALCOMM INC	US747525AF05	A	S&P	USD	150	269
ALIBABA GROUP HOLDING	US01609WAQ50	A+	Moody's	USD	200	355
UBS GROUP AG	CH0576402181	A-	S&P	EUR	200	319

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.4. Foreign securities, continued

## 8.4.3. Individual investments (Bonds), continued

Issuer	ISIN	Credit rating	Rating agency	Currency	Nominal value /'000/	Fair value /BGN'000/
AMAZON.COM INC	US023135BC96	A1	Moody's	USD	200	349
GOLDMAN SACHS GROUP INC	XS1796209010	BBB+	S&P	EUR	150	267
GOLDMAN SACHS GROUP INC	XS1458408561	BBB+	S&P	EUR	200	366
DXC TECHNOLOGY CO	XS1883245331	Baa2	Moody's	EUR	390	715
VERIZON COMMUNICATIONS	XS1146282634	Baa1	Moody's	EUR	190	369
VERIZON COMMUNICATIONS	XS1708161291	BBB+	S&P	EUR	200	359
VALEO SA	FR0014004UE6	BB+	S&P	EUR	100	151
<b>Total</b>						<b>14,244</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.4. Foreign securities, continued

## 8.4.3. Individual investments (Bonds), continued

The table below provides detailed information on the individual investments (Bonds) as of 31 December 2021:

Issuer	ISIN	Credit rating	Rating agency	Currency	Nominal value /'000/	Fair value /BGN' 000/
UBS GROUP AG	CH0576402181	A-	S&P	EUR	200	384
GDF SUEZ	FR0010952770	BBB+	S&P	EUR	200	406
VEOLIA ENVIRONNEMENT SA	FR0010474239	BBB	S&P	EUR	230	473
RENAULT SA	FR0013329315	Ba2	Moody's	EUR	200	392
PEUGEOT S.A.	FR0013323326	Baa3	Moody's	EUR	300	625
VALEO SA	FR0013342334	BB+	S&P	EUR	100	204
AT&T INC	XS1144086110	BBB	S&P	EUR	130	257
GENERAL ELECTRIC CO	XS1612542669	BBB	Fitch	EUR	100	197
Softbank Group Corp	XS2361253862	BB+	S&P	EUR	200	390
NE PROPERTY COOPERATIEF	XS1722898431	BBB	Fitch	EUR	400	804
GENERAL ELECTRIC CO	XS1612542826	BBB	Fitch	EUR	150	301
RENAULT SA	FR0014006W65	Ba2	Moody's	EUR	200	393
IBERDROLA INTL BV	XS1057055060	Baa1	Moody's	EUR	200	402
KONINKLIJKE KPN NV	XS0752092311	Baa3	Moody's	EUR	150	306
TEVA PHARM FNC NL II	XS1813724603	BB-	Fitch	EUR	300	617
PROCTER & GAMBLE CO/THE	XS0816704125	Aa3	Moody's	EUR	180	360
WALMART INC	XS1054528457	Aa2	Moody's	EUR	180	359
PFIZER INC	XS1574158082	A	Fitch	EUR	170	348
APPLE INC	XS1135337498	AA+	S&P	EUR	120	253
PEPSICO INC	XS1061714165	A+	S&P	EUR	150	329
Bank of China Luxemburg	XS2099704731	A	Fitch	EUR	200	392
Swedbank AB 02-Nov-26 0.25%	XS2404027935	A+	S&P	EUR	100	195
BERKSHIRE HATHAWAY INC	XS1200679071	A+	Fitch	EUR	170	350
AMERICA MOVIL SAB DE CV	XS1379122101	BBB+	S&P	EUR	170	347
DAIMLER AG	DE000A289XH6	A-	Fitch	EUR	200	405
DAIMLER AG	DE000A289XJ2	A-	Fitch	EUR	200	428
CK HUTCHISON FINANCE 16	XS1391086987	A-	Fitch	EUR	170	365
VOLVO CAR AB	XS1724626699	Ba1	Moody's	EUR	190	393
SAP SE	DE000A2TSTE8	A	S&P	EUR	100	200
THYSSENKRUPP AG	DE000A14J587	B1	Moody's	EUR	350	725
DEUTSCHE BANK AG	DE000DL19US6	BBB-	S&P	EUR	200	432
LeasePlan Corporation NV	XS2384269101	BBB-	S&P	EUR	250	482
DXC Capital Funding LTD	XS2384715244	BBB-	S&P	EUR	200	379



## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.4. Foreign securities, continued

## 8.4.3. Individual investments (Bonds), continued

The table below provides detailed information on the individual investments (Bonds) as of 31 December 2021:

Issuer	ISIN	Credit rating	Rating agency	Currency	Nominal value /'000/	Fair value /BGN'000/
BAYER AG	XS1840614900	BBB	S&P	EUR	200	394
QUALCOMM INC	US747525AF05	A	S&P	USD	150	277
PKO BNK POLSKI (PKO FIN)	XS0783934085	A3	Moody's	USD	500	897
ALIBABA GROUP HOLDING	US01609WAQ50	A1	Moody's	USD	200	364
AMAZON.COM INC	US023135BC96	A2	Moody's	USD	200	377
GOLDMAN SACHS GROUP INC	XS1796209010	BBB+	S&P	EUR	150	321
GOLDMAN SACHS GROUP INC	XS1458408561	BBB+	S&P	EUR	200	415
DXC TECHNOLOGY CO	XS1883245331	Baa2	Moody's	EUR	390	803
VERIZON COMMUNICATIONS	XS1146282634	Baa1	Moody's	EUR	190	391
VERIZON COMMUNICATIONS	XS1708161291	BBB+	S&P	EUR	200	412
ASPEN ENERGY - BARCLAYS	XS0363980607	A	S&P	EUR	700	360
VALEO SA	FR0014004UE6	BB+	S&P	EUR	100	192
<b>Total</b>						<b>18,096</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.4. Foreign securities, continued

