



**2019 Annual Financial Statements
Of**

**THE BUREAU OF BULGARIAN
MOTOR INSURERS**

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS

UIN 130764706

Management Committee:
Borislav Bogoev
Adreana Lazarova
Ivo Gruev
Evgeni Ignatov
Konstantin Velev
Stefan Sofiyanski
Radoslav Dimitrov

**Chairperson of the
Management Committee:** Borislav Bogoev

Secretary General Adreana Lazarova

**Chief Accountant:
(Preparer)** Darina Marinova

Seat and management address: Sofia
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Lawyers:
Antoaneta Dimolarova Law Firm
Rosalina Gradinarova and partners
Barzashka, Angelova, Dimitrova Law Firm
Zornitsa Vassileva and Teodora Yankova Law Firm
Dobрева and Bachvarov Law Firm

Servicing banks:
TB Allianz Bank Bulgaria AD
UniCredit Bulbank AD
Raiffeisenbank AD
UBB AD

Auditors: AFA OOD

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INDEPENDENT AUDITOR'S REPORT

TO
THE BOARD OF DIRECTORS OF
NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS ASSOCIATION

Qualified Opinion

We have audited the financial statements of the National Bureau of Bulgarian Motor Insurers Association (the Bureau), which comprise the balance sheet as at 31 December 2019, and the profit and loss statement, profit and loss statement on business activities, statement of changes in net assets and cash flow statement for the year then ended, and note to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Bureau as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with National Accounting Standards (NAS) applicable in Bulgaria.

Basis for Qualified Opinion

As at 31 December 2019, the Bureau's balance sheet includes receivables from a member thereof at the amount of BGN 21,311 thousand (31 December 2018: BGN 21,237 thousand), including unsecured receivables of BGN 11,531 thousand (31 December 2018: BGN 11,458 thousand) – *Note 9 and Note 10*. Due to the delay and/or appeal and/or refusal of this member to recover amounts under claims made in relation to insurances concluded by this member, which amounts were paid or due by the Bureau, it was put under monitoring by the Bureau and has established in its favour a bank guarantee at the amount of EUR 5 million. The bank guarantee expires on 28 June 2025. The Bureau's management has



decided not to recognise provision for impairment loss on these receivables in its financial statements for the year ended December 31, 2019. The possibilities and the intentions of this Bureau's member to service and pay its obligations to the Bureau cannot be reliably measured only based on historically observable results and/or other publicly available information and/or information and documents available from other sources. Therefore, the management has not provided to us any specific and sufficient supporting documentation and analysis for its assessment. Consequently, we were unable to determine whether any adjustments were necessary to the carrying amount of the receivables stated in the balance sheet as at 31 December 2019, at the amount of BGN 11,531 thousand (31 December 2018: BGN 11,458 thousand), respectively to the expenses and the financial result presented in the profit and loss statement for year 2019 and in other reserves in the statement of changes in the Bureau's net assets.

Our opinion in the auditor's report on the financial statements of NBBMI for the year ended 31 December 2018, dated 1 July 2019, was also qualified in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bureau in accordance with the International Code of Ethics of Professional Accountants (Including the International Standards on Independence) of the International Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to the Going Concern Assumption

We draw attention to Note 1.3 to the financial statements, which indicates that:

a. The Bureau is put under monitoring by the Council of Bureaux due to the continuing delay in the payment of claims by one of its members to foreign bureaux, correspondents and insurers, as stated in the *Basis for Qualified Opinion* section above. As at 31 December 2019, its receivables from this member amount to BGN 21,311 thousand (31 December 2018: BGN 21,237 thousand), and as at the date of issuance of these financial statements, their amount has increased to BGN 28,319 thousand.

According to the Internal Regulations of the Council of Bureaux, NBBMI, in its capacity as a guarantor of its members, is obliged to pay claims not serviced by its members – insurance companies. The setting under monitoring is related to the Bureau incurring an obligation to provide additional financial guarantees. Unless sufficient measures are undertaken thereby to reduce indebtedness, the Council of Bureaux could, upon its discretion, impose new and significant sanctions on NBBMI, including utilizing funds from the bank guarantee issued in its favour on behalf of the Bureau. In July 2020 the Council of

Bureaux already notified NBBMI that it will commence a procedure to utilize funds from the bank guarantee (amounting to EUR 5 million) to cover proven unpaid and past due payables under guarantee claims to NBBMI from other national bureaux (*Note 26*); and

b. The license of a Bureau member was revoked in May 2018, and as from July 2019 it was declared in forced liquidation – *Note 19*. Pursuant to the Insurance Code and the Internal Regulations of the Council of Bureaux, claims on policies issued by a member whose license has been revoked or which has been declared insolvent or bankrupt shall be paid by the Bureau. As at 31 December 2019, based on an actuarial assessment, the liabilities provisioned and pending for payment by the Bureau under policies issued by this member are still at a substantial amount, namely BGN 28,726 thousand (31 December 2018: BGN 31,092 thousand), and as at the date of issuance of the financial statements, the amount is BGN 29,660 thousand. The total amount of the Bureau's liabilities as at 31 December 2019 is BGN 41,869 thousand (31 December 2018: BGN 38,530 thousand), and as at the date of issuance of the financial statements it has increased to BGN 55,179 thousand. The liabilities are currently on demand.

Based on forecasts made by the management regarding the Bureau's future cash flows, in order for it to be able to cover future payments of claims, the Bureau needs to collect its receivables from the insurance company – member, at whose account the claims have arisen, incl. by means of issued bank guarantees, and/or the management should undertake actions and measures to attract additional financial resources through other sources.

The circumstances described above, along with the other events, facts and conditions disclosed in Note 1.3 indicate the existence of a material uncertainty that may cast significant doubt on the Bureau's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Emphasis of Matter

We draw attention to Note 26 to the financial statements, which describes a material non-adjusting event after the reporting date, related to the spread of the coronavirus (COVID-19) pandemic, its impact on the economic environment in Bulgaria and the uncertainties related thereto, as well as the management's position on the potential effects thereof on the Bureau's operations, financial position and results. Our opinion is not qualified with respect to this matter.

Other Matters

The financial statements of the National Bureau of Bulgarian Motor Insurers Association as at 31 December 2018 are not subject to a statutory financial audit under Art. 37, paragraph 1 and paragraph 3 of the Accountancy Act and the Bureau is not required to prepare a management report in accordance with Art. 42, paragraph 1 of the same law. Therefore, our independent financial audit is voluntary within the meaning of Art. 6 of IFAA and does not involve procedures to form an opinion on a management report.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with NAS applicable in Bulgaria and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

AFAOOD
AFA OOD

Audit Firm

Renny Georgieva Iordanova

Legal Representative

General Manager and

Registered auditor in charge of the audit

21 September 2020

38, Oborishte Street
1504-Sofia, Bulgaria

This is a translation from Bulgarian of the Independent Auditor's Report on the Financial Statements of the National Bureau of Bulgarian Motor Insurers Association for the year ended 31 December 2019.

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
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NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS

PROFIT AND LOSS STATEMENT

for the year ended 31 December 2019

		2019 BGN '000	2018 BGN '000
1. Operating revenue	3.1	259	275
2. Operating expenses	4	959	709
RESULT (1 - 2)		(700)	(434)
3. Finance income	6.1	2	3
4. Finance costs	6.1	112	71
5. (Loss)/Profit from business activities		(122)	536
RESULT (1 - 2 + 3 - 4 + 5)		(932)	34

The accompanying notes on pages 6 to 35 form an integral part of the financial statements.

Chairman of the Management Committee:

Borislav Bogoev

Preparer (Chief Accountant):

Darina Marinova



AUDITED BY AFA
21/09/2020

This is a translation from Bulgarian of the financial statements of the NBBMI for year 2019.

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
PROFIT AND LOSS STATEMENT ON BUSINESS ACTIVITIES
for the year ended 31 December 2019

	Note	2019 BGN '000	2018 BGN '000
A. Expenses			
1. Expenses on raw materials, consumables and hired services, including:		406	402
a) raw materials and consumables	5.1.	14	16
b) hired services	5.2.	392	386
2. Personnel costs, including:		358	345
a) remuneration expense		300	293
b) social security contributions, including:		58	52
aa) related to pensions		33	30
3. Depreciation/amortisation expense and impairment loss, including:		8	9
a) depreciation/amortisation expense and impairment loss on tangible fixed and intangible assets, including:		8	9
aa) depreciation/amortisation expense		8	9
4. Other expenses:		74	10
Total operating expenses (1 + 2 + 3 + 4)		846	766
5. Impairment loss on financial assets, including investments, recognised as current (short-term) assets		-	18
6. Interest expense and other finance costs, including:		67	157
a) losses from dealing in financial assets		50	100
b) foreign currency exchange losses		17	33
Total finance costs (5 + 6)		67	175
Total expenses (1 + 2 + 3 + 4 + 5 + 6)		913	941
7. Accounting profit for the year (total revenues - total expenses)		-	604
8. Tax expense on profit		-	(68)
9. Net profit for the year (7 + 8)		-	536
Grand total (Total expenses - 8 + 9)		913	1 545
B. Revenues			
1. Net revenue from:		527	1 406
a) services		527	1 406
2. Other revenue:		20	32
Total operating revenues (1 + 2)		547	1 438
3. Interest income and other finance income, including:	3.2	244	107
a) gains from dealing in financial assets	6.2.	147	4
6) foreign currency exchange gains		5	-
Total finance income (3)		244	107
Total revenues (1 + 2 + 3)		791	1 545
4. Accounting loss for the year (total revenues - total expenses)		122	-
5. Net loss for the year (4 + line 8 of Section A)		122	-
Grand total (Total revenues)		913	1 545

The accompanying notes on pages 6 to 35 form an integral part of the financial statements.