## 8.4.4. Index and Mutual Funds

The table below provides detail on the Index and Mutual Funds as of 31 December 2022

Issuer	ISIN	Number	Currency	Fair value /BGN'000/
SPDR Dow Jones Industrial Average	US78467X1090	11,246	USD	6,834
IVV iShares S&P 500 Index Fund	US4642872000	1,164	USD	820
Invesco Dynamic Pharmaceutic	US46137V6627	3,427	USD	494
Vanguard S&P 500 ETF	US9229083632	9,650	USD	6,218
ISHARES MSCI USA Minimum Volatility	US46429B6974	13,616	USD	1,801
SCHRODER ISF China A	LU1713307699	9,093	USD	2,285
SCHRODER Indian Equity Class C	LU0264410993	1,071	USD	537
Invesco QQQ Trust Series 1	US46090E1038	4,164	USD	2,033
Invesco Solar ETF	US46138G7060	4,367	USD	586
Invesco Aerospace & Defense ETF	US46137V1008	3,176	USD	457
S&P Depositary Receipts	US78462F1030	1,091	USD	765
iShares Global Clean Energy ETF	US4642882249	16,500	USD	602
DB X-TRACKERS DAX	LU0274211480	1,546	EUR	400
CAC 40	FR0007052782	8,682	EUR	1,080
Lyxor STOXX Europe 600 Basic Resources	LU1834983550	2,279	EUR	416
Amundi MSCI Nordic	LU1681044647	1,377	EUR	1,435
Amundi MSCI EM Asia UCITS ETF	LU1681044480	23,584	EUR	1,441
Dow Jones Eurostoxx 50	DE0005933956	7,354	EUR	547
ISHR EUR 600 HEALTH CARE(DE)	DE000A0Q4R36	2,171	EUR	422
Xtrackers MSCI Nordic ETF	IE00B9MRHC27	11,479	EUR	986
iShares STOXX Europe 600 Basic Resources	DE000A0F5UK5	3,239	EUR	394
iShares MSCI Japan EUR Hedged	IE00B42Z5J44	15,025	EUR	1,690
<b>Total</b>				<b>32,243</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.4. Foreign securities, continued

## 8.4.4. Index and Mutual Funds, continued

The table below provides detail on the Index and Mutual Funds as of 31 December 2021

Issuer	ISIN	Number	Currency	Fair value /BGN'000/
SPDR Dow Jones Industrial Average	US78467X1090	9,139	USD	5,733
IVV iShares S&P 500 Index Fund	US4642872000	1,164	USD	958
Invesco Dynamic Pharmaceutic	US46137V6627	3 427	USD	480
Vanguard S&P 500 ETF	US9229083632	7,285	USD	5,491
ISHARES MSCI USA Minimum Volatility	US46429B6974	13,616	USD	1,902
SCHRODER ISF China A	LU1713307699	9,093	USD	3,081
SCHRODER Indian Equity Class C	LU0264410993	1,071	USD	584
Invesco QQQ Trust Series 1	US46090E1038	4,189	USD	2,875
Invesco Solar ETF	US46138G7060	4,367	USD	582
iShares Global Clean Energy ETF	US4642882249	16,500	USD	604
DB X-TRACKERS DAX	LU0274211480	18,958	EUR	5,633
CAC 40	FR0007052782	15,632	EUR	2,149
LYXOR IBEX 35	FR0010251744	2,638	EUR	441
Amundi MSCI Nordic	LU1681044647	1,377	EUR	1,632
Amundi MSCI EM Asia UCITS ETF	LU1681044480	23,584	EUR	1,717
Dow Jones Eurostoxx 50	DE0005933956	12,835	EUR	1,083
ISHR EUR 600 HEALTH CARE(DE)	DE000A0Q4R36	2,171	EUR	458
Xtrackers MSCI Nordic ETF	IE00B9MRHC27	11,479	EUR	1,171
iShares MSCI Japan EUR Hedged	IE00B42Z5J44	15,025	EUR	1,780
<b>Total</b>				<b>38,354</b>

## 8.4.5. Shares

The table below gives detailed information about investments in shares as of 31 December 2022

Geographic distribution	Currency	Number of issues	Index	Fair value /BGN'000/	Biggest single exposure /BGN'000/
Europe	EUR	16	Stoxx Europe 600	7,621	1,042
USA	USD	34	S&P 500	16,458	917
<b>Total</b>				<b>24,079</b>	

The investments in foreign securities are fully oriented to Europe and USA.

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

## 8.4. Foreign securities, continued

## 8.4.5. Shares, continued

The table below gives detailed information about investments in shares as of 31 December 2021

Geographic distribution	Currency	Number of issues	Index	Fair value	Biggest single exposure
				/BGN'000/	/BGN'000/
Europe	EUR	16	Stoxx Europe 600	8,235	975
USA	USD	33	S&P 500	17,453	963
<b>Total</b>				<b>25,688</b>	

The investments in foreign shares are entirely focused to Europe and USA.

## 8.5. Table of maturity of the securities

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

Maturity	Fair value	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
	/BGN'000/ 31.12.2022						
	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/
Government securities in BGN	22,140	-	28	28	18,419	8,882	27,357
Government securities in EUR	-	-	-	-	-	-	-
Corporate bonds in BGN	357	6	6	12	352	-	376
Corporate bonds in EUR	3,238	119	47	1,043	1,812	1,183	4,204
Foreign bonds in USD	973	-	17	17	1,082	-	1,116
Foreign bonds in EUR	50,225	950	1,437	1,514	37,634	16,515	58,050
<b>Total</b>	<b>76,933</b>	<b>1,075</b>	<b>1,535</b>	<b>2,614</b>	<b>59,299</b>	<b>26,580</b>	<b>91,103</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