Chairman of the Management Committee:
Borislav Boşov

Preparer (Chief Accountant):
Darina Marinova

This is a translation from Bulgarian of the financial statements of the NBIM for year 2019.


AUDITED BY AIA
21 / 09 / 2020

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
BALANCE SHEET
as at 31 December 2019

ASSET	Note	31.12.2019 BGN'000	31.12.2018 BGN'000	31.12.2019 BGN'000	31.12.2018 BGN'000
ASSETS					
A. Contributions due to the Bureau's Guarantee Fund	17	835	8 993		
B. Non-current (long-term) assets					
I. Intangible fixed assets					
1. Concessions, patents, licences, trademarks, software and other similar rights and assets		3	-	2 559	3 491
2. Advances granted and intangible assets in progress		7	-	2 559	3 491
Group I total:	8	10	-	29 660	33 877
II. Tangible fixed assets					
1. Other	7	12	13	28 726	31 092
Group II total:		12	13	28 726	31 092
Section B total:		22	13	28 726	31 092
C. Current (short-term) assets					
I. Debtors					
1. Receivables under demanded claims	9	23 661	13 946	12 882	7 150
2. Receivables under undemanded claims	10	2 288	9 967	-	-
3. Advances paid to suppliers	11	4	2	147	67
4. Other receivables	12	89	74	114	221
Group I total:		26 042	23 989	114	221
II. Investments					
1. Financial assets held for trading		4 477	4 815	28	20
Group II total:	13	4 477	4 815	28	20
III. Bank deposits	14	9 779	7 903	9	54
IV. Cash at bank and in hand, including:					
- cash in hand		30 292	26 600	9	54
- in non-term accounts and deposits	15	30 290	26 599	9	54
Group IV total:		30 292	26 600	9	54
Section C total:		70 590	63 307	13 143	7 438
D. Deferred expenses	16	82	94		
TOTAL ASSETS (A + B + C + D)		71 529	72 407	71 529	72 407
LIABILITY					
NET ASSETS					
A. NET ASSETS					
I. Guarantee Fund of the Bureau	17			27 101	30 386
II. Reserves					
1. Other reserves	18			2 559	3 491
Group II total:				2 559	3 491
Section A total:				29 660	33 877
LIABILITIES					
B. Provisions and similar liabilities					
1. Provision for liability under policies issued by an insurer in forced liquidation/with revoked license	19			28 726	31 092
Section B total:				28 726	31 092
C. Creditors					
1. Payables under demanded claims, including:	20			12 882	7 150
up to 1 year				12 882	7 150
over 1 year				-	-
2. Accounts payable, including:	21			147	67
up to 1 year				147	67
3. Other liabilities, including:	22			114	221
up to 1 year				114	221
- payables to personnel, including:				28	20
up to 1 year				28	20
- tax payables, including:				9	54
up to 1 year				9	54
Section C total, including:				13 143	7 438
up to 1 year				13 143	7 438
over 1 year					
TOTAL NET ASSETS AND LIABILITIES (A + B)				71 529	72 407

The accompanying notes on pages 6 to 35 form an integral part of the financial statements.

The financial statements on pages 1 to 35 were approved for issue by the Management Committee and signed on 18 September 2020 by:

Chairman of the Management Committee:
Borislav Bogoev

Preparer (Chief Accountant)
Darina Marinova

This is a translation from Bulgarian of the financial statements of the NBBM for the year 2019

AUDITED BY AIA
21/09/2020

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS

CASH FLOW STATEMENT

for the year ended 31 December 2019

	Note	2019 BGN '000	2018 BGN '000
I. CASH AVAILABLE AT THE BEGINNING OF THE PERIOD			
		26 600	16 028
II. Cash flows from non-profit activities			
A. Proceeds from non-profit activities			
1. Proceeds from Green Cards issuing		4 276	4 106
2. Proceeds from membership fees		265	267
3. Recovered long-term bank deposits		80	-
4. Contributions to the Guarantee Fund	16	11 647	30 225
5. Interest received		2	3
6. Other proceeds		4	5
Total cash flows from non-profit activities		16 274	34 606
B. Payments under non-profit activities			
1. Payments related to Green Cards issuing		(4 336)	(4 046)
2. Payments on services and fixed assets acquisition		(827)	(507)
3. Cash flows related to labour remuneration		(902)	(833)
4. Long-term bank deposits and bank guarantee security		(1 956)	(7 903)
5. Other payments		(616)	(56)
Total payments under non-profit activities		(8 637)	(13 345)
C. Net cash flows from non-profit activities			
		7 637	21 261
III. Cash flows from business activities			
A. Proceeds from business activities			
1. Proceeds from demanded claims		30 096	47 702
2. Proceeds from transactions with financial instruments		431	380
3. Interest received		97	109
4. Other cash flows from business activities		19	-
Total proceeds from business activities		30 643	48 191
B. Payments under business activities			
1. Payments under demanded claims		(33 589)	(57 064)
2. Taxes paid (except income taxes)		(229)	(580)
3. Income tax paid		(34)	(59)
4. Cash paid to suppliers		(728)	(1 165)
5. Other payments		(8)	(12)
Total payments under business activities		(34 588)	(58 880)
C. Net cash flows used in business activities			
		(3 945)	(10 689)
IV. Cash available at the end of the period			
	15	30 292	26 600
V. Change in the cash flows for the period			
		3 692	10 572

The accompanying notes on pages 6 to 35 form an integral part of the financial statements.

Chairman of the Management Committee:
Borislav Bogoev

Preparer (Chief Accountant):
Darina Marinova

AUDITED BY AIA
21/09/2020

This is a translation from Bulgarian of the financial statements of the NBBMI for year 2019.

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 December 2019

	<i>Note</i>	<i>Guarantee Fund of the Bureau BGN '000</i>	<i>Other reserves BGN '000</i>	<i>Total net assets BGN '000</i>
Balance at 1 January 2019		30 386	3 491	33 877
Contributions to the NBBMI's Guarantee Fund		3 492		3 492
Damages covered by the Guarantee Fund of the Bureau <i>including: Sanction imposed by CoB</i> <i>Payments on fake Green Cards</i>	17	(480) (476) (4)		(480) (476) (4)
Provision for liabilities under policies issued by an insurer in forced liquidation, at the expense of the Bureau's Guarantee Fund		(6 297)		(6 297)
Operating result for the year <i>including: profit from business activities</i> <i>result from non-profit activities</i>	18	-	(932) (122) (810)	(932) (122) (810)
Balance at 31 December 2019	17,18	27 101	2 559	29 660

The accompanying notes on pages 6 to 35 form an integral part of the financial statements.

Chairman of the Management Committee:
Borislav Bogoev

Preparer (Chief Accountant)
Darina Marinova




AUDITED BY AEA
211 09 / 2020

This is a translation from Bulgarian of the financial statements of the NBBMI for year 2019.

1. BACKGROUND INFORMATION ON THE BUREAU

1.1. Establishment and management

The National Bureau of Bulgarian Motor Insurers (the Bureau, NBBMI) is a representative National Bureau of Insurers in the Republic of Bulgaria and is part of the international Green Card System. The Bureau participates and cooperates in the functioning of the Green Card System and the Third Party Liability of motor vehicle owners in the member states and the countries which signed the Multilateral Agreement. In 1940, the Green Card System was introduced in and around Europe, initiated and encouraged by the United Nations Economic Commission for Europe (UNECE). The National Bureau of Bulgarian Motor Insurers (NBBMI) was established on 28 November 2001. Starting from the following year, NBBMI has been a member of the Council of Bureaux, Brussels, and acts as the only representative national insurance bureau for the Republic of Bulgaria pursuant to the Internal Regulations of the Council of Bureaux and in accordance with the Insurance Code, by participating and assisting the functioning of the Green Card System. The legal status of the Bureau is that of a non-profit association, whose statute is settled in Chapter 48 of the Insurance Code. The National Bureau of Bulgarian Motor Insurers is the only representative national insurance bureau for the Republic of Bulgaria pursuant to the Internal Regulations of the Council of Bureaux, Brussels, pursuant to Art. 506 of the Insurance Code. Pursuant to Directive 2009/103/EC, the existence of a national bureau is one of the conditions for a country's membership in the Green Card System, and the institution signs the international contract of the Green Card System, called Internal Regulations of the Council of Bureaux.