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

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

Maturity	Fair value /BGN'000/ 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
	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/	/BGN'000/
Government securities in BGN	10,703	-	27	28	2815	8,557	11,427
Government securities in EUR	2,346	-	-	63	2 278	-	2,342
Mortgage bonds in EUR	-	-	-	-	-	-	-
Corporate bonds in BGN	373	6	6	12	375	-	399
Corporate bonds in EUR	3 254	8	9	69	1 776	1 235	3097
Foreign bonds in USD	1 914	-	36	900	690	354	1,979
Foreign bonds in EUR	70 761	524	4 641	1 869	33,544	32,985	73,563
<b>Total</b>	<b>89,351</b>	<b>538</b>	<b>4 719</b>	<b>2 941</b>	<b>41,478</b>	<b>43,131</b>	<b>92,807</b>

## 8.6. Investment receivables and unquoted bonds

As at 31 December 2022, the Fund has accounts receivable related to investments in the amount of TBGN 184 (2021: TBGN 171), as follows:

	31.12.2022 BGN'000	31.12.2021 BGN'000
Receivables related to securities	-	1
Receivables related with investment property	142	142
Dividends	41	28
Other receivables	1	-
<b>Total</b>	<b>184</b>	<b>171</b>

## 8.7. Shares and stocks of local issuers

The portfolio of individual shares of VPF as at 31 December 2022 consists of 9 issuers – leading local companies. The total amount of the investments is TBGN 5,780 (31 December 2021 – TBGN 6,027). The biggest single exposure towards one issuer amounts to TBGN 1,387 (31 December 2021 – TBGN 5,633). Investments in shares/stocks of local funds are in 2 funds in the amount of TBGN 1,144 (31 December 2021 – TBGN 1,354).

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**
**8. Net assets of the pension fund, continued**
**8.8. Liabilities of the Voluntary Pension Fund**

As at 31 December 2022 the Voluntary Pension Fund has total liabilities amounting to TBGN 54 (31 December 2021 – TBGN 272), distributed as follows:

- TBGN 38 representing due fees to PAC Doverie;
- TBGN 16 related with Personal Income Tax withheld by the insured persons (31 December 2021 – TBGN 19);

**9. Net assets attributable to insured individuals**

The net assets attributable to insured individuals include voluntary contributions and distributed profitability on the accounts of the insured persons.

The table below presents the investment yield to be distributed among the fund members by type of investments:

	<b>Result</b>	
	<u>2022</u>	<u>2021</u>
	BGN'000	BGN'000
Deposits and current account	26	-
Shares	(3,096)	6,198
REITs	357	620
Mutual Funds and ETFs	(4,968)	8,525
Government bonds	(8,942)	(901)
Corporate bonds	(840)	125
Municipal bonds	-	(17)
Forwards	(4,054)	(3,554)
Others	(929)	(541)
<b>Total</b>	<u><u>(22,446)</u></u>	<u><u>10,455</u></u>

**10. Fees and charges**

The Company accrues contribution fee on each contribution made by insured individual and investment fee (9% of the realized profit by the Fund). In addition, a 10% fee, but not more than BGN 20, is applied on full or partial withdrawal of funds from the individual account before the occurrence of an assurance event.

	<u>2022</u>	<u>2021</u>
	BGN'000	BGN'000
Gross contributions received from insured persons	12,861	13,869
Management fee	(300)	(311)
Net contributions received from insured persons	<u><u>12,561</u></u>	<u><u>13,558</u></u>

In the statement of changes in net assets at the disposal of insured persons, the contribution proceeds for 2022 and 2021 are presented on a net basis.

	<u>2022</u>	<u>2021</u>
	BGN'000	BGN'000
Investment fee	-	(941)

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 11. Dividend income

	2022	2021
	BGN'000	BGN'000
Shares	902	455
REITs	252	91
MFs	437	336
<b>Total</b>	<b>1,591</b>	<b>882</b>

## 12. Interest income

	2022	2021
	BGN'000	BGN'000
Deposits and current accounts	26	-
Government bonds	840	1,007
Corporate bonds	464	482
<b>Total</b>	<b>1,330</b>	<b>1,489</b>

## 13. Net profits / (losses) from operations with Bulgarian securities, determined at fair value through profit or loss

	2022	2021
	BGN'000	BGN'000
<b>Loss</b>		
REITs	105	529
Shares	(352)	2,170
Government bonds	(4,150)	(195)
Mutual Funds and ETFs	(211)	256
Corporate bonds	(20)	(203)
Forwards	(4,054)	(3,554)
Others	(166)	2
<b>Total loss</b>	<b>(8,848)</b>	<b>(995)</b>

## 14. Net gains / (losses) from operations with foreign securities, determined at fair value through profit or loss

	2022	2021
	BGN'000	BGN'000
Government bonds	(5,632)	(1,713)
Municipal bonds	-	(17)
Corporate bonds	(1,284)	(154)
<b>Debt instruments, measured at fair value through loss</b>	<b>(6,916)</b>	<b>(1,884)</b>
Shares	(3,646)	3,573
Mutual Funds and ETFs	(5,194)	7,933
<b>Equity instruments</b>	<b>(8,840)</b>	<b>11,506</b>
Others	(4)	(1)
<b>Total</b>	<b>(15,760)</b>	<b>9,621</b>

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**
**15. Net gain from investment property**

	2022	2021
	BGN'000	BGN'000
Income from investment property	-	3
Expenses related to investment properties	(759)	(545)
<b>Total</b>	<b>(759)</b>	<b>(542)</b>

**16. Accounting classification and fair values**

The following tables represent the carrying amounts of financial assets and liabilities and their accounting classification.

	At fair value through profit/loss		At amortized cost	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	BGN'000	BGN'000	BGN'000	BGN'000
Cash and equivalents	-	-	14,248	15,523
Investment receivables	-	-	184	170
Derivative assets held for risk management	91	71	-	-
Deposits	-	-	-	-
Government securities	59,095	67,628	-	-
Corporate bonds	17,839	21,723	-	-
Mutual funds	33,386	39,708	-	-
Shares	29,859	31,716	-	-
<b>Total</b>	<b>140,270</b>	<b>160,846</b>	<b>14,432</b>	<b>15,693</b>

**Financial liabilities**

	At fair value through profit/loss		At amortized cost	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	BGN'000	BGN'000	BGN'000	BGN'000
Liabilities	-	-	54	272
<b>Total</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>272</b>

Distribution of the financial assets and liabilities by the level of fair value hierarchy (according to the source and inputs determining the fair value) is shown below.