By the resolution of the National Insurance Council in the Republic of Bulgaria, dated 28 November 2001, the NBBMI is acknowledged as the sole organisation entitled to act as a representative before the international insurance organisations with respect to the activities settled in international insurance treaties regulating the Motor Third Party Liability of owners, users, holders and drivers.

On the accession of the Republic Bulgaria to the European Union on 1 January 2007, NBBMI signed Annex No 3 whereby becoming a signatory Bureau to the Multilateral Guarantee Agreement of the member states of the European Economic Area (EEA).

In its activity as a representative bureau, NBBMI is governed by:

1. The Insurance Code and bylaws on its application, as well as by the acts of Bulgarian state bodies regulating insurance activities by law;
2. The Constitution of the Council of Bureaux, the Internal Regulations of the Council of Bureaux, and the decisions of the bodies of the Council of Bureaux that concern fulfilment of the Bureau's objectives and compliance with the Internal Regulations;
3. International acts in the Green Card System regarding Motor Third Party Liability insurance of owners and the Green Card certificate, which are mandatory for the Bureau;
4. The Bureau's Statute.

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Interaction between Bureau members is performed through the NBBMI's bodies – the General Assembly of Members and the Managing Board, which function in accordance with the procedures envisaged in the law and the Bureau's Statute and with the competences of a non-business legal entity.

According to NBBMI's Statute, the supreme management body of the Bureau is the General Assembly of Members.

The management body is the Managing Board, which consists of seven members.

As at 31 December 2019, the Management Committee of NBBMI comprises: Borislav Atanasov Bogoev, Chair of the MC, Adreana Asenova Lazarova, Secretary General and Members: Ivo Ivov Gruev, Evgeni Svetoslavov Ignatov, Konstantin Stoychev Velevev, Stefan Hristov Sofiyanski, Radoslav Tsvetanov Dimitrov. The Bureau management is represented by Borislav Atanasov Bogoev, Chair of the MC and Adreana Asenova Lazarova, Secretary General. They represent the Association jointly and severally.

As at the date of issuance of the Annual Financial Statements of the Bureau, NBBMI's management is represented by Borislav Atanasov Bogoev, Chairperson of the Management Committee, and Adreana Asenova Lazarova, Secretary General. They represent the Association jointly and separately.

As at 31 December 2019, the average number of personnel of the Bureau hired under employment contracts, is 12 employees (2018: 11 employees).

1.2. Objectives and principal activities

The objectives and principal activities of the National Bureau of Bulgarian Motor Insurers (NBBMI) are as follows:

- It organizes, administers and controls the preparation, print out and issuance of the international certificates for motor insurance referred to as Green Card certificate as well as frontier insurance.
- It protects the interests of its members before the Council of Bureaux and its authorities, before the competent authorities of the European Union and the Member States, before central and local administration authorities, legal authorities, as well as before third parties, by reasons and in connection with the Motor Third Party Liability Insurance and the Green Card Certificate.
- It enters into agreements with national insurance bureaux, compensation bodies and guarantee funds of Member States in connection with the functioning of the Motor Third Party Liability Insurance.
- It accepts notices of injured persons on damages and injuries caused to them on the territory of the Republic of Bulgaria, by motor vehicles normally based on the territory of a Member State or a third country.

- It assists for the due payment by Bureau Members of any indemnities for damages caused abroad.
- It pays indemnities as a Compensation Body in the cases stipulated in the Insurance Code and the Statute of NBBMI.
- It notifies its members about claims received by insurers or national insurance bureaux in relation to insurance events which occurred under Motor Third Party Liability insurance policies concluded and issued by members of the Bureau, and controls them in accordance with the Internal Regulations of the Council of Bureaux.
- It pays on its behalf and on behalf of its members, within the deadlines specified in the Motor Third Party Liability insurance, compensations due for damages incurred, and reimburses on its behalf and at its members' expense costs incurred by insurers or national bureaux that processed damaged under Motor Third Party Liability insurance policies concluded and issued by those members of the Bureau who fail to meet their payment obligations in a timely manner.

1.3. Going concern principle

These statements have been prepared based on the assumption of going concern. The assessment comprises a period of 12 months from the date of issuance of the financial statements. The Bureau's management has performed judgement and has decided that the preparation of the financial statements for the year ended 31 December 2019 will continue to be based on the going concern assumption. Its decision is mostly based on the fact that the Bureau has a special status for Bulgaria, it performs specific functions regulated in the Insurance Code, and is the only member of the Council of Bureaux that services a specific business area, which suggests that both its members and the regulators would support it so that it would be able to successfully continue to perform the functions for which it has been established. NBBMI worked within its usual volumes throughout 2019. No decisions and/or actions have been taken for considerable limitation of its activity, nor for liquidation or another form of termination of the Bureau. Moreover, the consistent preservation of the format and approach of presentation in its public financial statements will ensure an adequate and comparable presentation of information to users and other stakeholders in view of its financial information.

On 6 December 2018 the Council of Bureaux placed NBBMI under monitoring, the grounds being continuing delay in the payment of claims by Bureau members to foreign bureaux, correspondents and insurers, as a result of which the liquidity and solvency of the Bureau are exposed to a high risk. This situation is the result of the fact that in 2017 two of the Bureau's members delayed and/or discontinued the payment of claims from foreign insurers, correspondents and/or national bureaux. Therefore, the General Assembly of the Council of Bureaux held in June 2017 gave mandate to the Management Committee of the Council of Bureaux to place the Bulgarian bureau under monitoring at any time if its solvency is threatened. In a letter dated 11 December 2017, the Management Committee of the Council of Bureaux required that NBBMI establish in its favour a bank guarantee at the amount of EUR 4,000 thousand. The guarantee was established on 27 March 2018. Placing NBBMI under monitoring in December 2018 required increasing the bank guarantee to EUR 5 million and that the Bureau concluded

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a common reinsurance contract for all members. As at the date of issuance of these financial statements, the bank guarantee amounts to EUR 5 million, and the reinsurance contract has been signed by all insurers and has been verified and approved by the Council of Bureaux in Brussels. According to the conditions of the Common ReInsurance Contract, the reinsurance premium of each party will be individually paid by the insurance company which is a Bureau member. Pursuant to a clause in the reinsurance contract, NBBMI shall pay an Additional Reinsurance Premium at the amount of EUR 600 thousand. Moreover, the Bureau is guarantor of premium payments by its members. Due to a delay in meeting the initial deadline for concluding the reinsurance contract, the Bureau was imposed a financial sanction of EUR 264 thousand.

The total re-insurance premium is determined based on the individual premium of each insurer under the common reinsurance contract. In order to determine rates for the individual reinsurance contracts, reinsurers require maximally accurate information about the updated triangulations of claims as at a certain date of each year; and prepare risk profiles, estimated premium income for the forthcoming year, revised premium income for the present year, information about the country's economic and political condition, etc. Consideration is made of matters such as specific claims, company management structure, sales channels, risk management, portfolio weight, etc.

As at 31 December 2019 the Bureau's receivables from an insurance company refusing payment amount to a total of BGN 21,311 thousand and are related to: 1) insurance claims made and/or paid by the Bureau at the expense of the company at the amount of BGN 21,036 thousand and 2) additional contributions due to the Bureau's Guarantee Fund, at the amount of BGN 275 thousand. These increased compared to 2018 by 0,3%, and reached BGN 28,319 thousand at the date of the financial statements. The insurance company is appealing against a payable of BGN 14,699 thousand, using arguments that do not correspond to the rules adopted by the Council of Bureaux and does not admit a payable of BGN 4,668 thousand. The severely aggravated collection from this counterpart has a significant impact on the Bureau's liquidity and creates high uncertainty regarding its ability to maintain an adequate solvency balance (*Note 9*).

The case of this insurer has been brought to the attention of the regulatory body to whom the insurer and the Bureau report.

Moreover, following the revocation of the license of Insurance Company Olympic – Bulgaria Branch (member of NBBMI) on 10 May 2018 (as a consequence of the revocation of the license and subsequent declaration of forced liquidation of Insurance Company Olympic AD in Cyprus), the Bulgarian branch discontinued payment of claims on insurance policies issued thereby. According to the Insurance Code, the Internal Regulations of the Council of Bureaux and NBBMI's Statute, claims related to damages under Motor Third Party Liability policies issued by the Bulgarian Branch of IC Olympic, for which the date of the accident occurred before the revocation of the insurance company's license should be paid by NBBMI. As at 31 December 2019, BGN 8,974 thousand has been paid from the Bureau's Guarantee Fund under policies of IC Olympic - Bulgaria Branch, and the amount of expected future payments on policies is estimated to be BGN 28,726 thousand (*Note 19*).

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The Bureau's liabilities as at 31 December 2019 amount to BGN 41,869 thousand and have increased compared to 2018 by 9%, and as at the date of issuance of the financial statements, they amount to a total of BGN 55,179 thousand.

The liabilities are currently payable.

In addition, in 2020, the Council of Bureaux notified NBMMI that it will commence a procedure of drawing funds from the bank guarantee incorporated in favour of the Council of Bureaux (at the amount of EUR 5 million) to cover proven unpaid or past due payables under guarantee claims to NBMMI and the other national bureaux.

Based on the Bureau's cash flow forecasts for the next 12 months from the date of issuance of the financial statements, a critical event determining the balancing of its cash inflows and outflows and its continuance as going concern is the collection of receivables from the insurer member, including maintaining the bank guarantee required. The event itself is related to uncertainty which at this stage is impossible to be measured in a sufficiently reliable manner or forecast by management, as far as it depends on a number of factors, persons and circumstances beyond its control.

The management continues to analyse and discuss possibilities for improving the Bureau's liquidity. Consultations are held with the insurer member on the matters of dispute and possibilities are sought to resolve them and receive payments. Moreover, multiple meetings and discussions have been held with the respective state stakeholders, the sector regulator responsible for the insurer and the Bureau itself, other of its members, in order to discuss and take the necessary actions and measures to find an adequate solution to this important matter.

1.4. Main indicators of the economic environment

The main economic indicators of the business environment that have affected the Association activities throughout the period 2017 – 2019, are presented in the table below:

Indicator	2017	2018	2019
GDP in million Levs	102,308	109,695	118,669
Actual growth of GDP	3.5%	3.1%	*3.4%
Year-end inflation	3.9%	4.0%	4.7%
Average exchange rate of USD for the period	1.73	1.66	1.75
Exchange rate of the USD at period-end	1.63	1.71	1.74
Basic interest rate at period-end	0.00	0.00	0.00
Unemployment rate at year-end	7.1%	6.1%	5.9%
Credit rating of the Republic of Bulgaria according to Standard&Poors (long-term)	BB+	BBB-	BBB-
Credit rating of the Republic of Bulgaria according to Moody's (long-term)	Baa2	Baa2	Baa2
Credit rating of the Republic of Bulgaria according to Fitch (long-term)	BBB-	BBB	BBB

*BNB forecast for 2019, prepared as at 17 June 2020. Source: BNB

2. PRINCIPLES APPLIED IN THE PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

2.1. Basis for preparation of the financial statements

The financial statements of NBBMI have been prepared in accordance with the (new) Accountancy Act effective as of 1 January 2016 and National Accounting Standards (NAS), approved by the Council of Ministers by CMD No 46/2005 (SG 30/07.04.2005) and amended and supplemented by CMD No 251/2007 (SG 86/26.10.2007), CMD 394/2015 (SG 3/12.01.2016), CMD 27/2019 (SG 15/19.02.2019).

Starting from 1 January 2016 there is a new Accountancy Act in effect, which revokes entirely the Accountancy Act effective until 31 December 2015. With the new law, the rules and requirements of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, are transposed into the national accounting legislation.

For the current financial year, the Bureau has adopted the changes to NAS, in particular amendments to NAS 17 Leases in the part regarding the accounting for operating leases. The amendment to NAS 17 Leases is related mainly to the accounting for “operating lease incentives” (new definition), the recognition of operating lease revenue/expenses usually on a straight-line basis over the lease term, including if proceeds are on another basis.

The amendments to NAS 17 Leases have not resulted in changes to the Company’s accounting policies.

The Association keeps its accounting books in Bulgarian Levs (BGN) and prepares its official financial statements in accordance with Bulgarian accounting legislation. The data in the annual financial statements and the notes thereto is presented in thousand Bulgarian Levs (BGN'000). These annual financial statements have been prepared on a historical cost basis, *with the exception of financial assets held for trading*, which have been measured at fair value.

Based on criteria set in the Accountancy Act, NBBMI is classified in the category of small undertakings. As at 1 January 2020, NBBMI remains in the same category.

With regard to small undertakings the law provides relief options for the preparation of statutory financial statements. NBBMI’s management has made a decision to not apply these reliefs and keep the annual financial statements layout.

Uncertainty of accounting estimates

The presentation of the financial statements in accordance with National Accounting Standards requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, revenue and expenses, and the disclosure of contingent receivables and payables as at the date of the financial statements. These estimates, accruals and assumptions are based

on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them. The items presuming a higher level of subjective assessment or complexity or where the assumptions and accounting estimates are material for the financial statements, are disclosed in Note 2.15.

2.2. Comparatives

NBBMI presents comparative information in these financial statements for the period from 1 January to 31 December of the prior reporting year. Where necessary, comparative data is reclassified for the purpose of achieving comparability in view of the current year presentation changes.

2.3. Functional and reporting currency

The functional and reporting currency of the Bureau is the Bulgarian Lev (BGN). The Bulgarian Lev is fixed to the Euro, under the BNB Act, at the ratio of BGN 1.95583:EUR 1.

Cash, receivables and payables, denominated in a foreign currency, are recorded at the BGN equivalent on the transaction date and are revalued on a monthly basis by applying the official exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 31 December they are stated at the closing exchange rate quoted by BNB.

Foreign exchange differences on revaluation are treated as current income and expenses and are included in the profit and loss statement as 'finance income /(costs)'.

2.4. Revenue

Revenue is recognised on accrual basis and to the extent that it is probable that the economic benefits will flow to the Bureau and as far as the revenue can be reliably measured. Revenue is accrued as originated, regardless of the timing of receipt of the actual cash proceeds.

Membership fees received for the period, as set by the Bureau's General Assembly, as well as other revenue from regulated activities, carried out for the purpose of attaining the Bureau's goals, are recognised as current revenue from *non-profit activities*.

NBBMI's activities under Art. 1 of the Commercial Act, carried out as per trade, aimed at generating permanent income, which is directly related to the non-profit activity of the Bureau, according to the Statute of NBBMI, the Internal Regulations of the Council of Bureaux, and the Insurance Code. The object of the business activities of the Bureau is related to claims handling and payment in its capacity as Compensation Body or in relation to traffic accidents occurring on the territory of the Republic of Bulgaria in the cases set out in the Internal Regulations of the Council of Bureaux as well as revenue from handling claims of its members under payments by the Bureau when a NBBMI member discontinues performing their obligations for payments to foreign national Bureaux or insurance event counterparts in events that occurred outside the territory of Bulgaria.

Upon rendering of services, revenue is recognised by reference to the stage of completion of the transaction at the balance sheet date, if this stage as well as the transaction and completion costs, can be measured reliably.

2.5. Expenses

Expenses are recognised by the Bureau as they are incurred, following the accrual and matching concepts.

Expenses on non-profit activities are reported analytically by line of expense to account 611 "Operating expenses". Expenses on business activities are recorded separately so as to enable their matching to the revenue from business activities.

The administrative expenses represent costs related to servicing the overall activities of the Bureau and are allocated respectively to business and non-profit activities on the basis of revenue.

Deferred expenses are put off and recognised as current expenses in the period when the contracts, whereto they refer, are performed.

Finance income and costs are included in the profit and loss statement and are comprised of interest income and expense, foreign exchange differences and gains and losses from transactions with financial instruments.

Bank fees and charges for current servicing of Bureau's operations are presented as hired services.

Claims paid, liquidation expenses related to determining the amount of compensation, and finance charges related to the handling of claims incurred on the territory of the country, the fault for which is that of a foreign motor vehicle, claims paid and expenses related to the handling of claims by NBBMI in its capacity as Compensation Body, as well as expenses related to the payment of claims of foreign National Bureaux and insurance companies in relation to events occurring with uninsured motor vehicles with Bulgarian registration plates on the territory of another EU Member State, are not recognised as expenses of the Bureau. Auxiliary expenses related to the handling of the claim, such as translation of documents, expenses on inquiries, bank fees and commissions, etc. are not recognised as expenses as well. The latter are reported only as cash flows and are subject to refunding from a Guarantee Fund or by an insurance company.

Amounts paid in relation to business trips abroad (travel expenses, accommodation and daily allowances) of officers taking part in international meetings related to the defence and representation of the Bureau's members, for which they cover the stay of the participants, are not recognised as an expense of the Bureau. They are recognised as a receivable from the respective member of the NBBMI and are subject to refunding.

Profit and loss statement

The Bureau prepares a profit and loss statement, which is general and combines the revenues, expenses and results of its business and non-profit activities.