	Level 1		Level 2		Level 3	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Financial assets</b>						
Government securities	36,955	56,925	22,140	10,703	-	-
Corporate bonds	14,244	21,152	2,860	-	735	571
Mutual funds	33,386	39,708	-	-	-	-
Shares	27,677	30,806	755	-	1,427	910
Derivative assets held for risk management	-	-	91	71	-	-
<b>Total</b>	<b>112,262</b>	<b>148,591</b>	<b>25,846</b>	<b>10,774</b>	<b>2,162</b>	<b>1,481</b>



**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**
**16. Accounting classification and fair values, continued**

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values for disclosure purposes only.

	<b>2022</b>	<b>2021</b>
	BGN'000	BGN'000
<b>Total Opening balance</b>	<b>1,481</b>	<b>8,820</b>
<b>Shares</b>		
<b>Opening balance</b>	<b>910</b>	<b>7,977</b>
Profit/(loss), recognized in the profit or loss and other comprehensive income	(35)	1,679
Purchases	-	-
Sales	-	(8,746)
Repayment	-	-
Transferred in / out level 1 to level 2	-	-
<b>Closing balance</b>	<b>1,427</b>	<b>910</b>
<b>Corporate Bonds, Mortgage Bonds and Bonds without quotes</b>		
<b>Opening balance</b>	<b>571</b>	<b>843</b>
Profit/(loss), recognized in the profit or loss and other comprehensive income	164	(272)
Purchases	-	-
Sales	-	-
Repayment	-	-
Transferred in / out level 1 to level 2	-	-
<b>Closing balance</b>	<b>735</b>	<b>571</b>
<b>Total Closing balance</b>	<b>2,162</b>	<b>1,481</b>

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**
**16. Accounting classification and fair values, continued**

The Fund uses the following techniques for valuation in determining the fair value of assets:

<b>Financial instrument</b>	<b>Valuation Technique</b>	<b>Significant unobservable inputs (Level 3 only)</b>	<b>Inter-relationship between key unobservable inputs and fair value (Level 3 only)</b>
Currency forwards	The fair value of currency forwards is determined based on the difference between the determined currency forward rate and the currency rate of BNB for the corresponding day.	- expected cash flows - yield to maturity of a bond analogy (5.88729%)	Increased expected cash flows would increase the fair value.
Corporate bonds	The fair value of corporate bonds is determined by the discounted cash flow method.	- risk premium/ discount (26.75%)	Increased yield to maturity of the bond analogy and the risk premium would decrease the fair value.
Shares	The fair value of shares is determined by the discounted cash flow method or net asset value method.	- The cost of capital - Expected cash flows	Increase in the cost of capital would decrease the fair value of the stock rights. Increased expected cash flows would increase the fair value.
Investment properties	A complex of applicable methods used from an independent appraiser. Method of comparable sales for determining the value of the land/Residual Value Method for the value of land where the Method of comparable sales is not applicable / Cost method for determining the value of buildings / Generally accepted valuation formula for value of building permits	Correction coefficients for location, offer ability, type of comparable properties - market analogues	When the correction coefficients increase, the value of the appraised properties will decrease. Increased market prices of comparable properties would increase the fair value of the appraised investment property.

**17. 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

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED****17. Financial risk management, continued**

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 VPF that form the risk exposure are as follows:

- Receivables
- Cash and cash equivalents
- Deposits
- Government securities
- Bonds (corporate, municipal, mortgage)
- Mutual Funds
- Shares

**Objectives, policies and processes**

The Management Board has overall responsibility for setting objectives and policies regarding risk management in VPF, 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 the VPF it mainly arises from the bonds part of the portfolio, cash and bank deposits.

For risk measurement VPF 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.

The investments of VPF in Bulgarian and foreign government securities are in major extent 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 VPF amount to TBGN 76,934, and in a simulative scenario with an assumed decrease of their value with 6%, the total value of the portfolio would decrease with TBGN 4,616 or 2.89%.

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**17. Financial risk management, continued**  
**Objectives, policies and processes, continued**  
*Credit risk, continued*

Also, the VPF 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, although minimal, exists for 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 performed.

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.

VPF does not use derivatives to manage credit risk. If such need occurs 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, further explanation of the receivables can be found in the note 8.6:

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>Maximum</b>	<b>Maximum</b>
	<b>risk</b>	<b>risk</b>
	<u>BGN'000</u>	<u>BGN'000</u>
Cash and cash equivalents	14,248	15,523
Investment receivables	184	170
Derivative assets held for risk management	91	-
Deposits	-	71
Government securities	59,095	67,628
Corporate bonds	17,839	21,724
<b>Total</b>	<b>91,457</b>	<b>105,116</b>

## VOLUNTARY PENSION FUND DOVERIE

### NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

#### 17. Financial risk management, continued Objectives, policies, and processes, 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
Investment receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	184	184
Derivative assets held for risk management	-	-	-	-	91	-	-	-	-	-	-	-	-	-	-	91
Government securities	-	-	355	-	4,280	-	5,537	1,673	28,876	15,794	2,580	-	-	-	-	59,095
Corporate bonds	-	223	-	-	1,836	1,154	1,382	2,048	1,722	1,691	1,449	2,482	569	681	2,602	17,839
<b>Total</b>	-	<b>223</b>	<b>355</b>	-	<b>6,207</b>	<b>1,154</b>	<b>6,919</b>	<b>3,721</b>	<b>30,598</b>	<b>17,485</b>	<b>4,029</b>	<b>2,482</b>	<b>569</b>	<b>681</b>	<b>2,786</b>	<b>77,209</b>

##### *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
Investment receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170	170
Derivative assets held for risk management	-	-	-	-	71	-	-	-	-	-	-	-	-	-	-	71
Government securities	8,435	193	4,842	-	4,831	-	5,547	1,206	21,174	15,881	5,519	-	-	-	-	67,628
Corporate bonds	-	253	359	360	1,616	1,300	2,755	2,695	3,229	2,225	1,178	1,942	617	725	2,470	21,724
<b>Total</b>	<b>8,435</b>	<b>446</b>	<b>5,201</b>	<b>360</b>	<b>6,518</b>	<b>1,300</b>	<b>8,302</b>	<b>3,901</b>	<b>24,403</b>	<b>18,106</b>	<b>6,697</b>	<b>1,942</b>	<b>617</b>	<b>725</b>	<b>2,640</b>	<b>89,593</b>

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**17. Financial risk management, continued**  
**Objectives, policies, and processes, continued**  
*Credit risk, continued*

**Cash in banks**

Cash in banks is classified as current financial assets.

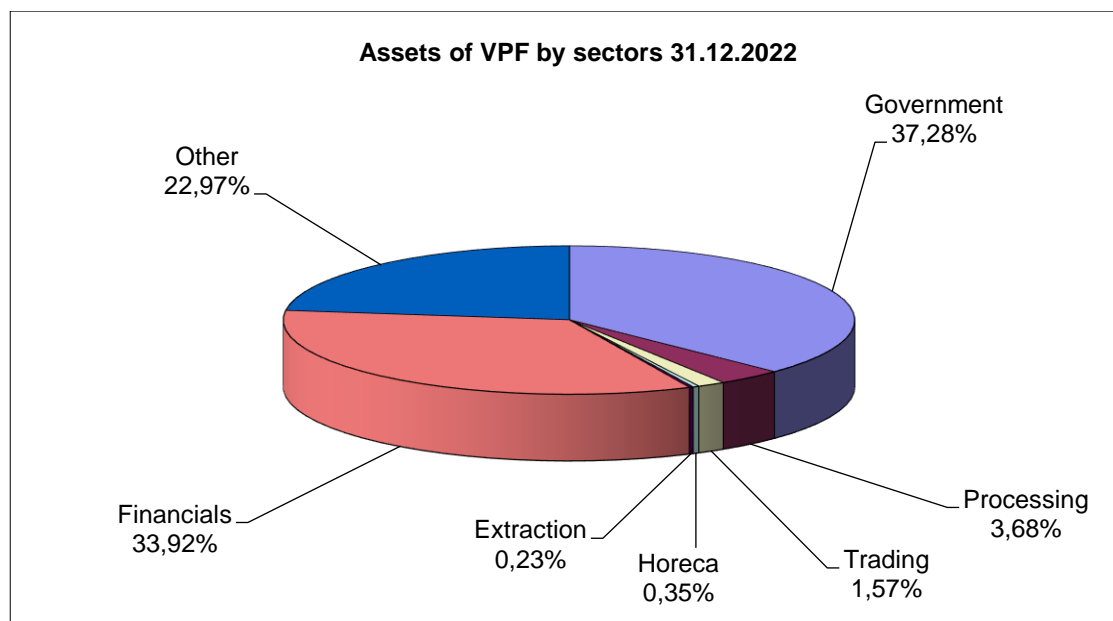
Cash is held at the following trustee bank on 31 December 2022:

	<b>Rating as of 31 December 2022</b>	<b>Balance as at 31 December 2022</b>
		/BGN'000/
UBB AD	A-	14,248

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

	<b>Rating as of 31 December 2021</b>	<b>Balance as at 31 December 2021</b>
		/BGN'000/
UBB AD	A-	15,523

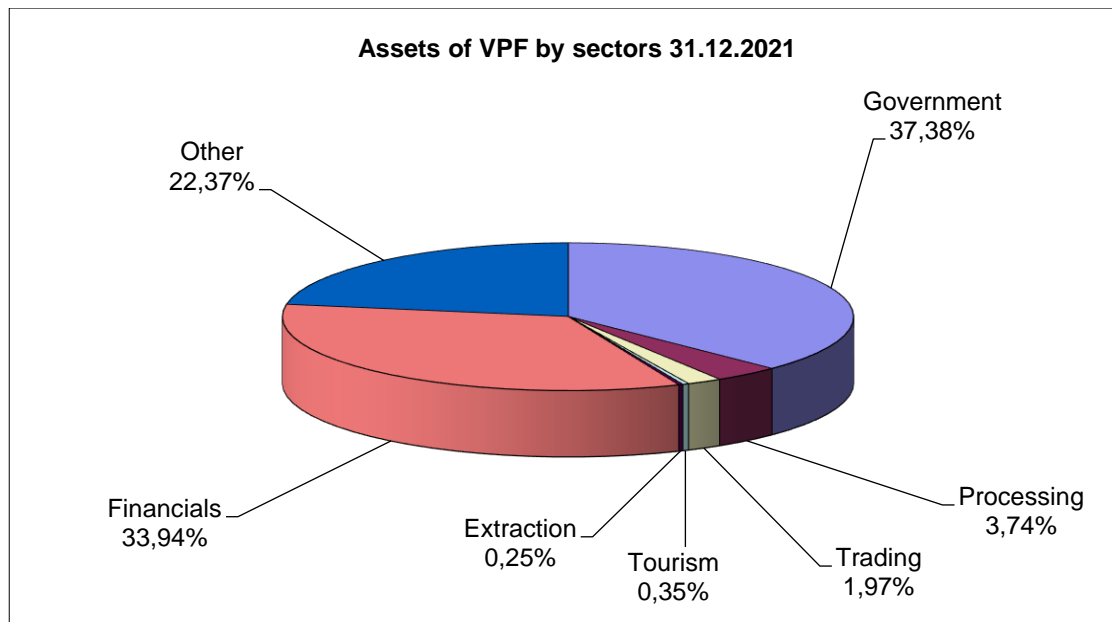
The following graph shows the concentration of the assets as at 31.12.2022 by sectors.