2.6. Intangible assets

Intangible assets are presented in the balance sheet at acquisition cost less the accumulated amortisation and any impairment losses in value. They include software used by the Bureau.

Initial measurement

The acquisition cost comprises the purchase price including customs duties and non-refundable taxes after deducting trade discounts and any directly attributable costs of bringing the asset to working condition for its intended use. The directly attributable costs includes initial delivery and handling costs, licence fees related to development of additional functionalities, installation costs, professional fees for people involved in the project, order, and/or creation, supply, installation, parameter setting of the intangible asset, etc.

The Bureau has set a value threshold of BGN 200, below which the acquired assets, regardless of having the features of intangible assets, are treated as current expense at the moment of their acquisition.

Subsequent costs

Subsequent costs, incurred after the initial recognition of an intangible asset in the Bureau's balance sheet, which can be reliably measured and attributable thereto, when leading to increase in the expected economic benefits compared to the initially estimated standard efficiency of the existing asset, are stated in increase of its carrying amount: expanding the operational capacity of the intangible asset, including expenses on the development of additional functionalities of the software.

Subsequent costs for maintaining the initially set standard efficiency of an intangible asset are recognised as current expenses when incurred: expenses on software maintenance under subscription, consultations related to maintenance and other similar.

Amortisation methods and useful life

The Bureau applies the straight-line amortisation method for intangible fixed assets. The useful life is 2 years. Periodic review is performed of the validity and the amortisation methods applied and if expectations differ from previous estimates, the latter are changed going forward.

Review for impairment

The carrying amounts of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount might significantly differ from their recoverable amount. If any such indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the respective asset. Impairment losses are carried to the profit and loss statement.

Gains and losses on disposal

An intangible fixed asset is derecognized upon sale (disposal) or when no future economic benefits are expected from its use or disposal. The gains or losses on disposal (constituting the difference between net sales proceeds, if any, and the asset's carrying amount) are included in the profit and loss statement when the asset is derecognized. Sales income is stated within "other income", and the carrying amount – within "carrying amount of tangible and intangible assets sold" (within other expenses).

2.7. Tangible fixed assets

Initial measurement

Tangible fixed assets (property, plant and equipment) are stated in the balance sheet at acquisition cost less the accumulated depreciation and any impairment losses in value.

The *acquisition cost* comprises the purchase price, including any directly attributable costs of bringing the asset to working condition. Directly attributable costs include initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes etc.

The Bureau has set a value threshold of BGN 200, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the time of their acquisition.

Subsequent costs

Subsequent costs, related to tangible fixed assets, resulting in improvement of the future economic benefits from the assets are stated as increase in its carrying amount.

On replacement of a differentiated part of a tangible fixed asset, the replaced part is written-off while the expense incurred on replacement or improvement is accounted for as acquisition of a separate asset.

Depreciation methods

The Bureau applies the straight-line depreciation method for tangible fixed assets. The depreciation rates by group of assets are as follows:

- computers and computer hardware – 50%;
- furniture and fixtures – 15%.

Review for impairment

The carrying amounts of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount might significantly differ from their recoverable amount. If any such indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of an item of tangible fixed assets is the higher of the net market price and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks specific to the particular asset. Impairment losses are recognised in the profit and loss statement.

2.8. Receivables

Receivables under claims made are recognised and carried at the original invoice amount (cost) and a Statement of Claim letter less any allowance for uncollectable debts. Receivables under claims not brought are stated at the amount of costs incurred to settle damages, which are subsequently claimed to a foreign national bureau, the Guarantee Fund, insurer or counterpart. An estimate allowance for doubtful and bad debts is made when significant uncertainty exists as to the collectability of the full amount or a part of it. Bad debts are fully written-off when the legal grounds for this are available (are identified).

2.9. Cash and cash equivalents

NBBMI considers as cash and cash equivalents all highly liquid and freely available financial assets in the form of cash in hand, cash at current bank accounts and deposits with original maturities of up to 90 days and cash in deposits with longer maturity, which are readily available to the Association during the deposit, according to the conditions of agreements with the banks.

For the purposes of the cash flow statement:

- Cash proceeds from and cash payments for membership fees and contributions to the Guarantee Fund of NBBMI are presented as part of cash flows (used in) / from regulated activities;
- Cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- Permanently blocked cash and interest accrued, but not endorsed on the Bureau's account, on non-matured deposits are not treated as cash and cash equivalents for the purposes of presentation in the cash flow statement.

2.10. Financial asset held for trading

The Bureau recognises a financial asset on the date on which it becomes party to the contract. All purchases and sales are initially recognised on the trade date, which is the date on which the Bureau has become party to the instrument's contractual terms and conditions (the date when the Bureau commits to purchase or sell the respective asset).

Financial assets held for trading are initially recognised at cost, being the fair value of the consideration given including the acquisition costs.

Financial assets held for trading are measured subsequently at fair value. The effects of remeasurement to fair value are taken to profit and loss as current finance income or current finance costs.

2.11. Accounts payable and other liabilities

Payables to suppliers, clients and other current amounts payable are carried at original invoice amount and/or Statement of Claim letter (cost).

2.12. Pensions and other payables to personnel under the social security and labour legislation

The employment and social security relations with the employees of the Bureau are based on the provisions of the Labour Code and the effective social security legislation in the Republic of Bulgaria.

The major duty of the Bureau as an employer in Bulgaria is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund, and for health insurance. The rates of the social security and health insurance contributions are defined annually in the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC).

These pension plans, applied by the NBBMI in its capacity as an employer, are defined contribution plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient means to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are analogous.

Short-term employee benefits in the form of remunerations, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or has met the required terms and requirements) are recognised as an expense in the profit and loss statement in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. The obligations for social security and health insurance of the Bureau are recognised as a current expense and liability at their undiscounted amount together with the relevant benefits and within the period of the respective income to which they are related.

At the end of each reporting period, the Bureau measures the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated expenses on the employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

2.13. Net assets of the Bureau

As a non-profit legal entity the Bureau does not belong to the category of capital companies, obliged to register a certain minimal amount of capital (share capital) in the Commercial Register.

In accordance with its Statute the Bureau sets aside a ***Guarantee Fund***. The sources for this cash fund are cash contributions from members which include:

- 1) induction contributions for each of the members (Art. 41a, Para 1 of the Statutes of the NBBMI).

- 2) contributions from members pursuant to Art. 41, Para 3 of the Statute – a certain amount for each vehicle for which Third Party Liability insurance and trans-border Motor Third Party Liability insurance has been concluded;
- 3) extraordinary contributions from members in case of cash shortage, pursuant to Art. 41, Para 6 of the Statute.

The cash contributions to the Guarantee Fund pursuant to items 2 and 3 above are made under a decision of the Managing Board and serve to make payments by the Bureau under Art. 22 of NBBMI's Statute.

According to the Statute (Art. 36, item 23) amounts available in this Fund are managed and invested by the Managing Board and may be used mainly in case of:

- (1) payments on behalf of the Bureau and at the expense of each member whose licence to write Motor Third Party Liability insurance has been revoked, has been placed in bankruptcy;
- (2) payments of claims on behalf of the Bureau in relation to untrue, fake or forged Green Card certificates;
- (3) payments which in accordance with the Internal Regulations of the Council of Bureaus should be made on behalf of the Bureau and at the expense of each insurer who is a member of the Bureau and has failed to make a payment in accordance with the rules and deadlines stipulated in the Internal Regulations of the Council of Bureaux.

2.14. Taxes on profit

The Bureau is subject to taxation with respect to the results of its business activities carried out during the year. *Current taxes on profit* from business activities are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal tax rate for year 2019 was 10% (2018: 10%).

Deferred taxes are determined using the liability method on all temporary differences, existing at the date of the financial statements, between the carrying amounts of the individual assets and liabilities and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax losses, to the extent that it is probable that they will reverse and sufficient taxable profit will be generated in the future or taxable temporary differences might occur, against which these deductible temporary differences can be utilised, with the exception of the differences arising from the initial recognition of an asset or liability, which has affected neither the accounting nor taxable profit (loss) at the transaction date.

The carrying amount of all deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that they will reverse and sufficient taxable profit will be generated or taxable temporary differences will occur in the same period, from which they could be deducted.

2.15. Critical accounting judgments on applying the Bureau's accounting policies. Key estimates and assumptions of high uncertainty.

2.15.1. Impairment of receivables

Losses from doubtful and bad debts are estimated at the end of each reporting period on an individual basis. Where difficulties in collecting certain receivables are observed, they are subject to analysis in order to determine the actually collectable portion therefrom while the remaining portion to the nominal value is recognised in the profit and loss statement as impairment.