**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**17. Financial risk management, continued**  
**Objectives, policies, and processes, continued**  
*Credit risk, continued*

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



*Notes:*

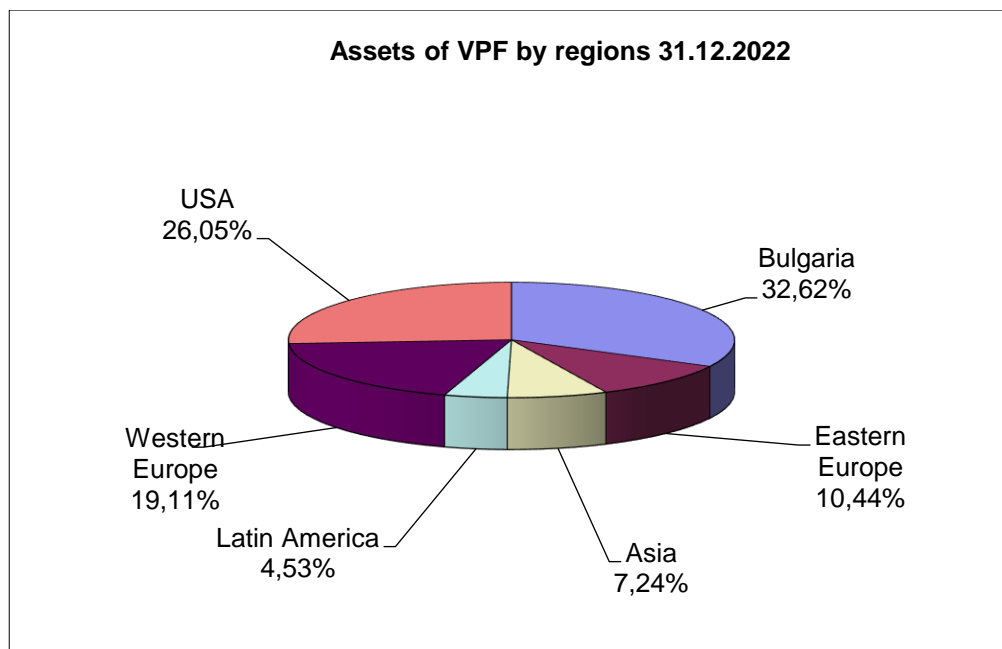
Sector „Financials” includes bank deposits, investments in special investment purpose companies and mutual funds, securities issued by credit institutions and holding companies.

Sector “Other” includes the investments in properties, receivables (excl. currency forwards) and cash in hand and funds in bank accounts.

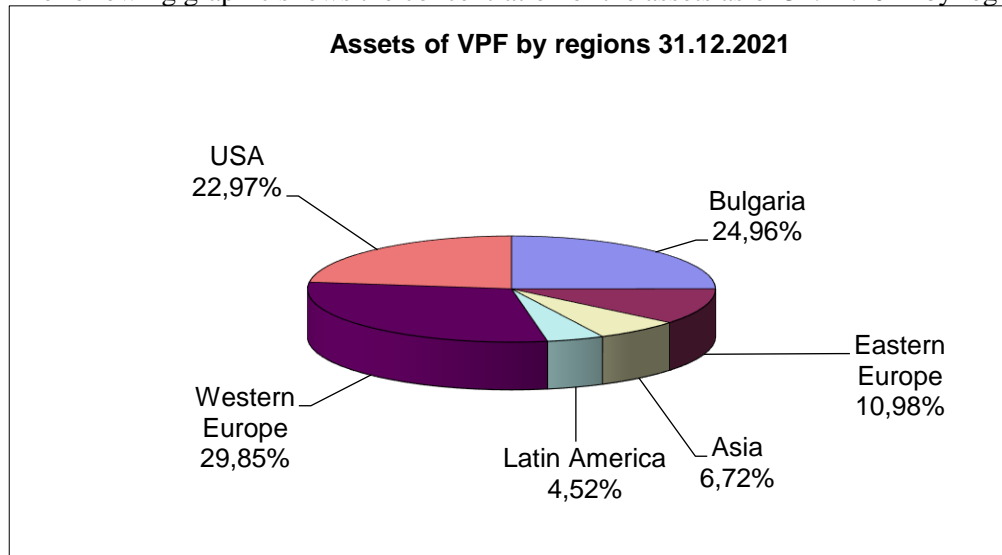
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**17. Financial risk management, continued**  
**Objectives, policies, and processes, continued**  
*Credit risk, continued*

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



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





## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**17. Financial risk management, continued****Objectives, policies, and processes, continued****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.

**Indicators for risk measurement of the portfolio as a whole:**

Indicators	2022	2021	2021 - 2022
Annual yield	-12.31%	5.49%	-3.80%
Standard deviation	7.83%	3.37%	6.05%
Risk-free rate of return	0.00%	(0.48%)	-0.24%
Sharpe ratio	-1.57	1.77	-0.59
Modified Sharpe ratio	-0.01	1.77	-0.00

Indicator Value at Risk (VaR) is presented using historical data for the value of one unit of VPF Doverie (risk means the fluctuations in the value of unit and the daily calculations in the variation).

The chosen model – Historical VaR, management believes it is the only relevant one because of its clarity, use of objective data and comparability.

Value at risk	2022	2021	2020 - 2022
	1 day	1 day	1 day
Confidence interval			
95%	(0.95%)	(0.35%)	(0.63%)
99%	(1.38%)	(0.59%)	(1.19%)

**Interest risk****Management of benchmark interest rate reform and related risks**

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.