In the judgment of collectability of receivables, the management performs analysis of the total exposure of each counterpart in order to estimate the actual recoverable portion and not only at the level of past due individual receivables of a counterpart, including the possibilities of collecting interest for delay. Receivables or parts of them assessed by the management, based on its experience, as highly uncertain in terms of their collectability, are treated as uncollectable and are impaired. The carrying amount of a receivable is adjusted through the use of an allowance account for accumulating all impairments and the amount of the impairment loss for the period is recognised in the profit and loss statement within 'costs for impairment of financial assets'. In case of subsequent recovery of impairment loss, it is stated in 'other income' against a decrease in the allowance account. The information about the impairment charged on receivables is disclosed in *Note 6.2*.

2.15.2 Provisions for payables

According to the Internal Regulations of the Council of Bureaux and Art. 22 of the Statute, NBBMI shall make payments on behalf of the Bureau and at the expense of each member whose Motor Third Party Liability insurance license has been revoked, has been declared insolvent, or is undergoing liquidation. In May 2018 the insurance license of IC Olympic, Cyprus, was revoked, and as from 30 July 2019 the Company has declared in forced liquidation. The Bulgarian branch discontinued payment of indemnities for events that occurred outside Bulgaria under Motor Third Party Liability policies issued thereby. According to the requirements of the applicable accounting standards, NBBMI assigned to a certified actuary to calculate the amount needed to pay future claims under Motor Third Party Liability policies issued by IC Olympic, Bulgaria Branch. In order to determine NBBMI's payables as at 31 December 2019, the available data in the Single Information System for Risk Assessment, Management and Control (SISRAMC) were used. Based on the information available in the system, the exposure of IC Olympic was calculated over the 2015-2018 period, and the development of claims filed with the company over 2011-2018. Based on this information, the expected payables under concluded contracts were determined, as well as resulting from expected unpaid claims. The expected amount of payables of NBBMI as at 31 December 2019 under contracts concluded by IC Olympic is BGN 30,481 thousand, and it is expected that BGN 28,726 will be covered by the Bureau's Reinsurer, i.e. net payables are estimated at BGN 31,092 thousand. This amount is included as a provision in the Bureau's financial statements as at 31 December 2019 (*Note 19*).

3. REVENUE

3.1. Revenue from non-profit activities

The amount of revenue stated in the reporting year includes: *membership fees* – BGN 256 thousand (2018: BGN 272 thousand) and BGN 3 thousand – recovered litigation costs (2018: BGN 3 thousand).

Members of the Bureau are all insurers that have licences under Section II, Item A, point 10.1 of Appendix No 1 to the Insurance Code or insurers offering the mandatory Motor Third Party Liability insurance in the Republic of Bulgaria in accordance with the provisions of this Code. Their number was 16 as at 31 December 2019 (31 December 2017: 16).

3.2. Revenue from business activities

Revenue from business activities, amounting to BGN 547 thousand (2018: BGN 1,438 thousand) includes:

- handling fees – BGN 527 thousand (2018: BGN 1,406 thousand), charged by the Bureau in relation to handling and payment for claims in its capacity as Compensation Body or in relation to traffic accidents occurring on the territory of the Republic of Bulgaria in the cases set out in the Internal Regulations of the Council of Bureaux. Further to a decision of the Managing Board, dated 3 November 2011, handling fees are charged in relation to processing claims of the Bureau's members in the cases of payments made by the Bureau when a member of NBBMI stops performing its obligations for payment to foreign national bureaux or counterparts under insurance events which occurred outside the territory of Bulgaria. In 2019, revenue from this field amounts at BGN 40 thousand (2018: BGN 951 thousand).
- other income including revenue from the sale of tangible fixed assets – BGN 3 thousand (2018: none) and deferral interest – BGN 1 thousand (2018: BGN 23 thousand), and revenue from written-off payables: none (2018: BGN 9 thousand).

4. EXPENSES ON NON-PROFIT ACTIVITIES

Expenses on non-profit activities include:

	<i>2019</i>	<i>2018</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Personnel costs	512	458
Other expenses	272	205
Administrative expenses	175	46
	959	709
	959	709

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Personnel costs include:

	<i>2019</i> <i>BGN '000</i>	<i>2018</i> <i>BGN '000</i>
Expenses on remuneration	472	440
Expenses on social security contributions	40	18
	<u>512</u>	<u>458</u>

Other expenses include:

Legal services	58	78
Membership fee to the Council of Bureaux	64	65
Insurance costs	20	19
Business trip costs	80	20
Bank fees and charges	23	6
Conferences, seminars and workshops	-	15
Civil contract services	18	-
Sanctions and penalties	8	-
Other expenses	1	2
	<u>272</u>	<u>205</u>

Administrative expenses include:

	<i>2019</i> <i>BGN '000</i>	<i>2018</i> <i>BGN '000</i>
Expenses on materials	5	3
Hired services expense	143	29
Expenses on remuneration	20	10
Expenses on social security contributions	4	2
Depreciation and amortisation expense	3	2
	<u>175</u>	<u>46</u>

The remuneration paid to key management personnel in 2019 amounts to BGN 363 thousand.

5. EXPENSES ON BUSINESS ACTIVITIES

5.1. Expenses on raw materials and consumables

	<i>2019</i> <i>BGN '000</i>	<i>2018</i> <i>BGN '000</i>
Electric energy, heat energy and water	6	8
Office equipment and stationery	8	8
Other expenses	-	-
	<u>14</u>	<u>16</u>

5.2. Hired services expense

	<i>2019</i> <i>BGN '000</i>	<i>2018</i> <i>BGN '000</i>
Processing damages	-	238
Rental costs	54	69
Translation and copying services	14	15
Regulatory fees and taxes	28	17
Bank fees and charges	7	11
Legal and audit services	270	10
Telecommunication and courier services	9	10
Other	10	16
	<u>392</u>	<u>386</u>

The expenses for performing independent financial audit, allocated between expenses for business and non-profit activities, amount at BGN 17 thousand (2018: BGN 10 thousand).

6. FINANCE INCOME AND COSTS

6.1. Finance income and costs on non-profit activities

Finance income from non-profit activities includes the accrued interest on deposits at the amount of BGN 2 thousand for 2019 (2018: BGN 3 thousand). Financial expenses for 2019 include bank charges and fees and commissions paid in relation to establishing and servicing a bank guarantee in favour of the Council of Bureaux, at the amount of BGN 112 thousand (2018: BGN 71 thousand).

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6.2. Finance income and costs on business activities

Finance income from business activities includes:

	<i>2019</i>	<i>2018</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Effects from transactions with government securities	147	4
Interest on government securities	92	103
Foreign exchange differences	5	-
	<u>244</u>	<u>107</u>

Finance costs on business activities include:

	<i>2019</i>	<i>2018</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Impairment of receivables	-	18
Effect from fair value measurement of government securities	33	100
Foreign exchange differences	17	33
Commissions for bank guarantees	-	24
Losses upon maturity of sovereign securities	17	-
	<u>67</u>	<u>175</u>

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7. TANGIBLE FIXED ASSETS

	<i>Computer hardware</i>		<i>Furniture and fixtures</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
<i>Book value</i>						
Balance at 1 January	58	52	94	94	152	146
Additions	6	6	-	-	6	6
Disposals	20	-	2	-	22	-
Balance at 31 December	44	58	92	94	136	152
<i>Accumulated depreciation</i>						
Balance at 1 January		57	51	82	78	139
Depreciation charge for the year	4	6	3	4	7	10
Written-off depreciation for the year	20	-	2	-	22	-
Balance at 31 December	41	57	83	82	124	139
Carrying amount at 31 December	3	1	9	12	12	13
Carrying amount at 1 January	1	1	12	16	13	17

Other data

As at 31 December 2019 there are no liens (pledges) on the Bureau's tangible fixed assets (31 December 2018: none).

8. INTANGIBLE FIXED ASSETS

	<i>Software</i>	<i>Intangible assets in process</i>	<i>Total</i>
	<i>2019 BGN'000</i>	<i>2019 BGN'000</i>	<i>2019 BGN'000</i>
<i>Book value</i>			
Balance at 1 January	-	-	-
Additions	6	7	13
Disposals	-	-	-
Balance at 31 December	6	7	13
<i>Accumulated amortisation</i>			
Balance at 1 January	-	-	-
Amortisation charge for the year	3	-	3
Amortisation written-off for the year	-	-	-
Balance at 31 December	3	-	3
Carrying amount at 31 December	3	7	10
Carrying amount at 1 January	-	-	-

9. RECEIVABLES UNDER DEMANDED CLAIMS

Receivables under demanded claims as at 31 December 2019 amount to BGN 23,661 thousand (31 December 2018: BGN 13,946 thousand). The amount is formed of functions of the National Bureau in relation to: (1) activity on handling and payment of claims by the Bureau in its capacity as Compensation Body; (2) traffic accidents occurring on the territory of the Republic of Bulgaria in the cases set out in the Internal Regulations of the Council of Bureaux; 3) activities related to the payment on claims by the National Bureaux for property and non-property damage as a result of traffic accidents caused by motor vehicles with foreign registration plates; and (4) claims from foreign insurance companies or National Bureaux in relation to processing claims of the Bureau's members in the cases of payments made by the Bureau when a member of NBBMI stops performing its obligations for payment to foreign national bureaux or counterparts under insurance events which occurred outside the territory of Bulgaria. Demanded are considered to be the claims filed by NBBMI to its counterparts.

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The receivables under demanded claims are as follows:

	31.12.2019	31.12.2018
	<i>BGN '000</i>	<i>BGN '000</i>
Receivables under damages paid by NBBMI in its capacity as Compensatory Body	376	1,211
Receivables under damages paid by NBBMI pursuant to the Internal Regulations of the Council of Bureaux and in relation to a road accident that occurred outside the Republic of Bulgaria and caused by a non-insured motor vehicle with a Bulgarian registration plate	2,136	552
Receivables from NBBMI members with refused/failed to pay their obligations to foreign bureau and correspondents	21,149	12,183
	23,661	13,946

As at the date when these financial statements were approved for issue, about 26% of the *receivables under demanded claims* had been settled.

10. RECEIVABLES UNDER UNDEMANDED CLAIMS

Receivables under undemanded claims as at 31 December 2019 amount to BGN 2,288 thousand (31 December 2018: BGN 9,967 thousand) and include: (1) receivables under damages occurred in a traffic accident on the territory of another older EU Member State the fault for which is that of a driver with uninsured vehicle with Bulgarian registration plate, paid by the Bureau; (2) indemnities and accompanying expenses on outstanding claims in a process of court proceedings for events occurred on the territory of the country the fault for which is that of a motor vehicle with a foreign registration plate in the Green Card System; (3) expenses on outstanding claims in a process of court proceedings for events in which the Bureau acts as a Compensatory Body; (4) guarantees for suspending court rulings; (5) claims paid by the NBBMI in relation to processing claims of the Bureau's members in the cases of payments made by the Bureau when a member of NBBMI stops performing its obligations for payment to foreign national bureaux or counterparts under insurance events which occurred outside the territory of Bulgaria. As at the date when these financial statements were approved for issue, more than 50% of the *undemanded claims* had been claimed and settled.

11. ADVANCES PAID TO SUPPLIERS

The advances paid to suppliers as at 31 December 2019 at the amount of BGN 4 thousand represent advances under a contract for establishing a system for registration and management of damages (31 December 2018: BGN 2 thousand).

12. OTHER RECEIVABLES

Other short-term receivables include mainly receivables under litigations with NBBMI members – BGN 58 thousand (31 December 2018: BGN 32 thousand), taxes refundable – BGN 22 thousand (31 December 2018: BGN 10 thousand), receivables from Bureau members that constitute non-deposited membership fees – none (31 December 2018: BGN 9 thousand), and other receivables, at the amount of BGN 9 thousand (31 December 2018: BGN 23 thousand).

13. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading available as at 31 December, amounting to BGN 4,477 thousand (31 December 2018: BGN 4,815 thousand), represent investments in government securities – bonds, as follows:

31 December 2019:

Issue	Currency	Issue date	Maturity date	Coupon interest	Nominal	Fair value	Fair value
				%	'000	'000	BGN'000
BG2040114212	EUR	12.02.2014	12.02.2021	3.00%	22 EUR	23 EUR	44
XS1208855616	EUR	23.03.2015	23.03.2022	2.00%	1 087 EUR	1 065 EUR	2 082
XS1208855889	EUR	23.03.2015	26.03.2027	2.63%	1 071 EUR	1 202 EUR	2 351
							4 477

31 December 2018:

Issue	Currency	Issue date	Maturity date	Coupon interest	Nominal	Fair value	Fair value
				%	'000	'000	BGN'000
BG2030014117	BGN	30.01.2013	23.01.2019	2.50%	446 BGN	453 BGN	453
BG2040114212	EUR	12.02.2014	12.02.2021	3.00%	22 EUR	23 EUR	43
XS1208855616	EUR	23.03.2015	23.03.2022	2.00%	1 087 EUR	1 081 EUR	2 115
XS1208855889	EUR	23.03.2015	26.03.2027	2.63%	1 071 EUR	1 127 EUR	2 204

14. BANK DEPOSITS

Bank deposits as at 31 December 2019 include cash blocked with UBB AD in relation to the issuance of an irrevocable unconditional bank guarantee at the amount of EUR 5,000 thousand in favour of the Council of Bureaux. The bank guarantee is valid until 16 April 2021 (31 December 2018: EUR 4,000 thousand).

15. CASH AT BANK AND IN HAND

The *cash* available as at 31 December 2019 amounts to BGN 30,292 thousand (31 December 2018: BGN 26,600 thousand) and is at accounts with the following banks: Commercial Bank Allianz Bank Bulgaria AD, UniCredit Bulbank AD, UBB AD.

Cash includes:

	<i>31.12.2019</i> <i>BGN'000</i>	<i>31.12.2018</i> <i>BGN'000</i>
Cash in bank deposits	9,436	9,434
Cash in current bank accounts	20,854	17,165
Cash in hand	2	1
Cash and cash equivalents	<u>30 292</u>	<u>26 600</u>

Cash in bank deposits constitute cash in a bank deposit with TB Allianz Bank Bulgaria AD with original maturity 36 months. According to the conditions of the deposit agreement, the Bureau disposes of freely and has no restrictions on transactions with the cash during the deposit's term.

The currency structure of *cash in banks* is as follows:

- in BGN: BGN 27,077 thousand (31 December 2018: BGN 26 498 thousand);
- in foreign currency: BGN 3 215 thousand (31 December 2018: BGN102thousand).

16. DEFERRED EXPENSES

Deferred expenses include the following components:

	<i>31.12.2019</i> <i>BGN'000</i>	<i>31.12.2018</i> <i>BGN'000</i>
Membership fee to the Council of Bureaux	64	64
Insurance	18	28
Subscriptions	-	2
Total	<u>82</u>	<u>94</u>

17. GUARANTEE FUND OF THE BUREAU

The amounts in the Guarantee Fund of NBBMI are set aside from 1) induction contributions for each of the members (Art. 41a, Para 1 of the Statutes of the NBBMI); and in case in shortage of funds and by means of a decision of the Managing Board - 2) contributions from members pursuant to Art. 41, Para 3 of the Statute – a certain amount for each vehicle for which Motor Third Party Liability insurance and trans-border Motor Third Party Liability insurance has been concluded; and 3) extraordinary contributions from members in case of cash shortage, pursuant to Art. 41, Para 6 of the Statute.

The total amount of the additional cash contribution for year 2018, which was collected as at 31 December 2019, amounts to BGN 835 thousand from two insurance companies. The amount is presented within the item “Contributions due to the Bureau’s Guarantee Fund” in the balance sheet.

In 2019, following a decision of the Managing Board, claims of foreign National Bureaux were paid at the expense of the Guarantee Fund of the Bureau under occurred accidents the fault for which being that of drivers of motor vehicles with Bulgarian registration plates and a fake Green Card certificate – at the amount of BGN 4 thousand (2018: BGN 27 thousand) and pursuant to a decision of the General Assembly, the financial sanction imposed on the Bureau by the Council of Bureaux for failure to observe the deadline for concluding the reinsurance contract, at the amount of BGN 467 thousand (2018: none).

18. OTHER RESERVES

The other reserves of the Bureau are set aside from the result of the ordinary (regulated) activities, as well as the business activities carried out. The final result (profit or loss) is reported as an increase / decrease of other reserves. As at 31 December 2019, they amount to BGN 2,559 thousand (31 December 2018: BGN 3,491 thousand).

19. PROVISIONS FOR PAYABLES UNDER POLICIES ISSUED BY AN INSURER IN FORCED LIQUIDATION

According to the Insurance Code, the Internal Regulations of the Council of Bureaux, and the Statute of NBBMI, the Bureau shall make payments on behalf of the Bureau and at the expense of each member whose licence to underwrite Motor Third Party Liability insurance has been revoked, has been placed in bankruptcy. In May 2018, the insurance license of IC Olympic, Cyprus, was revoked, and in July 2019 the company was declared in forced liquidation. A legal obligation arose for the Bureau to pay the forthcoming claims for damages incurred abroad under policies issued by the Bulgarian Branch of IC Olympic. NBBMI used the services of a certified actuary in order to estimate the Bureau’s future payables. Their amount as at 31 December 2019 was estimated at BGN 28,726 thousand (31 December 2018: BGN 31,092 thousand), and a provision of BGN 6,297 thousand (31 December 2018: BGN 31,092 thousand) has been accrued in the annual financial statements, against a decrease in the Bureau’s Guarantee Fund. In 2019, at the expense of the provision accrued, compensations have been paid on

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policies issued by the Bulgarian branch of Olympic Cyprus, at the amount of BGN 8,688 thousand (2018: none).