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 17. Financial risk management, continued

## Objectives, policies, and processes, continued

*Interest risk, continued*

Currently, the Fund does not have any exposures that may be affected by the reforms undertaken in relation to the reference interest rates. The risk management unit monitors and manages the transition to alternative rates and assesses to what extent cash flows could be affected as a result of the ongoing reform. The unit provides periodic reports on the management of interest rate risk and the risks arising from the 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	2021
1	Change in the value of the investment portfolio in thousand BGN	(1,943)	(3,526)
2	Change in the value of the investment portfolio in %	(1.22%)	(1.94%)

ASSETS	Financial instruments with floating interest rate	Financial instruments with fixed interest rate	Non-interest bearing	Total
<i>TBGN</i>				
Cash and cash equivalents	-	14,248	-	14,248
Bank deposits	-	-	-	-
Securities issued or guaranteed by the government	-	22,140	-	22,140
Shares and stocks of local issuers (bonds, shares, mutual funds)	540	3,055	6,924	10,519
Foreign securities	-	51,199	56,321	107,520
Derivative assets held for risk management	-	-	91	91
Investment receivables	-	-	184	184
Investment property	-	-	4,938	4,938
<b>Total Assets</b>	<b>540</b>	<b>90,642</b>	<b>68,458</b>	<b>159,640</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

## 17. Financial risk management, continued

## Objectives, policies, and processes, continued

*Interest risk, continued*

LIABILITIES	Financial instruments with floating interest rate	Financial instruments with fixed interest rate	Non-interest bearing	Total
TBGN				
Liabilities to PAC	-	-	38	38
Investment payables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	16	16
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>54</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 of two weeks 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.

Sensitivity analysis at 10% depreciation of the EUR against USD as at the date of the financial statements, with other equal conditions, would lead to an increase in the financial result by TBGN 109 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

**17. Financial risk management, continued**  
**Objectives, policies, and processes, 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, cash equivalents and deposits	5,719	5,497	3,032	14,248
Financial assets at fair value through profit or loss	28,319	70,998	40,862	140,179
Receivables	142	-	42	184
Derivative assets held for risk management purposes	-	-	91	91
Investment property	4,938	-	-	4,938
<b>Total assets</b>	<b>39,118</b>	<b>76,495</b>	<b>44,027</b>	<b>159,640</b>
Liabilities to PAC	38	-	-	38
Other liabilities	16	-	-	16
<b>Total liabilities</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>54</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, cash equivalents and deposits	5,947	6,242	3,333	15,522
Financial assets at fair value through profit or loss	17,144	101,976	41,656	160,776
Receivables	142	1	98	241
Derivative assets held for risk management purposes	-	-	-	-
Investment property	5,683	-	-	5,683
<b>Total assets</b>	<b>28,916</b>	<b>108,219</b>	<b>45,087</b>	<b>182,223</b>
Liabilities to PAC	252	-	-	252
Other liabilities	20	-	-	20
<b>Total liabilities</b>	<b>272</b>	<b>-</b>	<b>-</b>	<b>272</b>

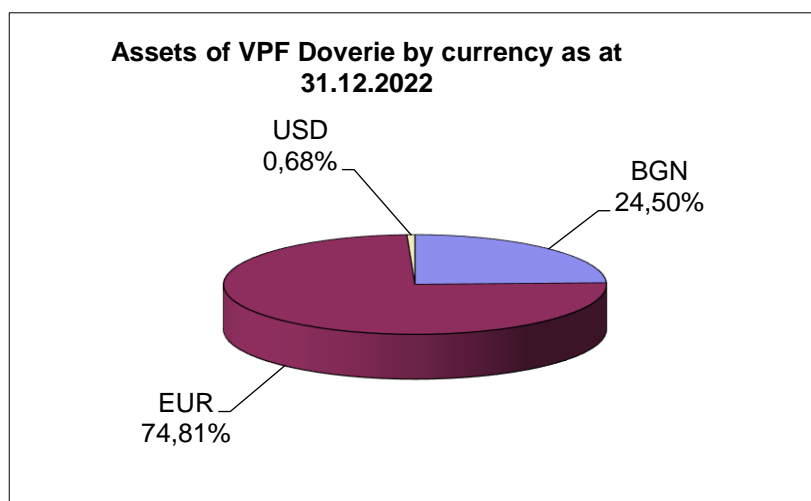
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**17. Financial risk management, continued**  
**Objectives, policies, and processes, continued**  
*Currency risk, continued*

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

Currency exposure (assets/liabilities)	Functional Currency	
	2021	Bulgarian lev 2022
	BGN'000	BGN'000
EUR	108,219	76,495
USD	45,087	44,025
<b>Total</b>	<b>153,306</b>	<b>120,520</b>

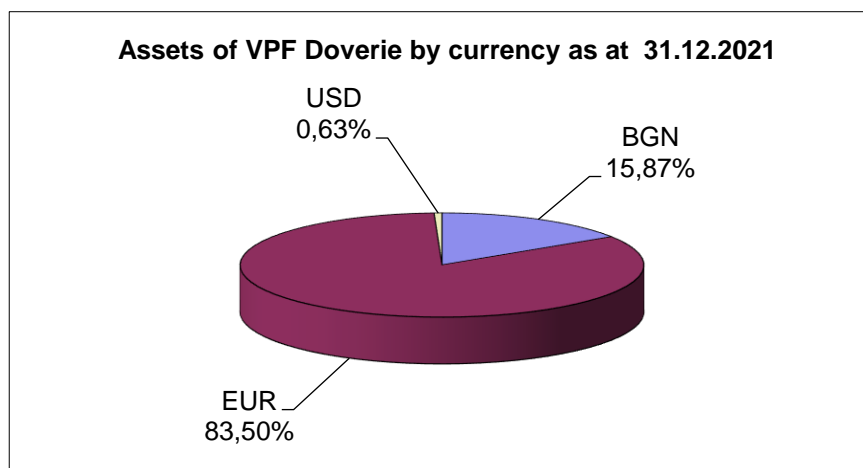
The following graphic shows the concentration by the currency of the assets as at 31.12.2022.



**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**17. Financial risk management, continued**  
**Objectives, policies, and processes, continued**  
*Currency risk, continued*

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



Note:

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

The tables below analyzed derivatives held for risk management purposes by type of instrument open as at 31.12.2022.

Counterparty	Nominal amount	Currency pair	Maturity
	original currency		
	USD '000		
Citibank Europe AD	23,416	EUR/USD	23/01/2023
<b>Fair value as at 31.12.2022</b>		<b>Receivables</b>	<b>Payables</b>
		BGN '000	BGN '000
Currency forwards		91	-
<b>Total</b>		<b>91</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**17. Financial risk management, continued**  
**Objectives, policies, and processes, continued**  
*Currency risk, continued*

The tables below analyzed derivatives held for risk management purposes by type of instrument open as at 31.12.2021.

Counterparty	Nominal amount original currency USD '000	Currency pair	Maturity
Citibank Europe AD	25,442	EUR/USD	24/01/2022

Fair value as at 31.12.2021	Receivables	Payables
	BGN '000	BGN '000
Currency forwards	71	-
<b>Total</b>	<b>71</b>	<b>-</b>

**Risks related to economic and macro conditions**

During 2022, significant inflation pressure appeared in many markets around the world, as well as in Bulgaria, and this trend remained in early 2023. Although there were no significant impacts on the Fund results for 2022 - the recent increase in the inflation of several goods and services, the Company management closely monitors the inflation forecasts, as well as any changes in interest rates, fluctuations in foreign currency, etc., in order to respond appropriately to the potential impacts on the Fund's investment income. Furthermore as a result of the current geopolitical tensions and conflict between Russia and Ukraine and the recent recognition by Russia of the independence of the self-proclaimed Republics of Donetsk and Lugansk, in the Donbas region of Ukraine, the United States, the European Union, Japan and other jurisdictions have recently announced the imposition sanctions of certain industrial sectors and parties in Russia, Belarus and the regions of Donetsk and Lugansk, as well as increased control over exports of certain products and industries. Despite the fact that the Fund has no investment interests in Russia, Ukraine and conflict zones, these and any additional sanctions and export controls, as well as any counter-responses from the governments of Russia or other jurisdictions, may adversely affect, directly or indirectly, the investment strategy, with negative consequences on the global financial markets and the financial services industry.

**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 63,245 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 18,974.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**
**17. Financial risk management, continued**
**Information on collaterals**

Total debt securities represent 48.192% of the assets, 0.68% of them secured and 47.51% unsecured. External credit rating is assigned to 46.56% of the assets and the remaining 1.63% 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 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.

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>From 1 to 2 years</b>	<b>From 2 to 5 years</b>	<b>Over 5 years</b>
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Financial liabilities</b>					
Related to PAC	38	-	-	-	-
Related to investments	-	-	-	-	-
Other liabilities	16	-	-	-	-
<b>Total</b>	<b>54</b>	-	-	-	-



**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**17. Financial risk management, continued**

*Liquidity risk, continued*

As at 31 December 2021	Up to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Financial liabilities</b>					
Related to PAC	252	-	-	-	-
Related to investments	-	1	-	-	-
Other liabilities	19	-	-	-	-
<b>Total</b>	<b>271</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>

*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 unfavourable 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.

**18. Related party transactions**

The Fund has as a related party 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	<b>2022</b>	<b>2021</b>
PAC Doverie AD	Investment fee	-	211
PAC Doverie AD	Payables to PAC in relation to fees and charges	38	41
PAC Doverie AD	Receivables from PAC in relation to fees and charges	-	-
	<b>Total</b>	<b>38</b>	<b>252</b>

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**19. Expected liabilities of the Fund to insured persons, pensioners and heirs**

A pension insurance company that manages a supplementary voluntary pension insurance fund and pays lifelong pensions must create a pension reserve in accordance with Ordinance №19 of 8 December 2004 on pension reserves and reserves for guaranteeing the payment of lifelong pensions to the FSC. These pension reserves cover the payment of the pensions of the individuals who have lived longer than the preliminary actuarial calculations, therefore their value is indicated by the responsible actuary of the company based on actuarial calculation.

According to the calculations of the responsible actuary of PAC Doverie as of 31 December 2022:

- The Fund's liability to insured individuals and pensioners with fixed-term pensions is equal to the amount of funds in their individual accounts and amounts to TBGN 159,309 (31 December 2021: TBGN 181,516).
- Liabilities for other pension products of VPF Doverie are as follows:

	<b>31.12.2022</b>	<b>31.12.2021</b>
	BGN'000	BGN'000
1. Available funds in individual accounts	<u>277</u>	<u>435</u>
2. Obligations for:		
- lifetime pensions	466	569
- disability pensions	46	48
- hereditary pensions	<u>1,407</u>	<u>1,538</u>
Total liabilities	<u>1,919</u>	<u>2,155</u>
<b>Surplus / (Deficit) (1-2)</b>	<b><u>(1,642)</u></b>	<b><u>(1,720)</u></b>

Achieving a positive return and future update of the pensions paid by the Fund above the amount guaranteed by law or contract are not guaranteed. PAC Doverie AD covers the risk of living longer than the preliminary actuarial calculations and investment risk up to the amount of the pension guaranteed by law or contract.

The funds set aside in the statement of financial position of PAC Doverie AD from the pension reserve to guarantee the payment of income to pensioners of the Fund amount to TBGN 1,642 as of 31 December 2022 (i.e., an amount exceeding the deficit calculated above).

**20. Contingent assets and liabilities**

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

**21. Events after the reporting period**

**Economic conditions and macro events**

The management of PAC 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 statements.

**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

**21. Events after the reporting period, continued**

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 contraction 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 March 23, 2023.

These financial statements were approved by the Management Board and signed on behalf of the management by:

Prepared by:	Executive Director:	Chairman of the Management Board:
Ivanka Stoyanova Lazarova	Miroslav Krumov Marinov	Daniela Panova Petkova

23 March 2023