20. PAYABLES UNDER DEMANDED CLAIMS

Payables under demanded claims as at 31 December 2019 amount to BGN 12,882 thousand (31 December 2018: BGN 7,150 thousand). These are related to the activities for claims made by the National Bureaux and foreign insurance companies for property and non-property damages paid by them as a result of traffic accidents caused by motor vehicles with Bulgarian registration plates as well as claims from foreign insurance companies or National Bureaux in relation to payments made by the Bureau for processing claims of its members in the cases when a member of NBBMI stops performing its obligations for payment to foreign national bureaux or counterparts under insurance events which occurred outside the territory of Bulgaria. As at the date when these financial statements were approved for issue, approximately 53% of the *payables under demanded claims* had been settled.

21. ACCOUNTS PAYABLE

The accounts payable represent current payables to counterparts in relation to supply of goods and services rendered. The accounts payable as at 31 December 2019, amounting to BGN 147 thousand (31 December 2018: BGN 67 thousand), represent the amount due by the Bureau to the Council of Bureaux for the membership fee set for 2018, as well as usual payments related to regulating damages under the Bureau's main activity.

22. OTHER CURRENT LIABILITIES

Other current liabilities include:

	<i>31.12.2019</i>	<i>31.12.2108</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Payables to personnel, including:	28	20
<i>Accruals on unused compensated leaves</i>	28	20
Payables for taxes, including	9	54
<i>Value Added Tax</i>	7	32
<i>Taxes on profit</i>	-	22
<i>Other tax payables</i>	2	-
Other payables	77	147
Total	114	221

23. FINANCIAL RISK MANAGEMENT

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In its usual course of business, NBBMI may be exposed to various financial risks, the most prominent being: foreign currency risk, credit risk, and liquidity risk. Therefore, overall risk management focuses on forecasting the results from certain areas in the financial markets in order to minimize the potential adverse effects which might impact the financial results. The financial risks are currently identified, assessed and monitored by means of different control mechanisms in order to adequately assess the forms of maintaining available liquid cash.

Below is a description of the different types of risk that the Bureau is exposed to upon performing its activity, as well as the approach it has adopted to manage these risks.

Foreign currency risk

NBBMI makes payment to all member states of the Green Card System and is therefore exposed to foreign currency risk. In order to minimize this risk, the Bureau requires full recovery of amounts, including potential foreign exchange losses.

Credit risk

Credit risk is related to a risk of financial losses that NBBMI may incur if any of its counterparts is unable to repay its obligations in full or within the usual terms.

As at 31 December, the Bureau's financial assets include cash and receivables. In order to limit the risk regarding cash, NBBMI's policy is to keep cash in a few stable financial institutions in Bulgaria.

As at 31 December, the Bureau has concentration of receivables from one member (BGN 21,036 thousand or 79%), which disputes a portion of its payables, due to which NBBMI is exposed to significant credit risk. In order to minimize the risk, this insurer-member is placed under monitoring, and a guarantee has been established thereby in favour of NBBMI, at the amount of EUR 5,000.

Price risk

NBBMI is exposed to price risk with respect to the financial investments held thereby. In order to minimize the Risk, the Bureau invests its available cash only in government securities, which are low-interest financial instruments.

Liquidity risk

Liquidity risk is the adverse situation of the Bureau being unable to unconditionally meet all of its payables at maturity.

The management of this risk is done in accordance with the approved internal procedures for planning and ongoing monitoring of cash flows by the management to ensure repayment of obligations.

Financial liabilities as at 31 December 2019 comprise liabilities under claims demanded and trade payables, at the total amount of BGN 13,029 thousand (31 December 2018: BGN 7,217 thousand),

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payable within 2 months. Due to a delay or refusal to pay on behalf of its members, the Bureau experiences difficulties in repaying its obligations.

Risk of interest-bearing cash flows

The Bureau has significant interest-bearing assets, which include receivables under claims to foreign bureau and cash in deposits and current accounts. Regarding payables under demanded claims, NBBMI is exposed to interest risk, because according to the Internal Regulations of the Council of Bureaux, deferral interest is due upon delay. In order to minimize the risk, the management tries to make payments on time or claims deferral interest in its claims for reimbursement to bureau or insurers at whose expense the payment was made.

31 December 2019	with floating interest % <i>BGN'000</i>	with fixed interest % <i>BGN'000</i>	interest-free <i>BGN'000</i>	<i>Total</i> <i>BGN'000</i>
Financial assets	835	37,293	33,204	71,332
Financial liabilities	-	12,882	147	13,029
31 December 2018	with floating interest % <i>BGN'000</i>	with fixed interest % <i>BGN'000</i>	interest-free <i>BGN'000</i>	<i>Total</i> <i>BGN'000</i>
Financial assets	8,993	33,182	39,042	81,217
Financial liabilities	-	7,150	67	7,217

24. CONTINGENT ASSETS

Each of the members of the Bureau has established an irrevocable, indivisible and payable on demand bank guarantee amounting to twice the amount of self-interest under re-instance contracts of the respective member, but not less than EUR 600 thousand, in favour of the NBBMI. By a decision of the Extraordinary General Assembly of NBBMI Members dated 19 December 2017, the amount of the bank guarantee for members placed under monitoring was increased in accordance with their market share, and the highest guarantee amount may reach EUR 5,000 thousand. As at 31 December 2019 one of the Bureau's members was placed under monitoring and the amount of their bank guarantee, as per NBBMI's Statutes, was set at EUR 5,000 thousand.

25. CONTINGENT LIABILITIES AND COMMITMENTS

Litigations

As at the date of issue of the financial statements, the following court claims have been filed against the Bureau:

Three members of the Bureau filed three separate court cases with a request for repeal of Art. 38B, Para 7 of NBBMI's Statute, according to which for members placed under monitoring there is a requirement for increase of the amount of the bank guarantee established in favour of NBBMI. Two of the cases were resolved in favour of the Bureau. The third one was repealed at first and second instance. The others were repealed at first and second instance and is currently undergoing cassation appeal.

Two Bureau members filed a court cases to repeal Art. 41, Para 6 of NBBMI's Statute, according to which in case of cash shortage in the Bureau's Guarantee Fund the Managing Board may pass a decision for additional cash contributions by members. The cases were resolved in favour of NBBMI.

A Bureau member (insurance company) filed a claim on the following legal grounds: disputing the fee for processing claims pursuant to a decision of the Managing Board of NBBMI dated 3 November 2015, claimed regarding the bank guarantee placed in favour of NBBMI. The case was resolved in favour of the Bureau.

A Bureau member filed a commercial claim for BGN 549 thousand for unduly paid fees. At the date of issuance of the Bureau's financial statements, no court ruling has yet been issued. The management expects that the outcome of the litigations will be favourable for the Bureau.

26. POST BALANCE SHEET DATE EVENTS

The beginning of year 2020 was related to the aggressive spread of the coronavirus COVID-19, as a result of which the World Health Organisation declared a pandemic on 11 March 2020, and on 13 March 2020 the Bulgarian Parliament imposed a state of emergency in the Republic of Bulgaria. On a global scale, difficulties arose in the business and economic activities of a number of entities and entire economic sectors. The management determines this to be a non-qualifying event according to NAS.

At this stage, no threats and/or direct impact have been identified to the Bureau's viability as a result of the economic consequences of COVID-19. Following an initial imbalance in the coordination between individual members of the Council of Bureaux, communication has been restored and payments are made in a regular manner. NBBMI applies all measures imposed in relation to pandemic prevention. Organisation has been made and the necessary actions have been taken to protect employees' health and ensure continuity of the work processes, including restricted access of third persons, remote work for some employees, disinfection products in NBBMI office.

Therefore, the Bureau has not identified reporting items in the financial statements that have directly impacted certain events and circumstances related to COVID-19, incl. the estimate of receivables and payables. It currently monitors potential risks, respectively – negative impact of the pandemic, by performing ongoing assessment of possible impact of the Bureau's assets, liabilities and operations, as well as initial general reaction and decision plans.

As from 1 February 2020, the common reinsurance contract was concluded with the leading reinsurer Swiss Re, thus fulfilling the requirement of the Council of Bureaux upon placing NBBMI under monitoring.

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In a letter dated 13 July 2020 the Council of Bureaux notified NBBMI that it will proceed to draw funds from the bank guarantee incorporated in its favour, at the amount of EUR 5,000 thousand, in order to pay guarantee claims against the Bureau issued until 30 June 2020, unpaid or partially paid by 30 July 2020. As at the date of issuance of these financial statements, the Council of Bureaux has not initiated absorption of the bank guarantee.